

# CFO

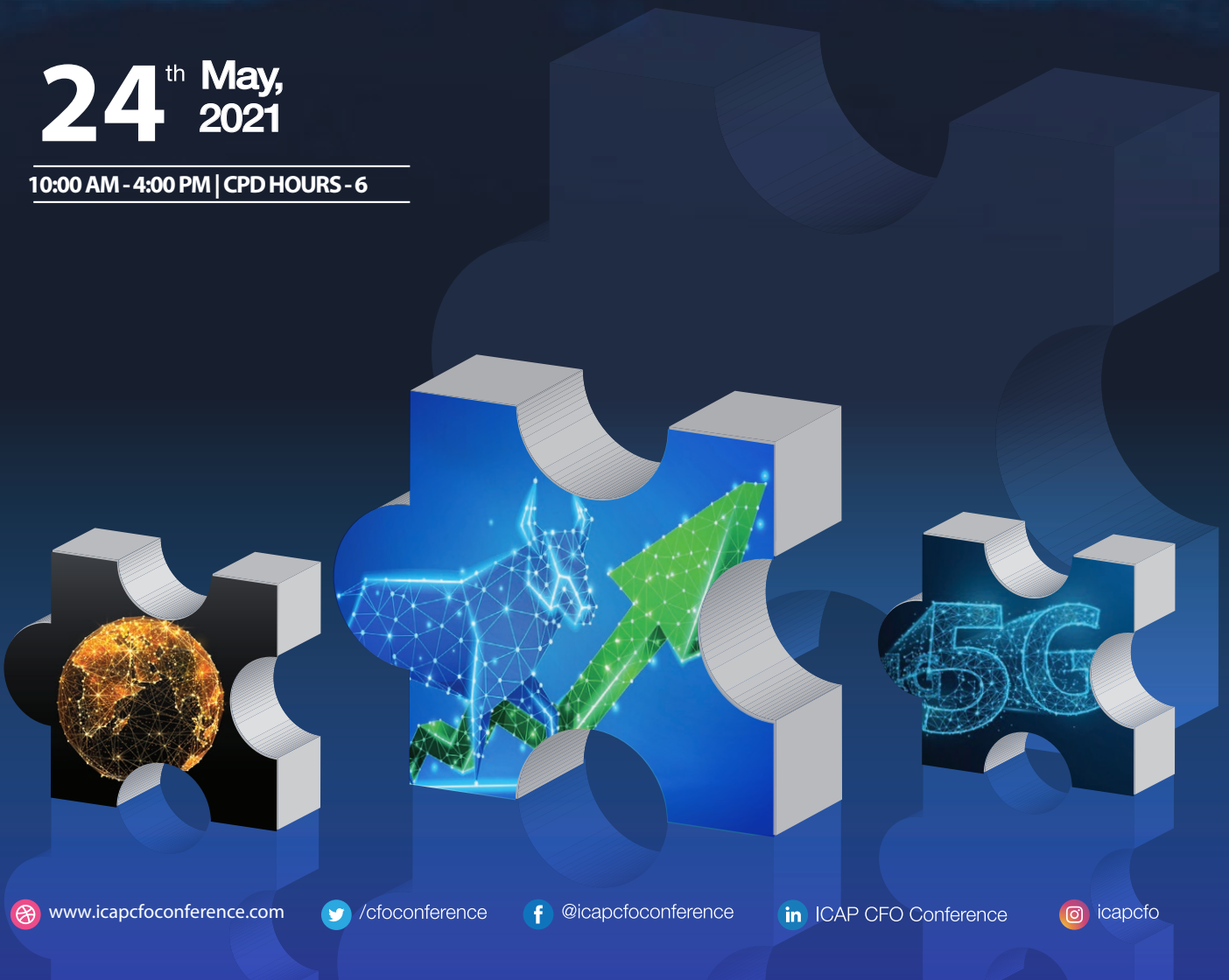
## IN THE WORLD 2.0

360° PERSPECTIVE

Excerpt from ICAP CFO Conference 2021

24<sup>th</sup> May,  
2021

10:00 AM - 4:00 PM | CPD HOURS - 6



# Preface

This paper is an extract from the ICAP CFO Conference 'CFO in the World 2.0 – 360° Perspective' held virtually on May 24, 2021. The paper is reviewed by Chairman, Professional Accountants in Business (PAIB) Committee, ICAP; Mr. Khalilullah Shaikh, FCA and Member PAIB Committee, Mr. Usama Rashid.

The world has undergone the biggest transformations of history in the shortest time, transforming it in every possible dimension. The colossal change demands finance and business leaders to deliberate where the world stands today, where it is headed and what it demands from them to come out of the great reset as a winner.

Finance leaders are on the frontline steering their companies in the right direction with new approaches and agile working systems. Faced with swift changes in business and economic outlook, finance leaders need to strategize for turnaround to tackle short-term business pressures while maintaining a long-term view. It falls upon the finance leader to make challenging decisions for company's survival and most importantly, to be transparent about the health of the company to build trust and confidence among all business stakeholders.

The Conference included discussion and dialogue on key global trends and insights, anticipating and preparing for the uncertain future, the economic reset and its far-reaching implications, the growing start-up industry in Pakistan, technological acceleration and more.

*Disclaimer: Although due diligence has been exercised in compiling information, the Institute does not accept any responsibility for any loss to any person arising out of acting on the information contained in this paper. The views and opinions expressed in this paper are those of the speakers and not of the Institute of Chartered Accountants of Pakistan.*



# Contents

Message from the President .....	04
Message from Chairman PAIB Committee .....	05

## **Global Dimension**

– Trends and CFO Insights .....	07
– Anticipation & Preparation for the Next Uncertainty .....	10

## **Economic Dimension**

– The Future of Developing Countries .....	13
– The Economic Reboot .....	17

## **Technological Dimension**

– Role of Digitalization in Creating Ten Million .....	22
– Digital Transformation .....	23

## **Entrepreneurial Dimension**

– Nurturing and Sustaining the Start-up Industry .....	25
--	----





**Iftikhar Taj, FCA**  
President ICAP

## *Message from the President*

The Institute of Chartered Accountants of Pakistan, formed in 1961, is the regulatory body for the profession of Chartered Accountancy in Pakistan.

The role of a CFO is integral in an organization as it creates value for everyone. CFO is not a title but a mindset that needs continuous enrichment and enhancement to drive the organization in the right direction. CFOs need to be knowledgeable about business trends, global economy, technological advancements and increasing entrepreneurial environment to enhance the value of the organization and other stakeholders.

ICAP is cognizant of the global business and finance changes which is why it is making significant amendments in the existing products and services and introducing initiatives in the education of students, professional development of members and contributing knowledge and value to the economy.

Recently, the syllabus is amended to introduce technology driven topics so that the students become better finance and business leaders equipped with updated skills and knowledge. Moreover, this year, the Institute conducted online examinations which was a necessary step considering the changed world.

ICAP is equally investing time and effort in Quality Assurance Board and AML Board as well. For the first time ICAP has presented a model budget to the finance minister and aims to regularly make significant contributions to help Pakistan economy grow.



**Khalilullah Shaikh, FCA**  
Chairman PAIBC &  
Council Member ICAP

# *Message from Chairman PAIB Committee*

Today marks a milestone achieved by the PAIBC as we enter into the world of virtual platform to give a unique experience to all participants! This milestone has certainly come at the right time as the flagship event of the Institute is entering a new decade raising the bar of the Institute's deliverables.

## **PAIB Committee initiatives**

Following are some of the current and upcoming programs for the finance fraternity,

### **Current projects**

**National Finance Olympiad** – A finance competition being organized since 2015, wherein teams go through three rigorous and interesting rounds testing their strategic thinking and leadership skills.

**Mentorship Program** – A program that connects ICAP Members and Affiliates with experienced industry leaders from across the globe for guidance in professional and personal development. Around 170 mentees has benefitted so far.

**Industry Specific Guidelines** – Brief publications including overview and basic functions of various industries in Pakistan such as textiles, power, pharmaceutical, etc.

**Ethics Dilemma App** – A mobile application that includes corporate ethical dilemmas and instant statistics on views of our members in particular situations.

**CA Toastmasters Clubs** – A platform for improving public speaking and leadership skills of chartered accountants and finance professionals. Clubs are operating effectively in various cities of Pakistan.

**Professional Excellence Awards** – An awards ceremony to recognize chartered accountants.

**Webinar Series** – Total 12 webinars were conducted and papers published on various industries under the leadership of Mr. Khalid Rahman, Council Member, ICAP.

### **Upcoming projects**

**Finance Transformation Series** – A 5-day 360-degree training program for finance professionals.

**Finance and Accounting Exhibition** – A platform for buyers and sellers of finance related products and services to connect.

**Career Driver** – An online tool through which ICAP Members can bridge the gap between their current skillset and desired skillset for a particular finance/accounting role.



# Global Dimension – Trends and CFO Insights

## Driving pillars of global trends

1.	Energy transition in the world	<p>a. Transition from carbon emissions reduction to renewable energy – The carbon reduction targets set in previous treaties and agreements are very clear. This will work when the energy generation from non-renewable resources across the globe will significantly be replaced by renewable energy – wind, solar, water and other energy carriers such as hydrogen.</p> <p>b. Transition from central generation to decentral generation</p> <p>c. Transition from a load-centric to a source-centric transmission network structure</p>
2.	Demand growth for electricity	Currently, more than 850 million people are without sustainable electricity. A demand growth for industries and civil consumption of more than 25% percent until 2040 is expected which means that approximately 60 Gigawatt per year needs to be added into the grid from production perspective.
3.	Digitalization	Digitalization plays a vital role when it comes to intelligence, surveillance, monitoring and controlling as well as artificial intelligence, predictable algorithms to respective measures and service activities. Digitalization also includes smart products and the necessity to focus on edge computing.

## Changing business and finance trends



Changes in business models

Increase in private property investments in the network



Changes in regulatory frameworks

More private companies entering the market



Communication of market participants changing from tech driven to business model driven decisions

Energy trading is becoming more relevant



Impact on workforce from a commercial and finance perspective

*Figure 1 - Changing business and finance trends*



### Staying ahead with the changing business and finance trends

1. Understand how financing structures will impact the business model to constantly create value for the companies and customers.
2. A broader knowledge base to understand customer and the mechanics which drive the business and how it works with the regulator, governmental authorities and surrounding ecosystem.
3. Be cognizant of the changes happening today and in future such as increased trust in employees, increased work flexibility and organize business, way of working and talent acquisition differently.

# *Global Dimension – Anticipation & Preparation for the Next Uncertainty*

To anticipate the next uncertainty as finance professionals and as a society, we need to see disruptive events as the effects of interconnected and dynamic events. The climate crisis and digitalization are accelerating at speed; the effects of each trend will influence each other and in turn shape and reshape our lives.

The effects of technological advances,

## **1. Technology**

In a recent McKinsey survey, many corporate executives reported that their companies have responded to the pandemic by moving 20-25 times faster on digitalization. This shows the necessity for the pace of change.

- With greater use of automated digital tools, data analytics, artificial intelligence, and remote observation tools, audit will become more efficient and less expensive. However, as these tools become more sophisticated and widespread, we will need to weigh difficult questions about whether entrusting certain processes machines will interfere with our ability to apply professional judgment.
- Block chain has the ability to reliably trace transactions and determine ownership rights and obligations. This technology is used to improve data privacy controls and supply chain management.
- Decentralization of access to technology.

## **2. Retooling and reskilling the accountancy profession**

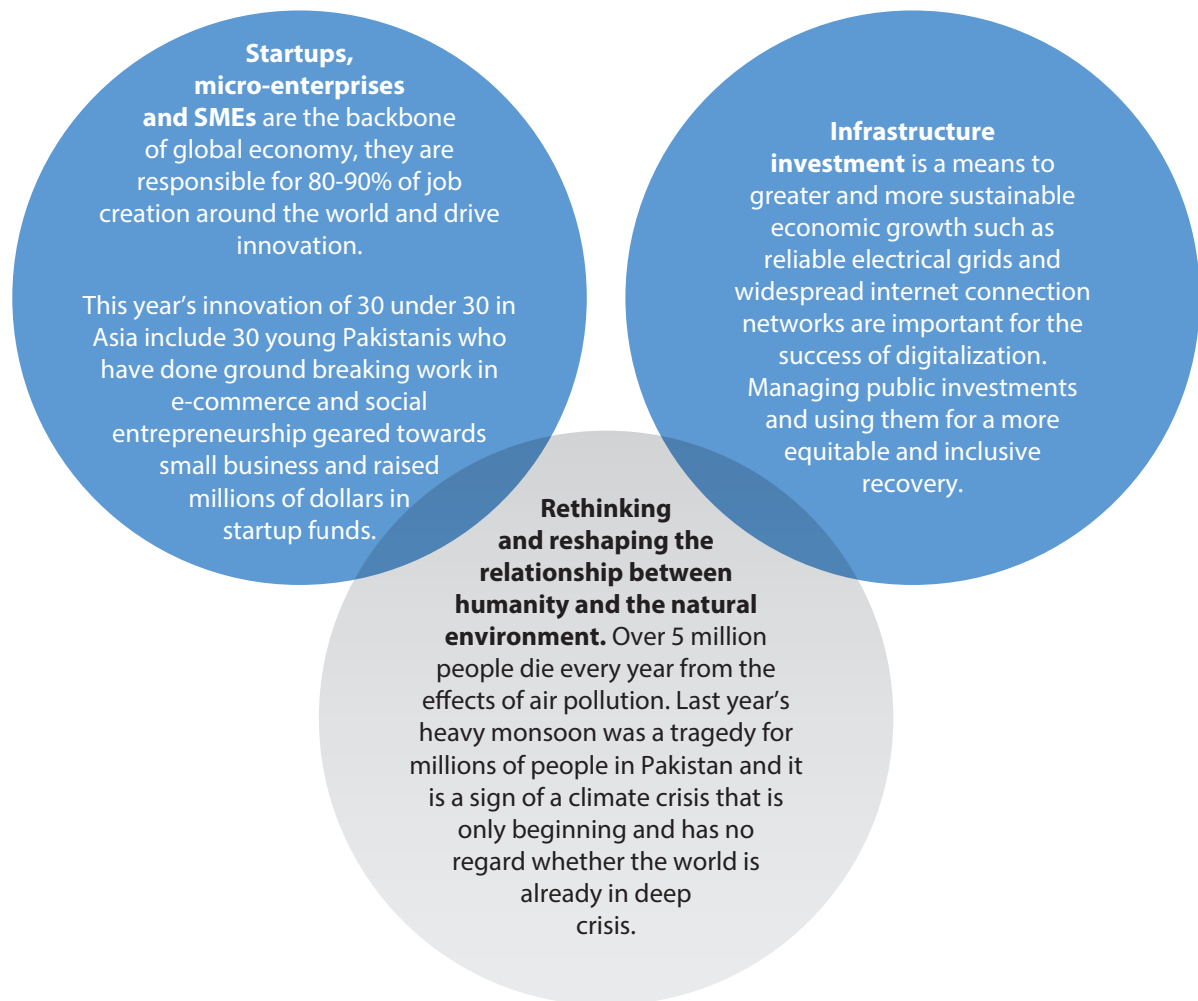
The accountant of the future will need to perform new roles often with advisory responsibilities rather than exclusively technical ones.

The accountancy profession will become more multidisciplinary as the expertise of the non-traditional contributors becomes essential. There is a greater role for a professional accountant as trusted advisors with wider skillset and most importantly the integrity and professional ethics.

Professional accountancy organizations are key to transformation as they are central to reskilling professional accountants at all stages of their career. The students and aspiring accountants need a curriculum of education and training that reflect the emerging digital transformation as well as growing importance of nonfinancial information in reporting and assurance services.

### 3. Reorienting society towards sustainability and fairness

The future finance professional must be focused on reorientation of society towards sustainability and fairness.



**“Professional accountants must step into sustainable roles in the developing digital economy.”**

**Alan Johnson**  
President, IFAC

# COVID-19



# Economic Dimension – The Future of Developing Countries

The economic future of developing countries lies with them. History reveals that economies that were not strong decades ago are now turned into powerful economies.

Pakistan has faced multiple challenges in the past due to which the country has taken assistance from International Monetary Fund. However, considering the experiences of other countries in the world, the future of Pakistan is not constrained due to the difficulties of the past.

## How developing countries cope with covid

Covid is an external shock, while some countries are coping with the crisis in a better way, others are finding the situation more challenging. Before crisis, the emerging markets that had better macroeconomic fundamentals, in particular, external and fiscal balances were bigger such as South Africa and Brazil, faced volatility in terms of exchange rate, financial stability indicators etc. In contrast, the developing countries that had stronger macroeconomic fundamental before the crisis responded to the pandemic in a better way.

When the pandemic started, Pakistan had improved its current account deficit. On the other hand, after 5 years Pakistan's primary fiscal account deficit had a turnaround and there was a surplus in the first 9 months of the fiscal year including a significant increase in tax revenues.

Market confidence increased in terms of capability of Pakistan's economy to respond to and survive the pandemic in a better way.

Pakistan's response to the pandemic A success story			
Public health dimensions	Social safety net	Fiscal policy	Monetary policy
National Command Operation Center's successful smart lockdown strategy and swift decisions	Ehsaas Cash Program to minimize impact on poverty	Accelerated tax refunds of companies to resolve liquidity issues Increase in commodity financing Strong control over deficit and public debt Stimulus package	Policy rates were significantly decreased by State Bank of Pakistan

“Pakistan is one of the only developing countries that undertook fiscal consolidation in 2020, despite Covid; and as a result, recorded one of the smallest increases in public debt.”

**Dr. Reza Baqir**  
Governor, State Bank of Pakistan

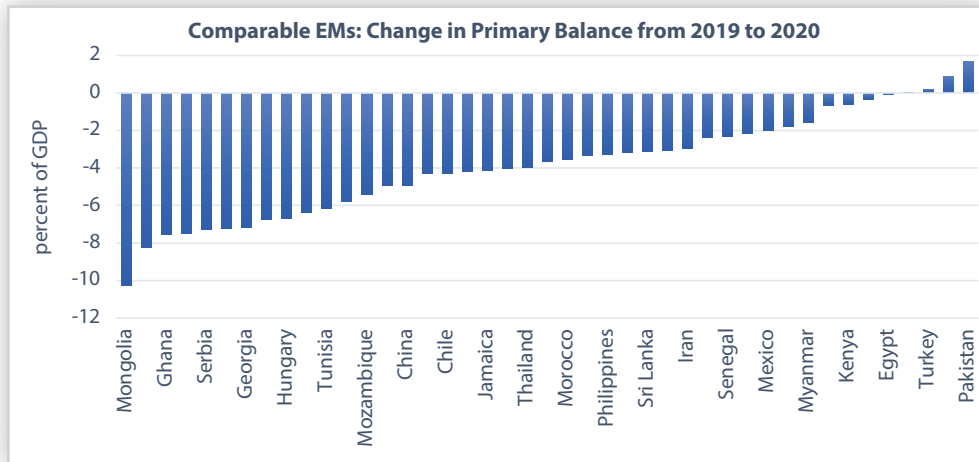


Figure 3 - World Economic Outlook Database, April 2021

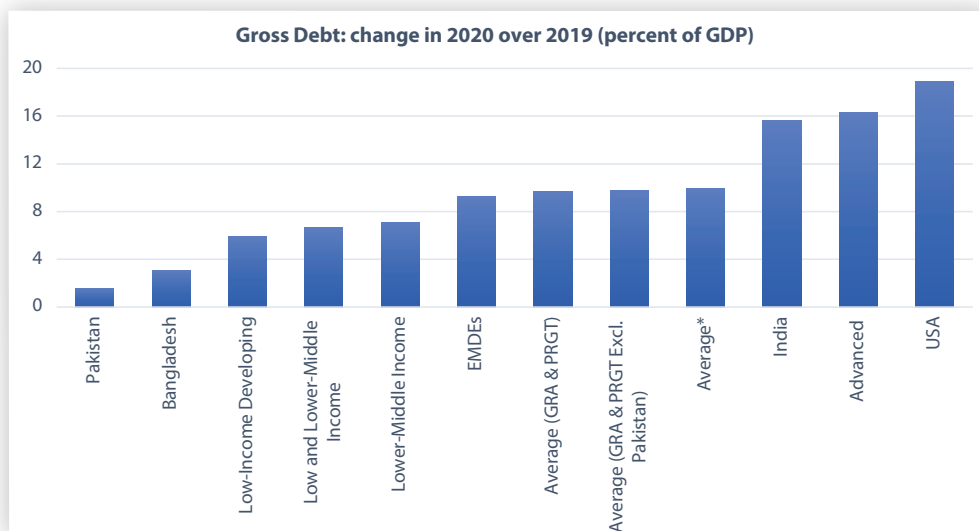


Figure 4 - Source: IMF; World Economic Outlook Database, April 2021; The World Bank; \* excluding Venezuela

#### Changes in Policy Rates of Major EM Central Banks

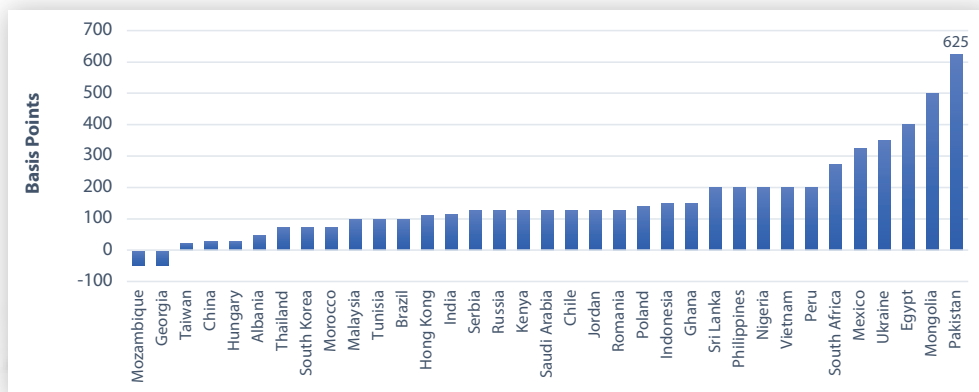
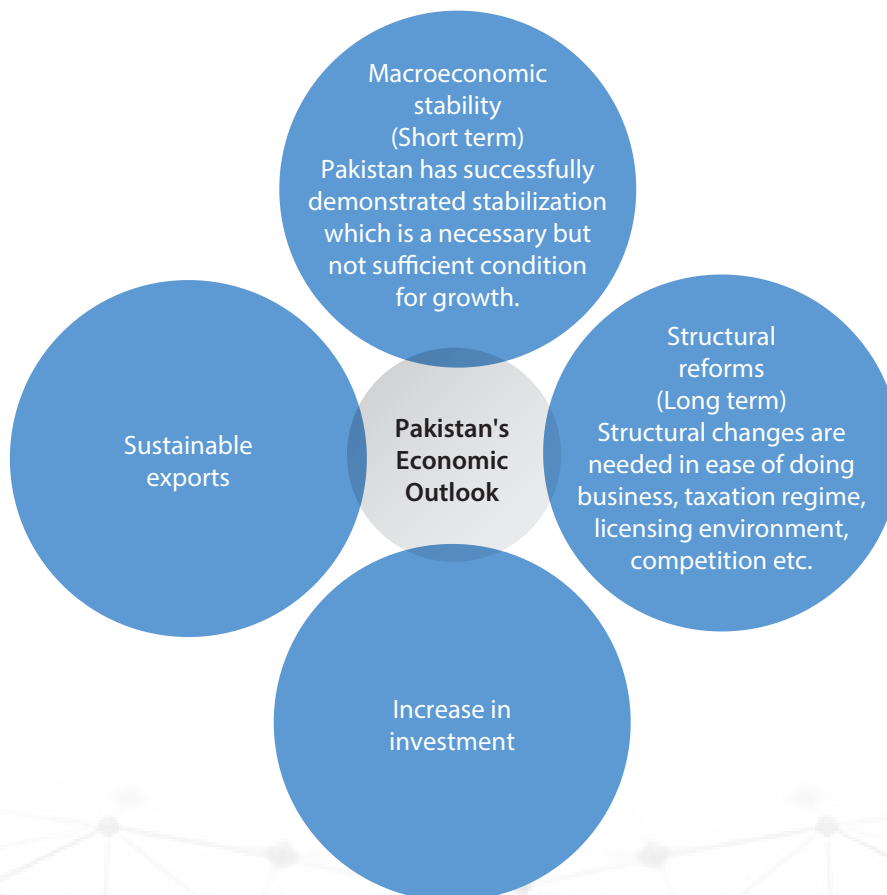
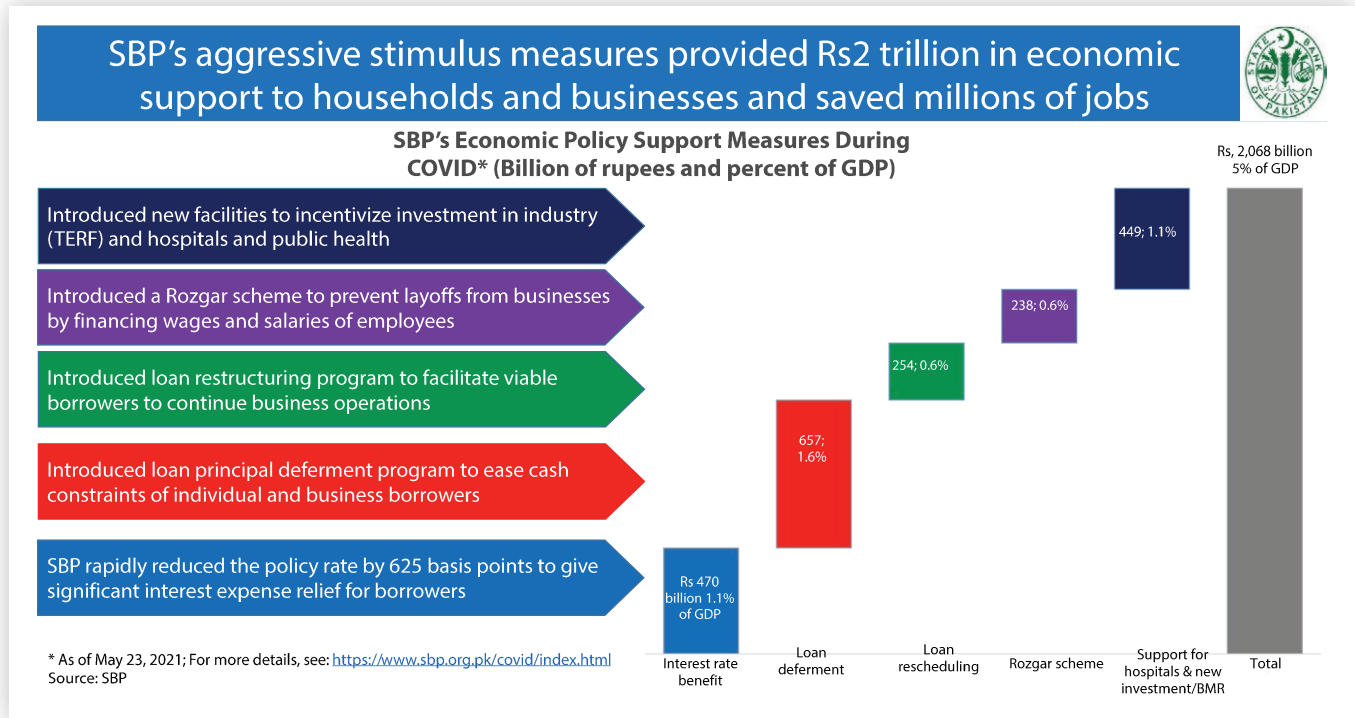


Figure 5 - Basis point reduction in policy interest rates since 1st February 2020

Pakistan is one of the only developing countries that undertook fiscal consolidation in 2020, despite Covid; and as a result, recorded one of the smallest increases in public debt.



## Future of Pakistan

Steps for Pakistan's steady and consistent increase in GDP,

Confidence in having a  
bright future irrespective of  
the challenges of the past.

Fiscal and monetary  
managers have controlled  
stabilization challenges;  
increase in gross reserves  
from 7 billion in June 2019  
to 16 billion currently as  
well as increase in net  
international reserves.

Structural reforms for  
improving growth  
trajectory through focus in  
investment and  
diversification in export  
base.



# Economic Dimension – The Economic Reboot

## Pakistan Debt Dynamics

Pakistan - Current Account Deficits as % of GDP

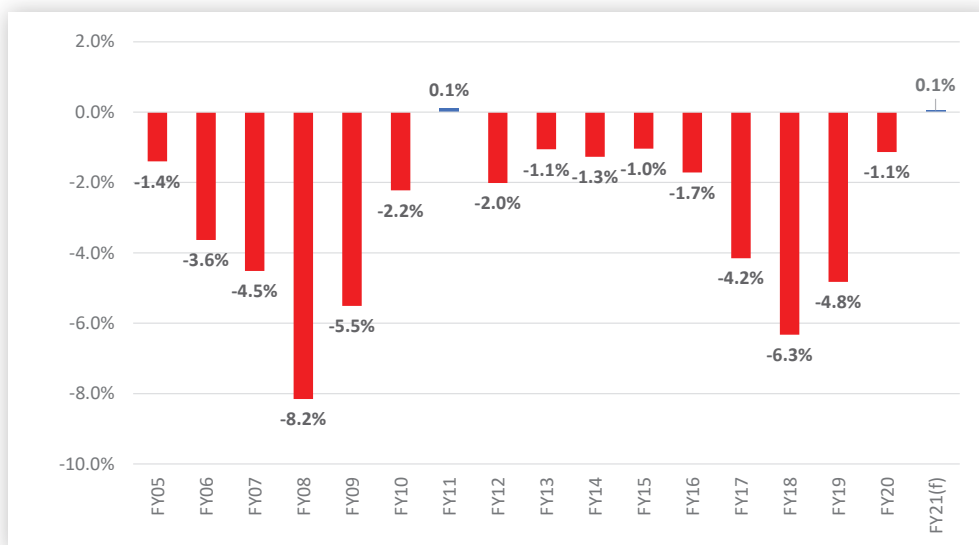


Figure 7 - Pakistan - Current Account Deficits as % of GDP

Total Debt as %age of GDP

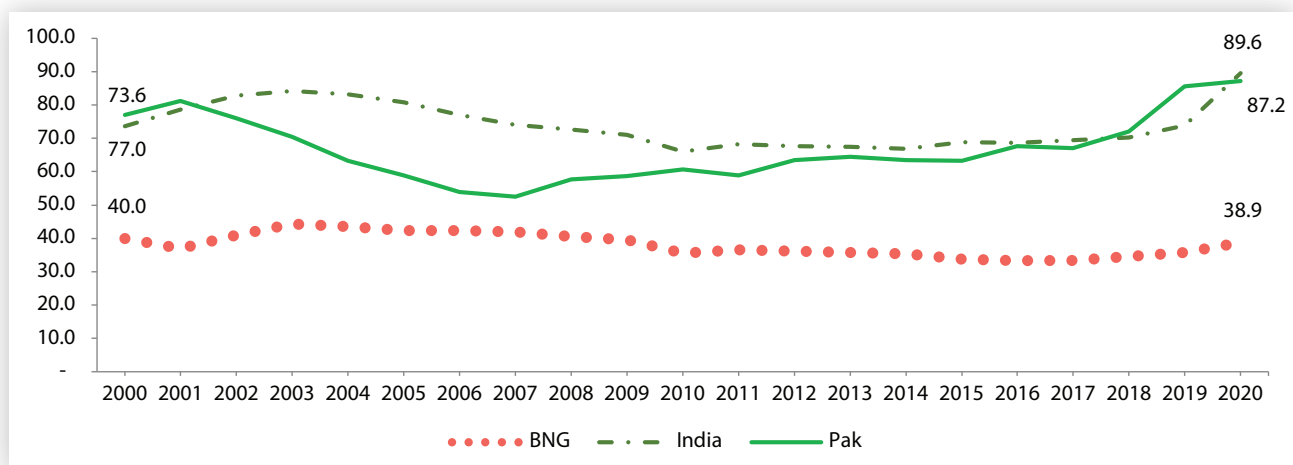


Figure 8 - Source: World Economic Data

Period: 2000 – 2020	Pak	BNG	India
Average	67	38	74

### External Debt as %age of GDP

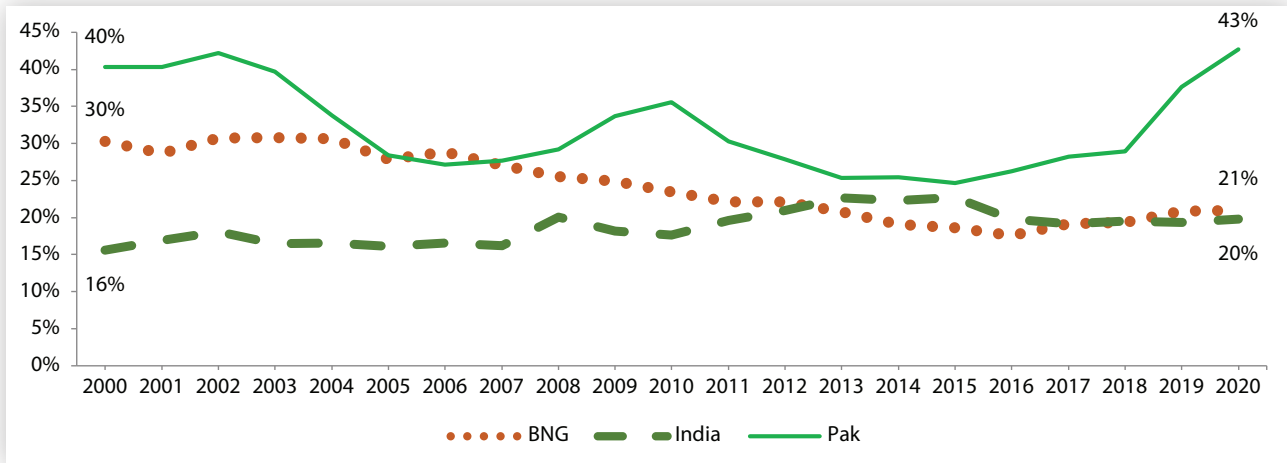


Figure 9 - Source: World Bank

Period: 2000 – 2020	Pak	BNG	India
Average	32	24	19

### Interest payment as %age of GDP

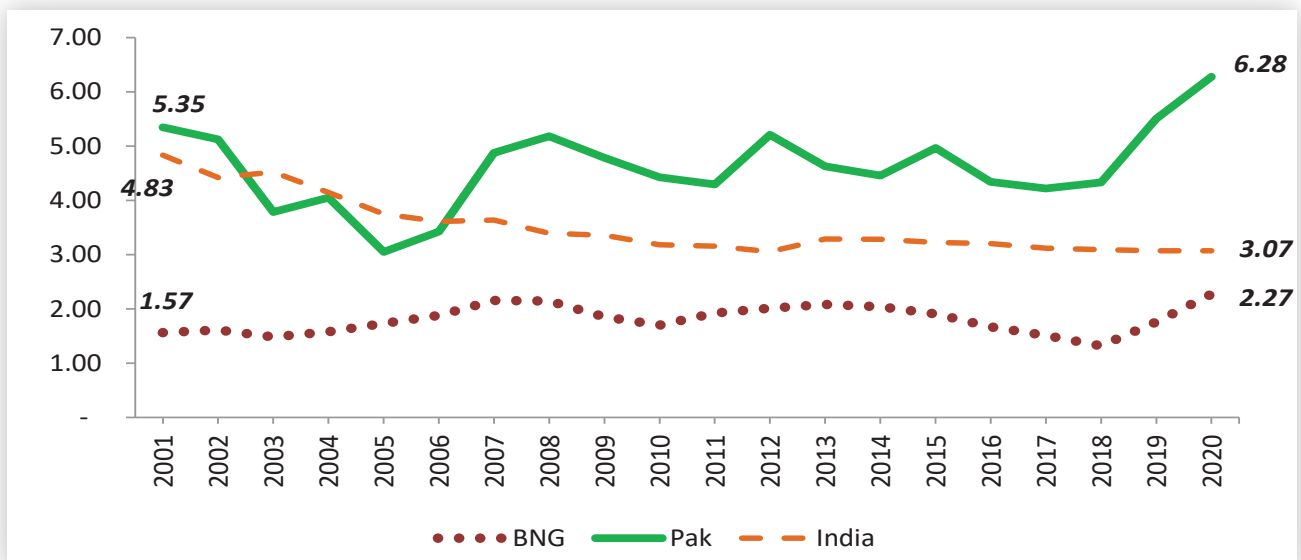


Figure 10 - Economic Survey & World Bank



# Private sector's role in supporting the government and economy

The need for strong balance sheet and reserves which will enhance the ability to withstand volatility in the market

Understand the key issues of Pakistan's economy to help create interventions and resolve them

Rethink the trends of the pre-covid world and realize that some of those trends are becoming imperatives

Engaging millennials who want to work for companies that are purpose driven, empathetic, focused on stakeholder's interest, keen about impact of businesses on environment

Greater focus on Environmental, Social, and Governance (ESG) Objectives

## IT industry trends and challenges,

- Remote working resulting in decrease in operational costs and increase in productivity
- Increase in acceptability of online meetings has resulted in less international travelling and visa challenges
- Forecasting and budgeting challenges due to rupee fluctuation
- Government policies regarding taxation in the IT industry are inconsistent and vague

“Due to  
remote  
working 30%  
productivity  
increased in  
Netsol  
Technologies.”

**Salim Ghauri**

Founder & CEO, Netsol Technologies

# *Technological Dimension – Role of Digitalization in Creating Ten Million Jobs*

Digitalization will improve transparency, efficiency and decision making.

## Seven-point agenda

1	E-residency policy	Formulate a policy through which multinational companies can register in Pakistan and begin operations virtually.
2	Support digital nomads	Create opportunities for freelancers such as engaging them to develop products related to database and application security. This will result in employment opportunities and contribute in exports as well.
3	Increase in tech-unicorns	Collaborations with international startups
4	Expand e-commerce market	International e-commerce platforms entering Pakistani market will open global channels for local manufacturers and sellers.
5	Embrace FinTech	Leveraging technology to facilitate finance functions such as online banking and digital payments.
6	Capacity building	Training in high end technology such as government's recent initiative to provide vocational training programs such as big data, robotics, cyber security, block chain etc. to 50,000 students and fresh professionals.
7	Local partnerships	Industry and academia collaborations to bridge the gap between graduates and career opportunities.

# *Technological Dimension – Digital Transformation*

## Why digitalization is critical for Pakistan?

The agenda behind Digital Pakistan was to support the entrepreneurial ecosystem as well as to uplift the common Pakistani citizen with technology. This can only be done with collaborated efforts of public and private sector. The five-point agenda included a holistic tech policy from access and connectivity to innovation and entrepreneurship and ease of doing business.

The public and private sector has to play a major role in putting up digital infrastructure that will allow innovation. Digital transformation begins with digital identity which is universal and aligned with the government standard. It also includes creation and use of digital data which is correct and has access to the right people and includes digital signatures to facilitate the cycle of converting into digital economy.

Cash to digital economy requires underlying digital infrastructure in place that supports FinTech explosion. Pakistan is not yet ready for FinTech explosion because the underlying digital infrastructure needs to be built first. A push towards standardization and data sharing in a secured manner.

**Freelancers in the gig economy:** The concept and definition of 'job' has changed because of gig economy which has given the ability to anyone who has access to the internet to share content and products globally. Freelancers have thrived irrespective of government policies or initiatives because they had the right platforms as well as the skills. The gap or the market failure is when the 20,000 to 25,000 IT graduates annually leave for further education or better opportunities abroad while the rest of the graduates are not well supported. There is a need to find people who have skills and give them opportunities.

**Capacity building of government and policy makers:** There is a need for base level understanding of where the global economy is heading and where wealth is being generated. From generating notification to understanding Cloud – building awareness of new technologies and their impact is integral. Educational institutions will have to play a role in supporting public sector in capacity building.





# *Entrepreneurial Dimension - Nurturing and Sustaining the Start-up Industry*

- The startups that connect globally from Day 1, make revenue two times faster – hence, there should be focus on moving technology from east to west.
- Angel investors – Startup ecosystems hit velocity when they get a thousand startups. As number of startups increase two times, the value of ecosystem increases five times. This will happen only with the support of angel investors.
- Agility – the ability to quickly adopt to changing world scenario, look ahead and respond.
- Promoting entrepreneurial mindset from an educational level.
- Leverage the gig economy, IT, agriculture and livestock.
- Create space for ideas to flourish but also focus on identifying and investing in the talent that can take the idea to its completion.

Entrepreneurship is the answer to the growing needs of the economy therefore support from the government, private sector as well as investors is crucial.

Local investment has two benefits; it creates more value and confidence in the economy and it keeps the talent within the country. Global investors consider trust of local investors and look for return on investment.

**“Pakistan  
is going to  
be the top  
10 markets  
of digital  
consumers  
by 2025”**

**Mr. Sumair Sayani**  
Founder, Pathos AI

### Global Dimension – Trends & CFO Insights



**Joerg Steinhäuser**  
Executive Vice President Finance,  
Siemens Gas &  
Power GmbH & Co KG

### Global Dimension – Anticipation & Preparation for the Next Uncertainty



**Alan Johnson**  
President,  
International Federation  
of Accountants

### Economic Dimension - The Future of Developing Countries



**Ashfaq Yousuf Tola, FCA**  
President,  
Tola Associates



**Dr. Reza Baqir**  
Governor, SBP

### Economic Dimension – The Economic Reboot

Format: Moderated panel discussion



**Ali Khizar**  
Economist,  
Head of Research,  
Business Recorder



**Dr. Amjad Waheed**  
CEO,  
INBP Fund  
Management Ltd



**Salim Ghauri**  
Founder & CEO,  
Netsol Technologies



**Mazhar Hasnani**  
CFO,  
Engro Corp

### Technological Dimension – Role of Digitalization in Creating Ten Million Jobs



**Dr. Imran Batada**  
Founding Director,  
Center for Information &  
Communication Technology,  
IBA

### Technological Dimension – Digital Transformation



**Dr. Imran Batada**  
Founding Director,  
Center for Information &  
Communication Technology,  
IBA



**Tania Aidrus**  
Former,  
Chief Digital Officer,  
Government of  
Pakistan

### Entrepreneurial Dimension - Nurturing & Sustaining the Startup Industry



**Samiullah Siddiqui, FCA**  
Finance Director,  
Oxford University Press



**Sumair Sayani, FCA**  
Founder,  
Pathos AI



**Jehan Ara**  
President, P@SHA &  
Founder Nest I/O



**Dr. Shahid Qureshi**  
Associate Professor &  
Program Director-CED,  
IBA



**Muhammad Faisal, FCA**  
COO,  
KIA Motors Pakistan