South Asia: Corridor of Opportunities

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Editorial Team
Senior Manager
Samina Iqbal
samina.iqbal@icap.org.pk

Publication
Asad Shahzad
asad.shahzad@icap.org.pk

Co-Ordinators
Afshan Aleem
afshan.aleem@icap.org.pk

Editorial Office: Chartered Accountants Avenue
Clifton, Karachi-75600 (Pakistan).
Ph: 99251648, 99251636-39
Website: www.icap.org.pk

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Editor’s Letter

South Asia’s diversity provides huge opportunities for trade, investment, and economic growth. The region’s remarkable success in recent decades shows its economies have flourished, becoming more closely intertwined with each other and with the rest of the world. South Asia now plays an increasingly important role in the global economy.

In the growth and development of the South Asian region, the accounting profession, perhaps with one of the largest memberships in the world, is playing a dynamic role in ensuring stability and sustainability of regional cooperation and growth.

Over the years, The Institute of Chartered Accountants of Pakistan (ICAP) has exemplified as a key participant in developing the profession nationally and internationally: through its membership, at the regional and global levels in bodies like South Asian Federation of Accountants (SAFA), Confederation of Asian and Pacific Accountants (CAPA), International Federation of Accountants (IFAC) and others. This year’s SAFA Conference 2016 and SAFA Best Presented Annual Report Awards (BPA) 2014 ceremony is a further proof of ICAP’s commitment and dedication to the development of high quality corporate reporting for a successful and sustainable corporate sector in the region.

The seeds of tomorrow are being sown today. Today’s accounting professionals tend to point to current trends which show no signs of losing momentum. One of those trends is towards more decision-making and strategic roles for accountants. People with accountancy training will increasingly be asked to help craft corporate strategy.

In a static environment, accountants can focus more on tracking tools. In an environment of rapid change, they are called upon to evaluate different business models, new opportunities, and the quality of the information coming in, because there is a vast amount of information out there.

The global economic landscape has changed dramatically. The main drivers of this change have been technology, trade liberalisation, freer capital movements, advances in communication and transportation infrastructure and creation of cross border supply chains. The center of gravity of the world economy has shifted east with the emerging economies growing at a much faster pace than the developed economies.

All roads are same, every corridor is unique. The regional integration through economic corridor like China Pakistan Economic Corridor (CPEC) is a fusion of multiple developments in the global, regional, bilateral and domestic contexts. The ultimate objective of which is peace, prosperity and well-being of the people of the two countries, the region and the world.

Yacoob Suttar
Regional corridors play a cardinal role in fostering regional integration and development, and the government has been supporting the development of regional transit corridors in the country through various projects.

To capture the full benefits of regional corridors in South Asia, two aspects should be considered. First, are questions of poverty and social dynamics: all relevant projects must honour these realities and cater to the needs of the inhabitants of areas surrounding established and designated corridors. Second, corridors must be viewed as engines of regional development in themselves and not only as conduits to growth and regional integration. This vision can be realised by the economic corridor development process outlined in the two day SAFA Conference on January 29-30, 2016 organised by ICAP.

The government’s support for corridors aims to stimulate intra-regional and global trade and foster market integration. For some land-locked countries, the corridors are a new opportunity to participate in global trade. In line with the principles of the government’s Regional Integration Strategy, the approach to regional corridors covers both the hard and the soft infrastructure components of development. This encompasses trade facilitation measures and trade capacity-building programs. It also provides for the cross-cutting issues of economic, social and environmental sustainability.

All these developments are having deep impact on business and economic activities. The accounting profession is facing formidable challenges in the emerging business dynamics. The accountants, therefore, must remain vigilant and keep adjusting to the changing business scenarios to maintain the relevance and effectiveness of their profession. I am glad that the thought sharing on the Conference generated useful insight and both the accounting profession and professionals gained a lot from this intellectual exercise.

Pakistan is in dire need for improving relations among all South Asian countries to attain regional integration. Pakistan is persuading China’s One Belt, One Road project, as the China Pakistan Economic Corridor (CPEC) is one of the components of this mega project that would connect South Asia with Central Asia and Europe, and that regional integration is creating much more opportunities for the development and prosperity of the people of the entire region.

Multifaceted challenges are in the offing to be tackled by the business executives, planners and technocrats. Accountants are no exceptions. Fast changing global business and technological environments demand professionals to become proactive and trouble shooters. To survive in this century, we must change our outlook, perception, methodology and processes.

In view of such challenges, I am proud that the theme of the Conference South Asia: Corridor of Opportunities was rightly selected to address the appropriate issues of the 21st century and this issue also covers through a series of articles, the key conditions for transforming corridors into economic corridors, and associated constraints.

Hafiz Mohammad Yousaf
Changing South Asia: Challenges and Opportunities

by Muhammad Sadiq Ismail
This article has been written covering the relevant internal dynamics, trends, relationships, and scenarios in South Asian Counties offering various opportunities and related challenges. The thoughts shared are carried from various internal research papers of the World Bank Group (WBG), (International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID)), personal analysis, discussion at various forums at the World Bank Group Headquarters and International Monetary Fund (IMF) on South Asia’s development; and personal discussions of the author with various economists and colleagues.
The South Asia region has always provided highly contrasting economic images. It is a land of fabulous wealth and of extreme poverty. The region has a small elite of very wealthy people and a large and growing middle class. It has almost one half of the world’s poor even though it has only 20% of the world’s population.

Introduction

India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and Maldives economically constitute South Asia. Containing one fifth of the world’s population, South Asia is the most densely populated, wide and heterogeneous region in the world. Most of South Asia forms a peninsula of about 1.7 million square miles (4.4 million sq. Km) touched by three bodies of water i.e. the Arabian Sea to the west, the Indian Ocean to the south, and the Bay of the Bengal to the east. The region also includes many small islands and the large island country of Sri Lanka, which lies off India’s southern tip. The region links Central and West Asia with South East and East Asia. South Asia covers about 5.1 million km² (1.9 million mi²), which is 11.51% of the Asian continent or 3.4% of the world’s land surface area.

The geographical position of South Asia is also vital for rising interregional trade which helps in generating higher income and prosperity within the region. Demand for both national and international infrastructure services, for both production and consumption, and international trade purposes, has been rising in South Asia. Development of cross-border infrastructure, especially transportation linkages and energy pipelines, across the region, will contribute to the regional integration by reducing transportation costs and facilitating intraregional trade in addition to interregional trade. Therefore, the connectivity challenges, both hardware and software, before the South Asian countries, particularly those that are landlocked and island, require better understanding and adequate support.

The region has always provided highly contrasting economic images. It is a land of fabulous wealth and of extreme poverty. The region has a small elite of very wealthy people and a large and growing middle class. It has almost one half of the world’s poor even though it has only 20% of the world’s population. Poverty is a problem in South Asia, due to the population strain on limited land and other resources, and weak economic development caused by faulty government policies and corruption.

Why is Regional Cooperation necessary?

Regional cooperation is not just an economic aspiration, it can save lives and offer long-term solutions to economic challenges in one of the most disaster-prone regions in the world. The efforts to build an effective economic cooperation model
have been going on ever since the establishment of South Asian Association for Regional Cooperation (SAARC) in 1985. However, in recent years there has been a greater emphasis on achieving the deeper regional economic cooperation. Both the governments and businesses in South Asia have started recognising the benefits of greater economic cooperation in the region, especially in light of the global slowdown. They are trying to improve their business environments, facilitate cross border trade and regional economic relations. The most noteworthy development is the rising interest of the private sector, which was never so strong and explicit.

Similarly, we look at poverty as a regional problem in a globalised world because vast areas of the sub-continent still remain outside South Asia’s impressive growth story. Today, we are reminded that about 40 percent of the world’s poor are living in South Asia where this region has experienced a long period of robust economic growth and it has been among the fastest growing in the world. Growth is projected to steadily increase from 7 percent in 2015 to 7.6 percent by 2017 through maintaining strong consumption and increasing investment.

This strong growth has translated into declining poverty and impressive improvements in human development. Many countries in the region suffer from extreme forms of social exclusion and huge infrastructure gaps, and the larger countries are experiencing increases in inequality. Regional development will be a key to meet global poverty and prosperity goals. The region will play an important role in the global development story as it takes its place in the Asian country. It has the world’s largest working-age population, a quarter of the world’s middle-class consumers, the largest number of poor and undernourished in the world, and several fragile states of global geopolitical importance. With inclusive growth, South Asia has the potential to change global poverty.

It is not a coincidence that this impetus for growth is supported by governments in many South Asian countries that are responding to their citizens’ aspirations for a better life and the search for opportunities beyond their borders.

Growth can be boosted by securing opportunities much closer to home. These can be found in the hydropower potential of Bhutan and Nepal, the textiles of Bangladesh, the IT and services sector in India, the resource corridors of Afghanistan and Sri Lanka, tourism from Maldives and light manufacturing from Pakistan.

Imagine a South Asia where people, industries, goods and services can flow freely in the most profitable way for all. According to a recent World Bank study, unrestricted electricity trade provision could save $9 billion a year of electricity supply costs in South Asia, and also reduce carbon dioxide emissions. This could help transform the lives of some 400 million citizens who still live without electricity.

Another example is the World Bank funded Central Asia South Asia (CASA) Electricity Transmission and Trade Project, involving four countries, two regions and several development partners. The project enables the Kyrgyz Republic and Tajikistan to export 1300 megawatts of surplus power to Afghanistan and Pakistan, while helping establish Afghanistan as a viable land link instead of a land-locked country. As an illustration of how difficult it can be to work across borders in the region, it took WB nine years to get this project off the ground, so one needs a little patience. Economists believe that removing barriers could power intraregional trade from $28 billion today to $100 billion within five years.
According to a recent World Bank study, unrestricted electricity trade provision could save $9 billion a year of electricity supply costs in South Asia, and also reduce carbon dioxide emissions. This could help transform the lives of some 400 million citizens who still live without electricity.

The region has already lifted the second largest number of people out of poverty in history but we have still to unleash the full potential of the region with its 1.7 billion people, which includes 26% of the world’s youth and 40% of the world’s poor. Their tomorrow is in our hands today and we are in the right place at the right time to make this happen. Not only can it happen, it is imperative that it happens for their sake.

World Bank reports extreme poverty in South Asia has fallen significantly but challenges remain

The WBG report, Ending Extreme Poverty and Sharing Prosperity: Progress and Policies published in October 2015, projects the number of people living in extreme poverty in the South Asia region is likely to have fallen to 13.5 percent of the region’s population in 2015, according to new World Bank forecasts, giving fresh evidence that South Asia has been an important contributor to the quarter-century-long sustained global reduction in poverty. Globally, according to Bank estimates released earlier in October 2015, the percentage of people living in extreme poverty will likely fall to 9.6 percent in 2015. “While there has been impressive progress made towards reducing poverty due to strong growth and resilience in South Asian countries, the region is still home to a very large number of the poor,” said Annette Dixon, World Bank South Asia region vice president. “Across the world, jobs are the main avenue out of poverty. Vibrant urbanisation and private sector development can support faster job creation. Investments in quality education, healthcare, and social protection can lead to better jobs.”

The World Bank is using an updated international poverty line of $1.90 a day, which incorporates new information on differences in the cost of living across countries. The new line preserves the real purchasing power of the previous line (of $1.25 a day in 2005 prices) in developing countries. Using this new line (as well as new country-level data on living standards), the World Bank projects that extreme poverty in South Asia would fall to 13.5 percent in 2015, compared to 18.8 percent in 2012.

The updated global poverty line and rate are based on newly available price data from across the world impacting not only where the global poverty line is drawn, but the cost of basic food, clothing, and shelter needs of the poorest around the world. However, this global measure is only one of many important measures to track in order to better reach the poor and vulnerable. In an effort to improve data quality, as part of the Bank’s End Poverty campaign efforts, the Bank is launching an initiative to expand data collection for the poorest countries in the world.

The Business Environment in the Region

For policy makers trying to improve their economy’s regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. Economies are ranked from 1 to 189 by the ease of doing business ranking. The chart below presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking.
Chart 1: How economies in the South Asia rank on the ease of doing business

Source: Doing business database 2015, published by the World Bank

The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier.

The 10 topics considered to analyse the ranking and score are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies in the region and compared with the regional average.

**Policy Challenges faced by the South Asian Region**

Growth in South Asia was driven by India, the region’s largest economy, which emerged from two years of modest growth. Regional growth is projected to rise to 7.6 percent by 2017, as reforms ease supply constraints in India, political tensions subside in Pakistan, remittances remain robust in Bangladesh and Nepal, and demand for the region’s exports firms. Past adjustments have reduced vulnerability to financial market volatility. Risks are mainly domestic and of a political nature. Sustaining the pace of reform and maintaining political stability are key to maintaining the recent growth momentum.

The region has significant policy challenges; some broad level have been discussed here:

• Electricity supply remains unreliable. Although reforms to increase private sector participation and to auction some 200 coal mines to the private sector are important

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first steps, coal output will likely rise only slowly given still substantial impediments before the bulk of these can be put up for auction.

- Weak bank balance sheets continue to impede financing for an upturn investment cycle. Stressed bank loans (including restructured loans) exceed 10 percent of loans in Bangladesh, Bhutan, India, and Pakistan. Restructured and problem loans need to be recognised as nonperforming, even though this would impair capital (with possible need for fiscal support).
- Measures to simplify the tax system, broaden the tax base, and improve compliance will be critical for fiscal consolidation efforts. Momentum on tax reform, notably the introduction of a value added tax, has been weak, despite low revenue mobilisation compared with other developing countries. Tax administration systems are extremely weak in several countries in the region.
- The fiscal cost of food and fuel subsidies is also heavy. Energy subsidies alone amount to between 6-10 percent of revenues in India and Bangladesh, and 30 percent in Pakistan (IMF, 2013b). The decline in international crude oil prices over the past year has lowered fuel subsidy bills, making it easier to liberalise diesel prices.

**South Asia: The region is now more focused towards development and providing new opportunities**

In closing, I want to acknowledge that the issues I have discussed in this article are well known. So this forces the question – why hasn’t more been done? Major policy shifts require both boldness and staying in power. They require building consensus across the political spectrum, and focusing on a few key items well over a long period. Despite obstacles such as conflict, corruption and high fiscal deficits in some countries, South Asia has achieved impressive economic growth and poverty reduction in the past few years. As a matter of fact, South Asia is the most dynamic region in the world, but it is also least economically integrated.

The results of these focused and more regional integrated policies results in the improving GDP throughout. Many South Asian countries show potential for accelerated growth in the short to medium term. However, the transition in Afghanistan, the earthquakes in Nepal, and revisions to national accounts in Sri Lanka, has resulted in all three countries experiencing slower growth than previously expected.

Chart 2: South Asia Region growth figures and forecasts for 2016

<table>
<thead>
<tr>
<th>Real GDP Growth</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tr>
<td>Afghanistan</td>
<td>1.3</td>
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<td>India</td>
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<td>7.8</td>
</tr>
<tr>
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<td>5.0</td>
<td>5.0</td>
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</tr>
<tr>
<td>Nepal</td>
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</tr>
<tr>
<td>Pakistan**</td>
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<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Srilanka</td>
<td>4.5</td>
<td>5.3</td>
<td>5.6</td>
</tr>
</tbody>
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Note: Real GDP growth rates (percent) pertain to respective countries fiscal year.

** Pakistan real GDP growth rate reported at factor cost.

Source: The World Bank Macro Economic and Fiscal Management Overview (MFM).

About the author: Muhammad Sadiq Ismail is currently an auditor at the World Bank Group Headquarters, Washington DC.

The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier.
South Asia which comprises of Pakistan, Bangladesh, India, Sri Lanka, Nepal, Bhutan, Afghanistan and Maldives contributes significantly to the world development in the following manner, and as a result has established its importance on the global map:

1. South Asia has experienced a long period of robust economic growth, averaging 6% a year over the past 20 years. This strong growth has translated into declining poverty and impressive improvements.

2. South Asian population is around 1.4 billion and consumption as compared to Europe and other parts of the world is high, which may attract the rest of the world for their economic development in the shape of investments, sale of goods, etc.

3. South Asian countries consists of under-developed and developing states and produces economical and inexpensive skill and intellectual human resources, from which rest of the world may be benefitted in many areas including maintaining global competitive prices. For example, chartered accountants of Pakistan are highly demanded globally as they maintain international standards and possess leadership qualities. Likewise, the field of technology is captured by the Indians while for technical skills Bangladeshis have a global demand.

4. There are unlimited un-tapped natural resources in South Asian states which can be explored by investing in them.

5. South Asian states are comparatively less exposed to natural calamities by the grace of Almighty Allah, which undoubtedly contributes to the world development.

6. Due to availability of cheap human resources and inclination to rural land developments in South Asian states, the prices of goods and commodities are very low, which also attracts the rest of the
world like USA to get advantage out of it. For example, advanced states are gradually converting their rural land into urban land to fetch better prices and are importing agricultural goods from South Asian states by paying attractive prices, which holds and discourages South Asian states to convert into urbanisation.

7. As compared to advanced countries, South Asian countries are tax haven for the rest of the world as the rates of Income Tax, Value Added Tax (VAT) and other duties and levies are much lower, Income Tax and Sales Tax systems are relatively hassle free and there are a lot of exemptions, concessions and reliefs in the tax regime.

8. South Asian countries being underdeveloped or developing states encourage small investments and family businesses over huge investments and businesses. This saves from major losses of wealth, scandals and public frauds and is therefore a blessing in disguise.

9. South Asian countries offer high rate of return on investments, savings and relaxed foreign exchange rules as compared to advanced countries.

10. World Bank is optimistic about the developments in South Asian states and their comments on each of the South Asian country are as follows:

- In Afghanistan, the political and security transitions have led to a weaker outlook, with growth estimated at 1.9 percent for 2015. Fiscal vulnerabilities remain high and will require a large revenue effort and sustained levels of aid. Future prospects hinge critically on improvements in security and forceful implementation of reforms.

- Bangladesh has seen an increase in domestic economic activity since April 2015. Gross Domestic Product (GDP) is expected to grow by 6.5 percent in 2015 and 2016, supported by healthy agricultural production along with a recovery in services and domestic demand. But instability measured with a declined export, an only modest rebound in remittances, and continued weakness in private sector credit growth, remain matters for concern.

- Economic activity in Bhutan is expected to gain momentum with real GDP growing at 6.7 percent in 2015. This solid performance is driven by new hydropower construction and innovative tourism measures, such as 'Visit Bhutan 2015'. Private sector development is the key to reduce the country’s vulnerability to donor finances and to address the rising unemployment.

- In India, GDP growth accelerated to 7.5 percent in 2015 and 7.8 percent in 2016 lifted by cheap oil prices and limited exposure to the global financial turmoil. However, delays in the adoption and implementation of key reforms could affect investors’ sentiments. A weak trade performance and financial sector vulnerabilities could also hold back GDP growth.

- In Maldives, economic growth continued its recovery from the 2012 dip, and inflation has slowed down, but the economy remains undiversified, primarily depending on the tourism and the fisheries sector. Growth rate was 5.0 percent in 2015 and 3.9 percent in 2016.

- Nepal has begun to recover after the loss of life and economic devastation from the April and May earthquakes 2015. From an expected 5 percent, GDP growth dropped to 3.4 percent in 2015 and to tick up to 3.7 percent in 2016. Although macroeconomic fundamentals remain strong, weak execution of public investment slows down both infrastructure development and post-disaster reconstruction.

- In Pakistan, gradual recovery to around 4.5 percent growth is expected by 2016 which is aided by low inflation and fiscal consolidation. Increases in remittances and stable agricultural performance contribute to this outcome. But further acceleration requires tackling pervasive power cuts, a cumbersome business environment, and low access to finance.

- In Sri Lanka, growth is expected to increase to 5.6 percent in 2016 due to higher public sector wages and higher disposable incomes. However, the loser fiscal stance behind this strong domestic demand is also putting pressure on the external balance. Maintaining the growth momentum will require higher tax revenue, rationalised public spending and greater competitiveness.

The South Asian countries undoubtedly have the potential to grow further. To attract the rest of the world, they have to address issues like education, healthcare, energy, law and order, political stability, urbanisation, industrialisation and employment.
“History has been unkind to Pakistan, its geography has been its greatest benefit.” - Stephen Cohn. It has resources rich area in North West, people rich in the north east.

After industrialisation, the geography of a country matters more than its size. In 1985, after formation of different cross national alliances in the world, South Asian Association for Regional Cooperation (SAARC) came into existence with aims of promotion of South Asia citizens’ welfare and enhancing quality of their life, strengthening inter-regional cooperation and above all, acceleration of economic growth. Initially, seven South

According to World Bank, the least integrated region in terms of trade is South Asia, where trade is 3% of combined Gross Domestic Product (GDP) of the whole region, which is a cumin seed in a camel’s mouth.
Asian countries joined hands together to form the cooperation i.e. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, later, on Afghanistan was added in 2006.

Pakistan enjoys an important geo-strategic position in South Asia, shares 1400 mile long border with Afghanistan, 590 mile of common frontier with Iran, 450 mile of long coastline of Arabian Sea, located at the mouth of Indian Ocean, which makes Pakistan the gateway for central Asian states. As 75% of the world trade passage is through Arabian Sea, Pakistan has about 700 km of coastal line and deep sea port of Gwadar, which makes her central point in trade route. Geo-strategic position of Pakistan, in terms of trade and connecting different regions together, is hegemonic. Not just South Asia, but Pakistan is geographically near to oil rich gulf countries, the strait of Hurmuz, which is famous as passageway for the world’s largest oil reserve, is near to Pakistan. Pakistan appeased Central Asia for transit and trade because of its location. According to World Bank, the least integrated region in terms of trade is South Asia, where trade is 3% of combined Gross Domestic Product (GDP) of the whole region, which is a cumin seed in a camel’s mouth.

The geo-strategic importance of Pakistan in the region is pre- eminent. Despite of Indian investment in Chabahr port, Iran to connect with Afghanistan for trade, focus is on Pakistan for trade passage. Indian finance minister Swaraj asked Pakistan to provide access to Afghanistan in the recent, Heart of Asia Conference 2015, Islamabad and the same was reiterated verbatim by the Indian prime minister during his sojourn at Lahore on Dec 25, 2015. Pakistan’s route of trade to Afghanistan for India is economically and financially viable than others. China, the third largest country by area and the second in South Asia, lacks any hot water port to use throughout the year for trade and to access the resource rich Middle East region via Arabian Sea. Therefore, the Gwadar port is economically and strategically a feasible option available to China to link herself with Middle East instead of the long route of Strait of Malacca. The recent China Pakistan Economic Corridor (CPEC) is strategic game changer in the region. The Asian Development Bank (ADB) terms the project as “CPEC will connect economic agents along a defined geography. It will provide connection between economic nodes or hubs, centered on urban landscapes, in which large number of economic resources and actors are concentrated. They link the supply and demand sides of markets.” CPEC will expand the number of trade routes between China, Middle East and Africa.

Regardless of countless opportunities naturally available to Pakistan, it is time to materialise the geo-strategic hegemony of the country by authorities etc. Gone are the days when wrangling on petty issues was the focus of administration and state authorities, now time requires vision to sustain in the globally competitive world. According to Napoleon, “The foreign policy of a country is determined by its geography.” Therefore, daintiness of time calls for the consensus from all sphere of the country to make Pakistan more progressive, economically and socially. Relations with all neighbours and partners should be wholesome to promote the image of Pakistan as a nation.
South Asia: Corridor of Opportunities

by Aqeel Ahmed

What are Economic Corridors?

Economic corridors are integrated networks of infrastructure within a geographical area designed to stimulate economic development. Corridors may be developed within a country or between countries. Transport and economic activities are inextricably bound with each other. Transport corridors are a set of routes that connect the economic centers within and across countries. A transport corridor encompasses several centers of economic activity. Sub regional transport corridors connect to a regional transport system from urban areas in a country. Upgrading transport and energy infrastructure brings in investment to a region, initially into sectors where there is potential to develop projects. Subsequently, connectivity and growth attract investments in related sectors. Thus, a transport corridor in a geographic space is enhanced with improved infrastructure and logistics, and grows as an economic corridor. The economic corridor approach emphasises the integration of infrastructure improvement with economic opportunities such as trade and investment, and it includes efforts to address the social and other outcomes of increased connectivity.

The South Asian Context

South Asian states are very important because of their geo-strategic location; and their location has evoked much interest not only among the major powers and other small states but their strategic location is also important for each other, because of the trade purpose to other states. South Asia has seven states: Pakistan, India, Nepal, Bhutan, Bangladesh, Maldives and Sri Lanka.

Pakistan is uniquely placed in South Asia. It connects most of the countries of the region that do not have contiguous borders. Various studies have identified the important transport corridors in the region. There are large opportunities for trade, investment and economic growth in the region, particularly when the integration process is low in the region.

Economic Corridors and Regional Economic Integration

South Asia’s diversity provides huge opportunities for trade, investment and economic growth, as evident from the region’s remarkable success in recent decades.
Pakistan is uniquely placed in South Asia. It connects most of the countries of the region that do not have contiguous borders.

Its economies have flourished, becoming more closely intertwined with each other and the rest of the world. South Asia has the largest economy in the world and plays an increasingly important role in the global economy. Being the largest economy, it will encourage more fragmentation of production and services between regions, if the regional economy is adequately supported by cross-border infrastructure facilities. A well-planned regional infrastructure would not only reduce trade costs but also encourage efficiency-seeking industrial restructuring. On the one hand, economic corridors are meant to fill regional infrastructure gaps and on the other, promote pro-poor socio-economic development. They help increase trade flows, create employment and reduce poverty.

In view of the above, the broader objective is to investigate the role of institutions and governance in economic corridors. In particular, it attempts to identify the potential of and the obstacles to South Asia’s road to economic corridors and presents a vision for South Asian economic corridors, including the tasks needed to achieve this.

**Role of Economic Corridors**

Economic corridors play a key role in integrating economies across regions. Some of their environmental effects notwithstanding, well-functioning and efficient economic corridors are essential for the development of a region. For example, reducing the costs of transportation, both within and across regions, improves international market access, increases income and reduces poverty. Regional infrastructure relations to welfare can be seen in both direct (through changes in distribution) and indirect (through wider growth effects and stimulating economic activity) terms. Therefore, economic corridors have been viewed as major determinants of economic integration.

Given the rapid growth of regional economic activities in South Asia, economic corridors have become a strong catalyst to regional economic integration. The development of infrastructure across the region, especially transport links and energy pipelines are under way and this is expected to contribute to integration by reducing transportation costs and facilitating intraregional trade and services.

**Economic Corridors, Institutions, and Growth: Empirical Linkages**

Economic corridors are important determinant of economic growth and income levels, since they affect, for example, transaction costs. Transaction costs are high, if economic actors cannot fully trust property rights or the rule of law. They then operate on a small scale, use inexpensive but less-efficient technologies, and are less competitive. They may even retreat to the black market economy and rely on corruption to facilitate operations. Overall, the impact of institutional quality on income levels can be explained through three different channels.

i. Information asymmetries, as institutions channel information about market conditions, goods and participants;
ii. Reduced risk, as institutions define and enforce property rights; and
iii. Restrictions on the actions of politicians and interest groups, as institutions make them accountable.

There may also be a reverse influence from income levels on institutions and governance, since citizens in richer countries are likely to have a stronger preference (as well as the knowledge and resources) for high quality institutions and good governance.
In addition to institutions and governance, trade has a positive effect on income levels. Economic growth rates and income levels are likely to raise from comparative advantages in particular goods, economies of scale in production, availability of technology spillovers and information. However, the extent to which a country is integrated with the rest of the world is endogenous in that trade influences, economic growth rates and vice versa. For example, trade may boost welfare in the medium to long term, but expanded trade may be the outcome of increased productivity levels, which could be an attribute of the market attractiveness and competitiveness of a particular nation.

Institutions may also have an indirect impact on income levels through trade, as high quality institutions reduce the risk premium required for international trade. Conversely, trade may influence the quality of institutions and their governance. From a theoretical perspective, there are three main channels for a positive linkage. First, economic agents in open economies may learn from their experience in other countries and adapt (or imitate) successful institutions and regulations. Second, international competition may force countries to improve their institutional and regulatory mechanisms. Third, rent-seeking and corruption may be harder in more open economies, as foreign firms increase the number of economic agents. Better regional institutions improve the regional investment climate and increase Foreign Direct Investment (FDI) inflow into each country.

Theoretically, Asian countries can be expected to benefit from lowering trade barriers, mainly from exchange and specialisation through trade. However, trade benefits would be suboptimal or unattainable if they are not supported by adequate infrastructure and institutions that practice good governance. Smaller economies in Asia are less likely to achieve welfare gains from trade liberalisation because of perennial economic asymmetry, where increased market access to them may have no positive effect in the short to medium term. The poor quality of institutions has been identified as a major reason for the disappointing export performance of smaller economies. Therefore, many FTAs go beyond the standard features by emphasising the political dimension, explicitly addressing corruption, promoting participatory approaches and refocusing development policies on poverty reduction. What follows is that infrastructure and growth are positively correlated. Further, the quality of institutions and correct policies matter to long run economic growth.

**Relevance of Economic Corridors in South Asia**

High transport costs and low connectivity are detrimental to a country’s development and present particular challenges to landlocked countries. Promoting corridors and bilateral and regional transit arrangements between landlocked countries and their transit neighbours is an important means of overcoming obstacles to competitiveness. South Asian economic corridors envisage reducing trade costs, which will lead to increased trade and investment. They can also indirectly induce increased FDI, mainly through intra-firm vertical integration across borders that exploit the comparative advantages of each location. Such increases in FDI further increase regional trade. This defines a virtuous triangle of mutually reinforcing effects between cross border infrastructure development, trade and investment; consequently, one can expect higher economic growth and poverty reduction especially, if institutions and policies are in place to ensure the poor take part in this growth. Increased trade and growth also expand the fiscal resources available to governments, enabling them to consider new policy options (for example, investments in education, health or social security systems). Any improvement of national and regional infrastructure will enhance regional trade, improving the competitiveness of goods and services, encouraging their economic exchange and adding to the growth momentum of trade and FDI. Recognising the importance of transport integration in South Asia, the South Asian Association for Regional Cooperation’s (SAARC) Islamabad summit in 2004 decided to strengthen transport, transit and communication links across the region.

**Given the rapid growth of regional economic activities in South Asia, economic corridors have become a strong catalyst to regional economic integration.**
Determinants of Economic Corridors

The bivariate associations between income, infrastructure and governance indicate that institutional quality has a positive and significant effect on income and infrastructure. Importantly, trade also has a positive impact on governance, infrastructure and a country’s output, suggesting that it can have an indirect effect on incomes by improving the quality of institutions and infrastructure. To find the probable determinants of regional infrastructure, we define it as a product of the scale and structure of a country’s economic size, domestic and international demand through production and international trade and governance in institutions, among others.

Fostering Economic Corridors: The Enabling Environment

An economic corridor network is essential for South Asian countries to get their goods to markets more efficiently, quickly and cheaply, but progress on this has been limited because of many social, political, economical and technical factors. The technical factors include the absence of integrated and harmonised railway networks; the absence of adequate overland official trade outlets and associated facilities, the absence of trade facilitation policy measures (especially in the interior of countries); and the absence of transit trade (in the whole region, with some exceptions).

Though efforts to develop a South Asia wide transport network began at the end of the 1990s, little progress was achieved till now. The demand for physical connectivity has increased in recent years to support export-led growth strategies and fragmented production networks. Nevertheless, the need for full regional connectivity highlights the significant role regional cooperation can play. For instance, building economic corridors between countries helps infrastructure development that leads to better facilities for trade, and also promotes regional development through agglomeration of industries. Though transportation costs are not very significant in cost of production, a liberalisation of regulations between countries allows the free movement of trucks across borders, reducing the transportation costs significantly. In this age of cutthroat competition, this may well tilt the comparative advantage toward countries, creating significant welfare gains for the region as well.

As goods begin to move along international transport corridors, the need for harmonisation of laws and processes among countries becomes clear. International conventions related to transport facilitate the movement of goods, especially at border crossings, by reducing procedures and formalities and saving time. South Asian transport networks require appropriate legal frameworks to define the right of passage for goods, people and vehicles, and to decide on permits, licenses and other measures, as well as mechanisms for consultation, and dispute settlement.

China Pakistan Economic Corridor

The China Pakistan Economic Corridor (CPEC) is an under construction $46 billion megaproject which is intended to upgrade and expand Pakistan’s infrastructure. The Exim Bank of China will lend the government of Pakistan approximately $11 billion dollars to overhaul the country’s transportation infrastructure at heavily subsidised concessionary loans with an interest rate of 1.6%. These projects will span the breadth and width of Pakistan and will eventually link the Pakistani city of Gwadar port in southwestern to China’s northwestern autonomous region of Xinjiang via a vast network of highways and railways. A network of pipelines to transport liquefied natural gas and oil will also be laid as part of the project, including a $2.5 billion pipeline between Gwadar and Nawabshah to transport gas from Iran, as well as $2 billion pipeline linking the cities of Karachi to Lahore which is to be built with Russian collaboration. An additional estimated $30 billion dollars worth of energy infrastructure will also be constructed by private firms in order to help alleviate Pakistan’s chronic energy shortages.
When the corridor is constructed, it will expand the number of trade routes between China, the Middle East and Africa. Energy security is a key concern for China, as it is the world's biggest oil importer and oil pipelines through Pakistan would cut out ocean travel through South East Asia.

The Asian Development Bank (ADB) terms the project as CPEC which will connect economic agents along a defined geography. It will provide connection between economic nodes or hubs, centered on urban landscapes, in which large amount of economic resources and actors are concentrated. They link the supply and demand sides of markets. According to experts, the completion of Gwadar would make it the economic hub of Baluchistan and create a strategic nexus between Pakistan, China and Central Asia, generating billions in revenue and providing shorter land routes. It would provide links from the Caspian Sea to the Strait of Hormuz and enable Gwadar to compete with Persian Gulf ports.

**Conclusion**

We have empirically analysed the linkages between economic corridors and regional integration. Results indicate that institutions and governance are crucial to the development of economic corridors and that all South Asian countries will benefit from them. In other words, good governance helps achieve the full economic potential of a region (or a nation). Therefore, more effective policy approaches towards improved governance is needed to complement regional infrastructure development initiatives in South Asia.

The bottom line of this study is that countries and regions with higher incomes, stronger institutions, good governance and more open economies are likely to have higher levels of regional infrastructure. Regional infrastructure may not yield the desired integration with the international market if countries are very corrupt, governments are inefficient and institutions are ineffective. Indirectly, this study suggests that efforts to promote regional infrastructure need to address policy reform in a number of areas. An appropriate institutional and policy framework is required for the functioning of an effective governance framework and regional infrastructure development. This indicates a sort of regional diffusion—regional institutions and governance have a direct positive effect on local governance in each country, which leads to regional infrastructure development.

Regional cooperation has an important catalytic role to play in this. By sharing each other’s experiences, regional cooperation can make countries efficient by integrating them to regional and international governance. Finally, improved governance in institutions, particularly at the sector level, can have huge payoffs in South Asia at a time the region is looking for higher investments in infrastructure, regional or otherwise, and planning to pursue free trade. Ignoring weaknesses in governance can stultify economic returns to regional infrastructure projects. Making South Asia seamless would require complementary policy initiatives by countries, regional organisations and multilateral development organisations to strengthen governance in institutions. Economic corridors are the next phase of the SAARC transport corridors in South Asia and China Pakistan Economic Corridor is one of these.
Special Coverage

Lahore, January 29-30, 2016
SAFA Conference 2016
South Asia: Corridor of Opportunities

THE SAFA STORY
by Samina Iqbal
Fog. Flight delays. Pakistan International Airlines (PIA) employees countrywide protests (against privatisation); booking offices closed. And more fog in Lahore. And the national carrier employees threaten to suspend flight operations.

Confusion...

Punjab province orders schools shut for five days and tells 22.5 million students to sit home. Not because of security concerns after gunmen attack a university, but because of “cold weather.” Meanwhile, in Karachi MQM holds (peaceful) protests against a court ban on broadcast of their leader Altaf Hussain’s speeches on the media. Pakistan Stock Exchange (PSE) run out of steam, and bears dominate; and the ‘boys’ in green caps continue with their losing streak in the land of koala bears and kiwis (and keep up with their dismal record at the Cricket World Cup 2016 in India).

Perfect dismal backdrop for The Institute of Chartered Accountants of Pakistan’s (ICAP) SAFA Conference 2016 in Lahore. However, despite all odds, Lahore wears a beautiful cool look… light drizzle, green, and clean. Far cry from our beloved Karachi.

Pearl Continental Lahore looks festive. Delegates, dignitaries, diplomats and ICAP all over the place… reception area, Nadia coffee shop, Marcopolo dining hall, Crystal ballroom, capsule lifts. Scores of rooms booked on two floors. The SAFA Conference 2016 is about to happen…
“The 21st century is the age of integration and fast global change. It is up to us, how we can become beneficiary of this change instead of becoming its victim.”

Day 1: Inaugural Session

PC’s Crystal ballroom is packed with 600 dignitaries, diplomats, delegates of SAFA countries, chartered accountants and the media for the inaugural session.

The SAFA Conference 2016 takes off to a late start... Malik Muhammad Rafique Rajwana, the governor Punjab is the chief guest.

The president of The Institute of Chartered Accountants of Pakistan (ICAP), Hafiz Mohammad Yousaf welcomes all and highlights the journey of the Institute and shares the vision for the profession in the region. The president also highlights current happenings in terms of economic development both in Pakistan and around its surrounding regions. He quotes an extract from Pakistan, the State that has refused to fail, carried by Financial Times London which highlighted various natural and unnatural turmoils and catastrophes faced by Pakistan and the resilience of the nation to fight back and survive.

Rajwana appreciates the services of the Institute for the nation. He says that the present government is heading in the right direction towards progress and prosperity. Rajwana mentions terrorism and Pakistan army’s cleansing operation Zarb-e-Azb, and stresses on the need to restore peace in the region.

SAFA president and ICAP Council member, Naeem Akhtar Sheikh talks about the SAFA initiatives. Then it’s off to a great keynote speech by Ahsan Iqbal, the federal minister for Planning, Development and Reform. He, with his oratory prowess, touches on every angle of the conference theme, South Asia: Corridor of Opportunities.

Ahsan calls for a need “to improve relations among all South Asian states to attain regional integration. Just like the European Union (EU) and Association of Southeast Asian Nations (ASEAN), South Asian countries have to get united and improve their mutual cooperation and trust for regional integration. The 21st century is the age of integration and fast global change. It is up to us, how we can become beneficiary of this change instead of becoming its victim.”
He emphasises that “South Asia hosts one-fourth of the global and 40% of Asia’s population and 40% of world’s poverty. But South Asia’s intra-regional trade is a mere 5% against 25% of the ASEAN block. South Asian states have to remove trade barriers and establish mutual trust to attain the goal of collective progress and prosperity.”

Ahsan talks about the China Pakistan Economic Corridor (CPEC), a component of China’s One Road One Belt mega project that would connect South Asia with Central Asia and Europe. “Regional integration of Pakistan and China under CPEC is creating opportunities for development and prosperity, so one can easily perceive opportunities and benefits the people of South Asia will be reaping after integration of the entire region.”

The federal minister says the “chartered accountants working abroad are the ambassadors of Pakistan” and that “CAs must play their effective role in the development and progress of Pakistan and the region.”

Day 2: Technical Session

Day 2 of the SAFA Conference 2016 conduct five technical sessions covering various important aspects of South Asian region corridor of opportunities: Session 1: Trade and Investment − Opportunities and Challenges; Session 2: Fiscal and Administrative Governance – The Way Forward; Session 3: Role of Accounting Profession – Bringing South Asia Together; Session 4: Prosperity for South Asia – CPEC; and Session 5: Water and Energy – The Economic Life Lines.

Session 1: Trade and Investment − Opportunities and Challenges and the first speaker is J. Venkateswarlu, central council member of The Institute of Chartered Accountants of India (ICAI). Venkateswarlu says that the major barriers for intra-regional trade in South Asia were poor supply capabilities and infrastructure, poor transport connectivity and trade facilitation resulting in high trade costs within the sub-region. “South Asian exports lack diversity
in terms of products and markets. The import substitution policies of South Asia worked toward limiting not just total trade but in some ways asymmetrically toward limiting intraregional trade."

The second presenter, Dr. Saman Kelegama, executive director Institute of Policy Studies of Sri Lanka informs that services such as telecommunications, banking, energy, transport, and software services are among the main drivers of Foreign Direct Investment (FDI) in the region.

The concluding remarks of the session come from Master of Ceremony, Dr. Miftah Ismail, special assistant to the prime minister/chairman Board of Investment. “China Pakistan Economic Corridor (CPEC) and Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) projects will be the game changer in the region and by 2017, we will be able to get rid of power shortages. By 2025, the country’s middle class population will have reached 100 million people, which will be a big market. Global manufacturers will find it attractive to reach Pakistan. Pakistan is full of potential as we have the fifth largest coal resources, fifth largest copper deposits, Indus can produce 60000 MW energy and likewise, we are full of natural resources and have talented human resource and stand as the fifth largest middle class in the world.”

Session 2: Fiscal and Administrative Governance − The Way Forward includes presentations by Dr. Hafeez Pasha, MD Board of Institute for Policy Reforms and former finance minister, and Hafeez Enrique Blanco Armas, senior economist World Bank.

Pasha says: “South Asian economies need to diversify their markets and aim for regional cooperation via trade as the international markets are declining. The government should regulate unstable capitalist market structure wisely. Hence, there is a need to focus not only on market failures but also on government failure, while it is essential that the government has coherent institutional structures as well.”

Pasha states that Pakistan suffered a loss of $150 billion due to war on terror and lost 50,000 lives. He informs that the Foreign Direct Investment (FDI) has come down to $1 billion from $7 billion. He says the international community need to do more for Pakistan and stress on the need for infrastructural growth of various sectors of the country.
"The China Pakistan Economic Corridor (CPEC) will be a game changer not only for Pakistan but for the whole region."

The World Bank economist says: “South Asia is the fastest growing region amongst developing countries.” And “despite some consolidation efforts, South Asia’s debt to GDP ratio was the highest among developing regions. South Asia’s fiscal deficit is decreasing gradually but remains high relative to most other regions. Governments in the region are collecting very little revenue, which affects the available fiscal space for priority spending.”

Talking about Pakistan, Enrique says revenues in Pakistan are increasing but not as expected. Public debt is gradually declining. Rigidity in recurrent spending for Pakistan has made fiscal consolidation challenging. Like the rest of South Asia, Pakistan lacked fiscal or external buffers to be utilised in the event of a shock, and low revenue levels resulted in limited space for priority spending. He also states that Pakistan spent less than 3% of GDP in health and education together, significantly lower than most other countries (~5% on education, 3-4% on health).

The session’s concluding remarks is by Haroon Akhtar Khan, special assistant to the PM for revenue: “The government is going to table a bill in the National Assembly soon to curb benami (fake) accounts. After the passage of the bill, whoever holds benami account will have to pay 35% tax plus 100% penalty. The purpose of the bill is to discourage circulation of black money in the country.”

Haroon claims that 20% more revenue was collected than the actual target fixed during the first six months of the fiscal year. The actual revenue target was Rs. 750 billion but the government had collected Rs. 785 billion. He says that Pakistan’s tax to GDP ratio was 12%, while India’s tax to GDP ratio was 17% with 6% share from the provinces. “Our provinces contribute only 0.8% in tax to GDP ratio.” He appreciates the role of all the provinces in increasing the tax net and hopes that the provinces will share 6% in tax to GDP ratio.

Haroon adds that the government is evolving a system in three to four months to streamline the problems faced by Pakistan and China trade which includes the problem of under invoicing. After the induction of this system, the export data provided by China would be considered as the import data of Pakistan. According to the figures of Pakistan Business Council, which were not verified so far, China’s exports to Pakistan was $13 billion but Pakistan’s figures
showed that China’s export to Pakistan was $9 billion. He elaborates that there is a gap of four billion dollars between the figures. Defending the Tax Volunteer Scheme recently announced by the government, Haroon elaborates that the objective of the scheme is to broaden the tax net, adding that two million people would be in the tax net after four years under the scheme.

Session 3: **Role of Accounting Profession − Bringing South Asia Together** is a panel discussion. Fakir Syed Aijazuddin, former principal Aitchison College Lahore, is the moderator, while Manoj Fadnis, president The Institute of Chartered Accountants of India (ICAI), Mujahid Eshai, former president The Institute of Chartered Accountants of Pakistan (ICAP), Lasantha Wickremasinghe, president The Institute of Chartered Accountants of Sri Lanka (ICASL), and A. S. M. Nayeem, past president The Institute of Chartered Accountants of Bangladesh (ICAB) and vice president SAFA participate in the discussion.

The South Asian region establishing economic collaboration provides opportunities for the accountancy profession in the region. Recognising the vital role accountants play in establishing confidence in all economies, SAFA continues to work with member bodies to develop and promote the value of professional accountants across the region. Regional organisation such as SAFA offer proximity and cultural understanding, and reflect the mutual interest of their members. The panel highlights the key challenges and opportunities for regional cooperation and integration, and discusses innovative strategies and solutions to deal with them.

Session 4: **Prosperity for South Asia – CPEC** includes presentations by Adnan Gillani, lead Prime Minister Delivery Unit (PMDU) and Anwar Yaseen, former governor State Bank of Pakistan and senior advisor Industrial and Commercial Bank of China (ICBC) Singapore.

Gillani highlights the benefits for Pakistan, China and the region through China Pakistan Economic Corridor (CPEC) and says that due to the energy initiatives under CPEC, Pakistan is expected to meet its electricity demand by 2018. He provides a comparative analysis of infrastructural growth of other countries of the region. “Increasing economic participation among regional countries provides ways towards future development. CPEC is a vision of economic integration, regional growth and increasing the standards of living of member nations.”
Yaseen states, “Integration is necessary to meet the challenge of globalisation.” He describes the scenario of sovereign debt crises in the region with examples of the developed countries. He provides statistics of the growth factors of the region along with the future projects of Pak-China integration. “Integration should be an evolutionary process. Starting with the development of common understanding through information sharing and cooperation between the governments, regulators, market players, and professional service providers, it should proceed towards the promotion of policy discussion for the development of capital markets in the region, harmonisation of legal and regulatory regimes leading to eventual unification, and development of synergies among the capital market and banking sector on the one hand, and the entire financial sector and the trade and investment sectors on the other hand.”

Session 5: Water and Energy − The Economic Life Lines is the last technical session and includes presentations by Nadeem Babar, CEO Orient Power Co. and Mirza Hamid Hasan, former federal secretary Water and Power. Nadeem predicts that the global demand will grow by 40% during 2007-2030 with coal use rising the most. Talking about the trend in South Asia, he says that over 29% population is without electricity; which means 37% of the world population. This region is a net importer of oil, gas, and coal, however, per capita electricity consumption in US is 12,272 kwh; in India 952 kwh and in Pakistan it’s around 495 kwh. “Private ownership will result in better performance and lower cost and will attract more capital. Deregulation will help create open competition by removing barriers.”

Mirza, the last speaker of the conference, says: “Water has a special significance for Pakistan’s agriculture based economy as 23% of GDP comes from agriculture which is the main source of sustenance for our rural population forming 55% of the total population. He also states that Pakistan receives an average of 144 million acre feet (MAF) of fresh water annually from the Indus River system comprising the Indus main and its tributaries. Out of this, 104 MAF is diverted to the canal irrigation system of the Indus Basin; another 50 MAF is used for irrigation and domestic water supply drawn from groundwater sources.
ICAP VP-South Nadeem Yousuf Adil delivers the note of thanks at the concluding session.

The presidents of The Institute of Chartered Accountants of Sri Lanka (ICASL), The Institute of Chartered Accountants of Bangladesh, (ICAB), The Institute of Chartered Accountants of India (ICAI), The Institute of Chartered Accountants of Nepal (ICAN), Institute of Cost and Management Accountants of Sri Lanka (ICMASL), Institute of Cost and Management Accountants of Pakistan (ICMAP) and South Asian Federation of Accountants (SAFA), and a representative from Afghanistan as an observer country, travel to Pakistan for the SAFA Conference with their delegations.

The visiting delegates and the participants felicitate ICAP on a successful conference and hail ICAP’s initiative and selection of time-tuned theme for the conference, highlighting the impending need to understand the role of accountants towards regional development.

The conference concluded with the SAFA Best Presented Annual Report Awards 2014 held to acknowledge companies who have excelled in the quality of their annual reports.

A lavish dinner and the traditional chimta performance by famous folk singer Arif Lohar lighten up two heavy days of talks, speeches, panel discussions and presentations.

**Concluding words:** ICAP president Hafiz Mohammad Yousaf encapsulates the objectives of the event: “The SAFA Conference 2016 was a combination of showcasing Pakistan (the good, the positive), knowledge sharing, and the role of chartered accountants, as brand ambassadors of the profession, in the economic scenario of the country. The conference defined our stature and role as a responsible Institute of the country. It also represented the soft face of ICAP and provided a platform for corporate connectivity through this conference and the golf tournament. The ICAP golf tournament is a branding activity and has become our signature event.

“At the regional level, there are so many opportunities to work together in an integrated environment to the benefit of all. The message of the SAFA forum is integrated cooperation.”
ICAP President on SAFA Conference 2016

AFA Conference 2016 with the theme, South Asia – Corridor of Opportunities covered various important national and international topics related to the ongoing economic developments in Pakistan and within the entire region. Many eminent local and international speakers shared their wisdom and thoughts on the importance of the huge opportunities that are knocking the doors of Pakistan and the entire region.

The idea of hosting this conference was for ICAP to come forward and play its due role to explore and promote the potential of huge economic opportunities that our present government is trying to capitalise upon for the well-being of Pakistan and the entire region. The conference theme South Asia – Corridor of Opportunities was thoughtfully selected in order to explore the true potential of economic development based on the existence of huge natural, human and economic resources. The world is changing very rapidly and new political and economic alliances are being made among various countries and regions to reap the benefits of globalisation for a secure and sustainable growth and development.

There is so much currently happening in terms of economic development both in Pakistan and in its surrounding regions despite the difficult geopolitical situations. Due to its geographical position, Pakistan is very well placed to act as a catalyst for economic growth and prosperity for the whole of South and Central Asia and the Middle East.

The foundation of ICAP was laid through the enactment of Chartered Accountants Ordinance 1961, providing us the opportunity to start our voyage...
Towards establishing an Institution which today has become the hallmark of professional excellence and quality. Throughout this journey, the Institute remained steadfast in its vision and matured into a distinguished body of professional accountants growing steadily from a very few members to many thousands now making their mark and presence felt both locally and internationally in the development and growth of various spheres of business and economy.

Since its establishment, ICAP continues to proactively provide professional advice to the government in the formulation of fiscal and economic policies as well as actively working with various important policy making institutions such as the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Federal Board of Revenue and many federal and provincial ministries. The Institute has pioneered the development of the corporate governance in Pakistan and is also instrumental in creating an understanding for better and accurate reporting in the corporate sector, improving business environment and increasing economic activities. ICAP continues with its resolve for objectively performing its role as the regulator of accounting and auditing profession in the country and continuously making improvements in its governance processes for serving public trust.

Since its inception in 1984, the SAFA forum has been carrying out its professional activities without any political influence or intervention. ICAP, being the Founding member of SAFA, has the honour of hosting its very first Assembly Meeting in 1985, and has always played a major role in the development and growth of the profession within the region.

We, as a responsible nation, are fully geared up to fulfill our responsibilities to capitalise on all the emerging opportunities towards peace and prosperity of the people of Pakistan and the entire region.
As we expand the horizon of our knowledge, the world contracts with ever increasing global alliances to improve cooperation. This results in removal of trade and related barriers thereby increasing unhindered movement of people, labour, goods and capital across national borders. No country can afford to work in isolation in this era of cooperative development. Integration of neighbouring countries goes a long way in creating a larger market for goods and services to create efficiencies and improve productivity.

The South Asian Association for Regional Cooperation (SAARC) was formed with this aim and its policies are designed to promote economic welfare and collective self-reliance among member countries. South Asian Federation of Accountants (SAFA) is one of the six apex bodies of SAARC and it works in public interest through its commitment of positioning, maintaining and developing the accounting profession in SAARC region.

This year’s SAFA conference was held to promote this aim and to discuss and highlight significant issues faced by the region. The organisation of such a gathering for exchange of views is the need of the day for future progress and success. The topics for discussions were highly relevant towards regional cooperation. This SAFA Conference 2016 provided a unique opportunity to experts from around the region to discuss and debate the emerging economic problems faced by the world, particularly the region, and deliberate on possible solutions to the serious issues.

Accountants play a very effective role through their professional expertise in further improving the investment climate in the country. It is our responsibility to strive hard to provide systems, standards, procedures, tools and training to ensure transparency, accountability, ethical practices and good corporate governance leading to a robust economic system and growth. I would like to thank all the attendees of the conference, especially the international delegates from the SAFA countries and the dignitaries. Being tasked to organise such a huge conference was extremely challenging. My compliments to all involved in making this happen.
CPEC Project Director on CPEC

We think that the China Pakistan Economic Corridor (CPEC), which is basically a project of regional connectivity between China and Pakistan, is ultimately envisioning the integration of the economies of the region. It has a relationship in the long run with the South Asian Association for Regional Cooperation (SAARC) overall concept of integrating the economies of the region. Basically, CPEC is opening up the area – like China would like to connect through its best link Kashghar through Gawadar through Pakistan, and they need infrastructure for this mega One Belt One Road project. The project is the mutual initiative of the leadership of both countries. This is a flagship project and China wants a greater plate to bring in their technology, infrastructure, capital, and labour; and we also see to open an economic system between the regional economies. This step will boost our economic growth, our GDP ratio, which will ultimately remove our bottlenecks towards the developments in energy sector, transport infrastructure, etc. We want to remove our industrial clusters in this framework, and achieve balance in the industrial development which leads to domestic stability. What I am trying to say is that essentially this project is for regional connectivity in which we are thinking in terms of creating an enabling environment through the projects.

SAFA Conference 2016 is a great step in this direction. Discussions on forums like these help address concerns and shape environments accordingly. However, this can’t be done overnight because the task is too challenging. In the past, we have lost people and resources due to lack of cooperation and coordinated efforts between regions but now we have to be open towards developments which is essential for regional integration. South Asia accommodates a variety of world’s population and the market point and the potential it has, need to be explored and this corridor will contribute positively to this development initiative.

– Dr. Zahir Shah, project director/CPEC coordinator, ministry of Planning, Development and Reform

SAFA President on SAFA Agenda 2016

We have a lot on our plate, but the main initiative this year will be the launch of a virtual training centre with the help of World Bank, an online portal on the financial reporting. This will help the entire South Asian institutes to basically share their knowledge. We also plan to provide online trainings and certification courses, and hold various workshops and seminars across the SAARC countries, especially in collaboration with International Federation of Accountants (IFAC).

– Naeem Akhtar Sheikh, president South Asian Federation of Accountants (SAFA)
INAUGURAL SESSION
PICTURE
GALLERY

TECHNICAL
SESSION

The Pakistan Accountant
January - March 2016
SAFA Conference 2016

January - March 2016
South Asia is a growing region, and as the federal minister Planning, Development and Reform Ahsan Iqbal said, to do good is not only the government’s responsibility. Government decisions on these matters are not as dominant as used it to be a decade ago. The professional organisations in societies have a major say on policies, especially when it comes to regional cooperation. South Asia is a growing region, there are many opportunities but unfortunately, we have not been successful in reaping those opportunities properly.

Many ideas were shared during this conference, and some ideas will feed into the official process; and if they feed it in that official process then obviously, there will be a strong possibility that some of them become policies. So, overall, I am happy that SAFA has organised the conference on the topic that is very timely because corridor of opportunities is something that we have to work on and South Asia brotherhood can be further strengthened only by economic integration.

— Dr. Saman Kelegama, executive director Institute of Policy Studies (IPS) Sri Lanka
Wonderful, and well-organised conference, and my complements to ICAP. The theme, South Asia: Corridor of Opportunities is very appropriate for a SAFA conference as it talks about the South Asian border as the corridor of opportunities, and I believe there will be more interaction of trade and commerce and ample opportunities. A professional forum is the right platform from which these concepts and themes need to be escalated. The topics chosen for the conference are selective and the speakers are eminent. We heard this very fine speech by the minister (Ahsan Iqbal) last evening. And the other keynote speaker, the former governor State Bank of Pakistan (Yaseen Anwar), was very powerful. I am very happy to be attending this SAFA Conference in Lahore.
– Manoj Fadnis, president The Institute of Chartered Accountants of India (ICAI)

Thank you very much for inviting me to represent Afghanistan. It’s my first experience and honestly, I’m really enjoying being among the professionals, especially the chartered accountants. We, in Afghanistan, are on the way to building the accountancy profession in the country, I was invited to the board meeting as Afghanistan was offered an observer seat. And I really see this corridor not only for South Asia but also for Afghanistan because it paves the ground for us to learn from other South Asian countries that already have experience in this qualification for the last fifty-five years like The Institute of Chartered Accountants of Pakistan (ICAP), The Institute of Chartered Accountants of India (ICAI) and others. Lahore has been a very hospitable city. Though I have been here in the past as well, but this is my first official visit. I was accorded a very warm welcome and I love the food here.
– Zarif Ludin, head of Professional Accountant Organisation Development (PAOD) Afghanistan

I am delighted to be at the ICAP SAFA Conference as a guest speaker. ICAP has created an excellent agenda and invited a distinguished group of speakers who are very good in their respective fields, be it the energy sector or China Pakistan Economic Corridor (CPEC). And because of this conference theme, South Asia: Corridor of Opportunities, which is now very critical for Pakistan’s future, CPEC gets greater attention on a very strong platform that ICAP represents. ICAP is an excellent and reputable organisation and I commend it for organising SAFA Conference 2016. I came here from Singapore as they invited me to speak on the One Belt One Road initiative since I was actually one of the architects of this program when I was the governor of State Bank of Pakistan in 2010. The discussions and speeches in the conference are giving the audience a clear picture about the direction which covers the
critical areas of CPEC. It is important for the government to spread awareness about this particular CPEC initiative which is beneficial for Pakistan’s future and should also focus on the vulnerabilities that could derail it. By knowing the vulnerabilities, we can easily address those issues and make sure that we have a successful future. That’s what I feel is important, and what was reflected in the theme that was discussed here. – Yaseen Anwar, former governor State Bank of Pakistan (SBP)

“This platform will create friendship among the SAFA countries, we will know what issues, what developments are taking place in these countries, and it will create place for us to come and look and link together just like the SAFA annual report awards competition we have been conducting for the last twenty years, which allows us to share views and thoughts and know what the SAFA countries are thinking. – Lasantha Wickremasinghe, president The Institute of Chartered Accountants of Sri Lanka (ICASL)

“This conference is a good get together, a platform to discuss how we are going to think about the future of this region, and to know how we are moving ahead. – Harsha Pathiraja, CFO Association of Accounting Technicians of Sri Lanka

ICAP should check out The Institute of Internal Auditors (IIA) conference for standards and level as a benchmark. I do have a few reservations on the SAFA Conference 2016: lack of planning, time management, no honouring of senior people, lack of potential speakers, no media coverage for such a huge conference, no video clips of stakeholders’ input. Also, the organising committee should know that this event represents the image of the Institute and should not be commercialised by running sponsors’ advertisements along with the ICAP corporate video. ICAP should hire some professional event managers to conduct such sophisticated conferences. – Mohammed Arshad Siddiqui, general manager Internal Audit Pakistan Petroleum Limited (PPL)
I think the conference should be planned at least six months in advance so that more international delegates can manage to come and attend. The delegates from all accountancy bodies including cost and management of the SAFA region should be invited. The topics/themes of such conferences should always make participants feel that they are taking home some learning/message related to their profession.

Delay in the startup of the inaugural session was felt by members/participants due to lack of communication about the reason. I feel ICAP should develop its own anchor person to save funds being paid out unnecessarily. Also, the script of the anchor person needs to be reviewed in advance. – Mohammad Maqbool, Council member ICAP

Ahsan Iqbal’s speech was quite comprehensive. The minister also briefed a number of hopeful initiatives, like the Pak-China initiative which is imperative for the development of this economic corridor. The theme, South Asia: Corridor of Opportunities is exceptional for the SAFA Conference platform. Many members feel that most of the time the conference themes selected are not so relevant to the current economic scenario, and I feel that prior to selecting a theme for any major ICAP Conference, a checklist should be circulated among members for their views and input. – M. Sharif Tabani, Council member ICAP

I really enjoyed the presentations and discussions that took place during the conference and particularly the perspectives of SAFA countries about the professional and economic issues that we face in the country and the region. The conference also provided an excellent opportunity to meet so many of our professional friends and business executives. Last but not the least, the ICAP golf tournament was very well-organised and all of us loved being there. – Arslan Khalid, CPD convener ICAP Southern Regional Committee (SRC)

In the city of most historical footprints of the Mughal Era; a local hotel with an extremely rich history; a hall which is considered to be the best and biggest in the city to house over 700 guests at one time; a stage decorated with a giant SMD screen; a fine blend of chartered accountants with vast experience and youthful zeal and vigour; representatives from all SAARC countries gathered under one roof; and Lahore, the cultural capital of Pakistan, the
place nominated to host ICAP SAFA Conference 2016 – it was surely a perfect setting for a grand conference 2016.

This entire conference was the outcome of many in-depth sessions of the SAFA organising committee under the leadership of president SAFA and past president ICAP, Naeem Akhtar Sheikh. It was a learning experience to be part of this committee which comprised a lineup of chartered accountants from practice and industry who spent hours in effective planning and sharing of valuable ideas to add value to this mega event. The committee also received guidance by the ICAP president, Hafiz Mohammad Yousaf. The bold decision to have a non-accounting conference for accountants definitely paid off. It is probably the first time in the history of ICAP that so many dignitaries were invited in one conference.

The Northern Regional Committee received Sri Lankan, Bangladeshi and Indian delegations. There was a pre-conference dinner hosted by president ICAP in honour of SAFA delegates and conference speakers and panelists.

The opening session of the conference started off with an enlightening keynote address by Ahsan Iqbal, federal minister Planning, Development and Reform, government of Pakistan. The session was followed by dinner. There were five marathon technical sessions on day two which encompassed topics relevant to the SAARC region. The presence of senator Ishaq Dar, minister Finance, Revenue, Economic Affairs, Statistics and Privatisation, government of Pakistan as the chief guest at SAFA BPA Awards provided an opportunity to membership to hear his thoughts and steps taken for the economy. It was followed by a gala dinner and a well-attended cultural evening lit by the exuberance of Arif Lohar. The participants enjoyed his Jugni thoroughly.

The third day was dedicated to golf, held at one of the best golf courses in Lahore. Golfer chartered accountants and prominent golfers from other walks of life participated in the ICAP Golf Tournament in large numbers. This event was planned by a golf committee which comprised of golfer chartered accountants headed by the energetic and enthusiastic Iftikhar Taj Mian. The presence of three sitting judges of Lahore High Court as guests of honour at the prize distribution ceremony was an honour for ICAP. Apart from prize distribution held in various categories, there were lucky draws for guests. There was also a live performance of a band followed by hi-tea.

It was good learning experience. The chance to work with the most successful, diligent and talented group of chartered accountants in SAFA Conference 2016 organising committee was truly an honour. – Asad Feroze, chairman ICAP Northern Regional Committee (NRC) and member Organising Committee SAFA Conference 2016
Thank you, ICAP, for organising such a good conference in Lahore. I got so much out of all the panel discussions I attended. It was also fantastic to have been able to meet the people I met. The keynote speakers were great and especially Adnan Gillani’s session really put everything into perspective. His talk helped me to understand how CPEC fits into the bigger picture of regional development. – Bilal, ACA, Lahore

The conference touched varied topics of interest and was indeed very enriching. I followed major presentations and they were refreshing. I look forward to future events from ICAP. I also thank and appreciate the ICAP organising committee for their reception and accessibility throughout the conference. – Faisal, ACA, Lahore

The SAFA Conference on this regional theme was very interactive and I extend my gratitude to the organising committee of the Institute. As always, the confluence of ideas from around the SAFA region allowed speakers to identify new avenues of thought. I thoroughly enjoyed the event and was especially intrigued with the deliberations on CPEC, which was a part of one particular session. The keynote addresses added value to my knowledge and I look forward to sharing some ideas with my students also. – Omair Iqbal, ACA, Lahore

— Samina Iqbal with Afshan Aleem
The Institute of Chartered Accountants of Pakistan (ICAP) hosts a two day South Asian Federation of Accountants (SAFA) Conference 2016 in Lahore on January 29-30, 2016. The conference concludes with the SAFA Best Presented Annual Report Awards (BPA) to acknowledge the companies who have excelled in the quality of their annual reports to promote corporate reporting in line with the best international practices and also reporting good governance for the stakeholders.

Addressing the chief guest, Ishaq Dar, federal minister Finance, Revenue, Economic Affairs, Statistics and Privatisation, who is also a member of ICAP, president ICAP Hafiz Mohammad Yousaf in his welcome address says, “Whether in power or in opposition, we will continue to seek your wisdom on matters of national importance.”

Dar give away the awards to the winning companies. He congratulates ICAP for arranging a very successful conference. “Pakistan has witnessed economic turnaround in the last two years,” says Dar. “The China Pakistan Economic Corridor (CPEC) will be a game changer not only for Pakistan but for the whole region.”

SAFA president Naeem Akhtar Sheikh and Lasantha Wickremasinghe, chairman SAFA Committee on Improvement in Transparency, Accountability and Governance Committee (ITAG) also address the gathering.

Mian Muhammad Mansha, chairman MCB Bank Limited and Tahir Hassan Qureshi, CEO Allied Bank Limited, the Platinum sponsors of the conference share their thoughts and appreciate the efforts of ICAP and SAFA within the country and the region.

The Overall Winner is LankaBangla Finance Limited from Bangladesh. MCB Bank Limited gets the SAFA Best Presented Annual Report Awards 2014 in the category of Private Sector Banks in recognition of the bank’s excellence in financial reporting, management of best practices and corporate governance disclosures. Fauji Fertilizer Company Limited bags the award in Manufacturing Sector, K-Electric in Service Sector and Crescent Steel and Allied Products Limited in Diversified Holdings Sector. – Samina Iqbal

The complete list of SAFA BPA Award winners, is on the following link:
Musical Evening
by Samina Iqbal

Jugni brings the packed house of chartered accountants to its feet...!
Arif Lohar was the star of the evening; the chartered accountants, the superstars.
After two days of serious heads-down discussions and presentations chalking and mapping out the ‘corridors of opportunities’ for South Asian countries, the late night chimta and drums echo far beyond the Crystal ballroom of Pearl Continental Lahore. Time to let hair down. Arif Lohar is the star of the evening; the chartered accountants, the superstars.

After the gala dinner, Arif Lohar, the heir of the very famous chimta player Alam Lohar, put the floor on fire. Racing metabolism and rising adrenalin took care of all over eating. Lohar’s “Meraya jugni…” sparks up the chartered accountants into mast qalandars… ICAP Council member Abdullah Yusuf taking the floor first to the blaring sound of jugni and the fast beat of chimta catalyses CAs, young and old, to galvanate and add to the joy. The Institute’s Council members too couldn’t be held back. Behold…! A rare sight – it’s not every day that the serious and sombre CAs let go of themselves.

The merriment continues into the second and last number, “Dama dum mast qalandar…” Lohar’s boys positioned in the semicircle of the stage dance with abandonment…

Strike midnight, and before Cinderellas could turn into pumpkins, the party disperses reluctantly.
Lahore, January 31, 2016

SAFA GOLF TOURNAMENT

by Samina Iqbal

"The ICAP golf tournament has become our signature event."
– president ICAP
GOLF: THE GAME OF KINGS

The origins of golf are unclear and much debated. The Dutch talk of a 13th-century sport called “colf”; the French say they first had the idea with “palle-mail” in the 1400s; the Chinese say they “invented golf 1000 years ago”; but it is the Scots who have been most widely credited with having invented the game of golf.

A spokesman for the Royal and Ancient Golf Club of St. Andrews, one of the oldest Scottish golf organisations, says: “Stick and ball games have been around for many centuries, but golf as we know it today, played over 18 holes, clearly originated in Scotland.” However, the game did not find international popularity until the late 19th century, when it spread into the rest of the United Kingdom and then to the British Empire and the United States.

According to the International Golf Federation, golf dates back to the time of Julius Caesar. Although it was not the golf that is played today, it was a similar game played by striking a feather-stuffed ball with club-shaped tree branches. Golf was also traced back to the Song Dynasty in China during the years 960 to 1279. The games of these times were not exactly the golf that is known today; the roots of today’s game can be traced back to Scotland in 1457. The game was then outlawed by King James II of Scotland, as it detracted from the training for the military.

The first British Open, a tournament that is still played today, took place in 1860. The sport then began to spread throughout the globe and has gained popularity, as it is becoming more televised and marketed.

GOLF IN PAKISTAN

The British packed their bags and their golf sticks when the SubContinent was partitioned in 1947. However, they left behind many legacies, the game of golf being one of them. For this leisure activity, they developed a few courses, the oldest being the Lahore Gymkhana, which was made in 1857. All major towns had a golf facility including one at Dhaka, the then eastern wing of Pakistan. The game was played mostly by armed forces or civil servants.

Since Independence, golf in Pakistan has faced many challenges, but has managed to make its mark through the breathtaking golf courses and producing some world class players. The armed forces of Pakistan took keen interest in promoting the game countrywide with its efforts to make golf courses in every cantonment and open the sport to public.
Pakistan Golf Union (PGU), a governing body of golf in the country, was established in 1960. In 1982, under a new sports policy, PGU was changed to Pakistan Golf Federation (PGF), which keeps track of all golf activities in the country. All golf clubs are affiliated to PGF and the provincial golf associations. Golf membership is growing, and has more than 5000 members.

Muhammad Shabbir and Muhammad Munir of Islamabad Golf Club are among the top Pakistani golf players, and they have also represented Pakistan in different international level golf tournaments. To date, Pakistan has qualified for the Golf World Cup four times: 1975, 1977, 1982 and 2009 when they finished joint 22nd out of the 28 qualifying teams.

Karachi Golf Club, one of the oldest in the country, is where the Pakistan Open, founded in 1967, is held every year. Some of the other major golf courses in Pakistan include: Royal Palm Golf & Country Club Lahore, Lahore Gymkhana, DHA Golf Club Karachi, Islamabad Golf Club, Lahore Garrison Golf & Country Club, Rawalpindi Golf Club, Peshawar Golf Club and a few newly established ones like the Defence Raya Golf Club in Lahore. Pakistan has got more than 40 golf courses and all are working to promote the game in Pakistan.

Pakistan golf has moved a long way from 1947. Despite limited resources, over the years, Pakistan golf has evolved and developed, and produced world class professional players.
ICAP SAFA Golf Tournament

January 31, 2016. Royal Palm Golf & Country Club Lahore... one of the best golf courses in Asia. Soft sunshine. Gentle breeze. Colourful balloons spread all around the extensive green grass carpet, some floating up towards the clear blue-white sky, some being chased by happy kids. A band in attendance. Even the humongous sponsor hoarding in blue as the backdrop adds to the ambience, just like the colourful golf buggies sitting in select corners.

A sit-down halwa, puri, alo, cholay and gulab jamun buffet nashta... a desi beginning adds spice to this elite game of golf. Birds are here too... chirping and cheering from above huge tall trees. Serene and festive; ICAP’s Golf Tournament... the last leg of the SAFA Conference 2016, and the most refreshing.

The day begins with hundreds of blue, green, white balloons floating happily to meet the clouds. Taking the ICAP banner along.

“Sports add spark to life and help complement energies that are so essential for meeting major challenges,” states a beaming ICAP president Hafiz Mohammad Yousaf at the balloon hoisting ceremony, attended by the ICAP VP-South, Council members, SAFA delegates, chairman and organising committee of the tournament, chartered accountants, participants and the media. And, indeed, the occasion provide all the opportunity to unwind, enjoy and network. CA Pakistan brand image takes a big boost.

140 golfers from all over Pakistan participate in this 18 holes one-day tournament. The line-up includes chartered accountants, corporate leaders, jurists, doctors, government officials, and entrepreneurs. And golf champions like Sardar Murad, Faisal Altaf, Faisal Sayid, Taimoor Shabbir, Haris Naseer, Abdul Islam Nazir, Saqib Ali and Ale Imran too are here with their brilliant performances.

At the prize distribution ceremony, the chief guest, Lahore High Court judge Mansoor Ali states that they plan to introduce sports amongst judges as “Sports bring optimism, and keeps the mind alert and active.” He praises Iftikhar Taj Mian and his team for perfect arrangement and management of the ICAP SAFA Golf Tournament.

Glowing with the success of the SAFA Conference and the golf tournament, a highly motivated and full-of-energy HMY says: "It was great pleasure to see the enthusiasm displayed by the golfers at this ICAP SAFA Golf Tournament, which has turned into a popular recreational/sporting activity among the golfers and ICAP." He calls it “ICAP’s signature event.”

The prize distribution ceremony continues till the late chilly evening... there are cups and shields for winners, lucky-drawn bicycles for the caddies, gifts and prizes for the participants and their families. Hi-tea after a hi-fi event continues till dusk. A happy end to a happy day.

And the last word: “I have been associated with golf for such a long time, but this is the best one day golf event I have ever attended,” declares Lt. Gen (Retd) Muhammed Tariq, captain golf Royal Palm Golf & Country Club.
Teamwork: Mandatory for a successful organisation?
Aamir Jan Muhammad, FCA
Karachi

Together everyone achieves more. Teamwork is not only a buzzword, but in essence is one of the cornerstones for the achievement of an organisation’s objectives. We all have heard that ‘Man is a social animal’ then, how it is possible that employees of any organisation work in their silos and expect successful achievement of company goals and objectives in absolute terms. We all are born with distinct attributes and over the course of life through experience, education and so forth develop certain skills to perform duties in a skillful manner to earn our livelihood. An organisation is made up of multiple people with distinct skills set to achieve the organisation’s collective goals. Teamwork is deemed mandatory for the achievement of these goals for the achievement of which multiple people with different skills are hired. Mind you, nobody in this world is indispensable and those who think that they do not need team support, especially cross functional team to achieve organisational goals, I am sorry to say that their minds are in the state of deep slumber… please wake up.

Muhammad Mudasser, ACA
Jubail, Saudi Arabia

Teamwork is the backbone of success for any organisation. Consider the example of a watch where multiple cogs of various sizes work collectively to show the correct time at any time of the day. If one cog fails to perform as desired, the entire watch is rendered useless.

Similarly, an organisation with multiple employees will focus on their individual tasks; but with the aim to achieve the collective result of their department or function. To achieve the goals, the following needs to be decided and set in place:
1. The actual task itself
2. The deadline for the task
3. The burden of responsibility

When the above are communicated to the respective individuals in a team, the team leader can focus on the overall objective of his/her department.

Raheel Rehman, ACA
Karachi

Teamwork is mandatory for a successful organisation because of the fact that teamwork allows employees to take greater responsibility for decision making and also allows team members to control more of the work process. This can lead to improved morale as employees gain more authority and ownership over the projects they are working on. Working on a team also gives employees a greater sense of belonging and recognition, which helps them take more pride in their work and their company. Further, teamwork can help companies to be more flexible. By bringing employees from different parts of a project together into one team, problems or bottlenecks can sometimes be ironed out more easily.

Hina Shamsi, ACA
Dubai, UAE

“But it is done by finance department since we do not have system access to this.” Hearing this reply further delayed my work. However, decided to discuss it with a senior at finance department, already knowing what the response would be.

Teamwork is one of the critical success factors for an organisation’s productivity and profitability. It is such a mandatory element for an organisation to be successful that organisations build committees and teams comprising seniors from different departments and encourage them to work towards the organisation’s mutual interest and one common goal.

Every function in an organisation is linked to each other in some way and without the timely cooperation and coordination with each other, the task may be completed but with delay or may even result in loss which can be reputation, financial, etc. or even worse, such as litigations if a third party, such as stakeholder or customer, is involved.

However, at many times departments put blame of failure of assigned task to the non-cooperation of another department or non-provision of timely and accurate information, etc. Unfortunately, in many organisations, one witnesses a department’s resistance for accepting responsibility of specific task at some point, or lack of coordination with other departments due to personal reasons, internal conflicts, or lack of professionalism. In all such cases, the sole interest of a department is working towards only departmental specified objective rather than one vision/mission of the whole organisation. Are they working towards the common organisational goal? One does not worry
About timely coordination with others to ensure completion of a task on time and efficiently. It is also a common practice that a department head treats its department employees as his family whereas, employees or head of other departments are strangers, or worst, enemies because many times, he may be in direct competition with the department and hence, this gives birth to the non-cooperation and non-coordination.

But one must also agree that not all leaders think alike. In today’s revolutionary era, organisations are combating this issue through various ways. Some of them are detailed below:

1. **Disseminating Code of Conduct by Top Management**
A code of conduct is designed by an organisation to build loyalty among its employees. It contributes to create cohesive and aligned behaviour, organisational efficiency and better coordination between decision making and functional areas. At the same time, the code of conduct helps to mitigate internal conflicts by fostering favourable attitudes and consensus towards the company. It’s the responsibility of top management to disseminate the code of conduct and ensure its abidance at the organisation level.

2. **Outlining Clear Responsibilities**
The responsibilities of functions are to be formalised by senior executives in the shape of organisation’s policies, procedures, manuals and directives which are to be designed and aligned with each other to ensure no segment is missed out, in addition to being aligned to the organisation’s strategic direction. Such as, in many organisations, insurance section is being managed by finance department, however, it may also be handled by admin or credit and risk department depending on the type of insurance sought. Outlining clear responsibilities help avoid the blame game among departments.

3. **Making Cross Functional Committees/Teams**
Such teams are part of a revolution that is sweeping across organisations today. They consist of individuals from different functions such as operations, finance, general management, information technology, credit and risk, etc. Some of them are strangers, some are colleagues, some are friends and some are enemies. When senior management makes cross functional teams to achieve a common goal, through their proper guidance and direction, disseminating sense of accountability and responsibility down the line, the team also concentrate on the task to be done which help identify innovations leading to effective and efficient use of resources, profitability and timely completion of the assigned task.

4. **Team Building Workshops**
Today, organisations are investing heavily in soft skills training of their employees. One of such training is team building workshops which recreates the negotiating activities that might take place among employees of different departments. Such workshops include team building exercises, games and activities which help employees introduce themselves to those employees who were nearly strangers for them, improve communication, etc. Whereas, conducting team building activities during conferences and meetings also improve training and warm up meetings.

5. **Informal Gatherings**
Formal relations among senior executives and subordinates are unnecessary in an organisation’s informal gatherings. Also, as they say, enemies also become friends when they come together and meet in an informal gathering. One gets to know the strangers in such informal lunches, dinners, etc. This is also a key success factor in building the sense of cooperation and coordination among different functions.

6. **Implementing Recognition Incentives**
Recognition incentives for a team through non-monetary rewards such as ‘email announcements’ or monetary rewards such as ‘branch of the month award’ encourage employees to get more involved in teams and also boost the organisations’ productivity and positive work environment.
Benefits of Teamwork
Teamwork has monetary as well as non-monetary benefits. Some of them are mentioned below:
1. Achievement of organisations vision/mission
2. Innovations leading to organisation's growth and profitability
3. Increased productivity by encouraging atmosphere of cooperation
4. Efficient utilisation of resources
5. Mitigate lack of communication among employees on common organisational goals
6. Easy and quick access to all information
7. Problem solving and increased satisfaction
8. Strong and positive workplace
9. Increased learning and enhancement of skills
10. Increased motivation of employees
11. Socialisation among employees

There is virtually no environment in which teams, if done right, can’t have a measurable impact on the performance of an organisation. Unless the senior executives build a sense of teamwork among their employees, they will have no shared performance goals, joint work efforts, mutual accountability, which will ultimately result in reduced productivity and lack of coordination. One has to step ahead and take the initiative and start to cooperate and hope to witness cooperation from the other end as well.

Shiraz Noordin, FCA
USA

There is a famous African proverb that goes like this: “If you want to go fast, go alone. If you want to go far, go together.” Elaborating on the importance and significance of this proverb’s message, it cannot be emphasised enough how important, crucial, and critical, team work is for the success and prosperity of an organisation. When members come together as a team, there is more efficiency and effectiveness than can be achieved individually, in pursuit of a given goal. Effective and collaborative teamwork ensures that each team member in the team has someone to rely on, is backed up by someone and has someone for consultation. Teamwork also ensures that no member feels necessarily burned out, since the workload and target is shared efficiently among the team. This, thus, yields more productivity and successful output. Alas, it is rightly said that the meaning of a TEAM is Together Everyone Achieves More.

Team and team work must be encouraged at workplace as it strengthens the bond among the employees and the targets can be met at a faster pace. Workload is shared and individuals feel motivated to perform better than his team members.

Shahid Khalil, ACA
Samundri, Faisalabad

Teams are formed when individuals with a common taste, preference, liking, and attitude come and work together for a common goal. Teams play a very important role in organisations.

“Coming together is a beginning. Keeping together is progress. Working together is success.” – Henry Ford. This proverb can very well highlight the importance of working together in teams. Every employee is dependent on his fellow employees to work together and contribute efficiently to the organisation. No employee can work alone; he has to take the help of his colleagues to accomplish the tasks efficiently. It has been observed that the outcome comes out to be far better when employees work in a team rather than individually as every individual can contribute in his best possible way. In organisations, individuals having a similar interest and specialisations come together on a common platform and form a team.

A sales team has employees inclined towards branding and marketing activities to promote their brand. An individual with a human resource specialisation would be out of place in such a team. Research supports that organisations with clearly defined teams are more successful as compared to those with a one man show.

Team work is essential in corporates for better output and a better bonding among employees:
- No organisation runs for charity. Targets must be met and revenues have to be generated. Tasks must not be kept pending for a long time and ought to be completed within the desired timeframe. A single brain can’t always come with solutions or take decisions alone.
He needs someone with whom he can discuss his ideas. In a team, every team member has an equal contribution and each team member comes out with a solution best suited to the problem. All the alternatives can be explored to come out with the best possible solution. Thoughts can be discussed among the team members and the pros and cons can be evaluated.

- **Tasks are accomplished at a faster pace when it is done by a team rather than an individual.** An individual will definitely take more time to perform if he is single handedly responsible for everything. When employees work together, they start helping each other and responsibilities are shared and thus it reduces the work load and work pressure. Every team member is assigned one or the other responsibility according to his specialisation, level of interest and thus the output is much more efficient and faster.

- **Work never suffers or takes a backseat in a team.** Mr. X was taking care of an important client and was the only one coordinating with them. He took a long leave and there was no one else who could handle the client in his absence. When he joined back after a long vacation, the organisation had already lost the client. Had Mr. X worked in a team, others could have taken the charge when he was not there. In a team, the other team members can perform and manage the work in the absence of any member and hence work is not affected much.

- **There is always a healthy competition among the team members.** Competition is always good for the employee as well as the organisation as every individual feels motivated to perform better than his other team member and in a way contributing to his team and the organisation.

- **Team work is also important to improve the relations among the employees.** Individuals work in close coordination with each other and thus come to know each other better. Team work also reduces the chances of unnecessary conflicts among the employees and every individual tries his level best to support his team member. The level of bonding increases as a result of team work.

- **Team members can also gain from each other.**
  Every individual is different and has some qualities. One can always benefit something or the other from his team members which would help him in the long run. Everyone is hungry for recognition and praise. One feels motivated to work hard in a team and to live up to the expectations of the other members. Each member is a critic of the other and can correct him whenever the other person is wrong. One always has someone to fall back on at the time of crisis.

Team and team work must be encouraged at workplace as it strengthens the bond among the employees and the targets can be met at a faster pace. Workload is shared and individuals feel motivated to perform better than his team members.

**Usama Sohail, ACA**
Dubai, UAE

It is an established fact that successful organisations tend to hire and retain talent that are not only technically qualified but also those who can work as an effective team member. Various researches have proven that a team of averagely talented people having good team work skills gives better results than the team of highly qualified individuals with poor team work skills. Being able to work effectively in teams is one of the key requirements in current business environment. In a dynamic environment, complementing the skills and roles in a team is a mandatory requirement. An organisation’s objectives cannot be achieved if the employees work in silos and do not have the capability to work in teams. There are requirements to work in teams with people from different backgrounds and hence each individual must have the capability to work effectively in teams.

The people running the organisation also work in team; i.e., board of directors (those charged with governance); wherein professionals from different backgrounds work together so that the organisation can achieve its objectives. In our case of chartered accountancy where the individuals are technically qualified in the fields of accounting and finance, wider demand of the industry and the global trends want chartered accountants to
also have strong soft skills including an ability to work effectively in teams.

Ammar Murtaza, ACA
Sialkot

The word T.E.A.M ‘Together Everyone Achieves More’ itself conveys the importance of teamwork.

Teamwork doesn’t mean everyone doing the same thing or everyone being able to do each other’s jobs. It’s more a means to a synergistic way of working, where the sum is greater than the parts. Properly managed, teamwork maximises strengths, bringing out the best in each team member. The specific and unique individual strengths are complimented by the strengths of others, or of the team as a unit.

Not all teams are made up of friends. Nor, for that matter, do they need to be, in order for them to be effective. Teamwork does, however, have the potential to foster a fulfilling and meaningful way of working together. It’s not necessarily an easy option, nor a panacea for all organisational ills. However, working with a group of people, on a worthwhile activity, with a common goal, can be one of the most rewarding, fruitful and enjoyable aspects of work.

Muhammad Ahmad Qureshi, ACA
Karachi

“Coming together is a beginning. Keeping together is progress. Working together is success.” – Henry Ford

Teamwork is absolutely critical if you define it as everyone having a shared vision; clear roles, responsibilities and accountabilities; delivering their best to achieve optimum results and growth; and having no or at least minimum personal differences to ensure combined efforts for excellent performance and mutual success.

The substance of the teamwork is about people working together to achieve more than they could have working individually and independently.

Hasnain Shafqat, FCA
Lahore

An organisation consists of people, and a group of people chasing a common goal, is a team; hence teamwork is imperative. The most common mistake committed by team leaders is that in order to score a goal, they forget that the forwards are only kicking the ball to the goal but a move is organised from behind. A team consisting entirely of forwards will never win. It means every member of the team should be given due importance and a design for teamwork should be implemented.

Syed Imtiaz Abbas Hussain, FCA
Karachi

Verily! without teamwork an organisation can’t succeed as herculean time of individualism has become impossible and exists no more. “ME (individual)” has turned into: US (teamwork) - a tool of organisational success.

Let us be first clear about ‘teamwork’ before its application on an organisation. Basically, a team is a group of people who work together and share a common work objective by which organisations can improve the ways of developing, disseminating and applying knowledge. There is also evidence suggesting that teams
typically outperform individuals when the tasks being
done require multiple skills, judgment and experience.
In other words, teamwork refers to different small and
large parts of a machine, where parts through teamwork
deliver sophisticated, advanced, improved, fast, huge
quantum and flawless output/results.

One time, a practicing chartered accountant used to have
full knowledge, command and competency in accounting,
auditing, taxation, corporate laws and management
consultancy. But it is humanly impossible these days
due to everyday changes, complications and challenges
taking place in each of these areas, and now these
organisational objectives are achieved through teamwork
of partners, where each partner focused to each area of
objective like accounting or auditing or taxation, etc. is
involved in it through research and in-depth knowledge
ultimately achieve expertise and specialisation in it, and
the organisation as a whole, through partners teamwork,
contribute satisfactorily to the clients.

Further teamwork reduces risks of errors, frauds and
wastages, and enhances productivity and performance
and ultimately makes the organisation a success in all
respects. The following few examples supports this
statement:
1. In a chartered accountancy firm, a teamwork reduces
risks of errors in their audit work as semi-senior guide/
check work of juniors, a senior guide/check work of
semi-seniors, a supervisor guide/check work of seniors,
assistant manager guide/check work of supervisors,
a manager guide/check work of assistant manager,
a partner guide/check work of managers, a group of
partners guide/check work of partner on technical/
judgmental issues.

2. In a successful organisation, team works – in all
the departments like planning/budgeting, production,
accounts and finance, procurement, marketing, control
and compliance, systems, HR, etc. reduces risks of
errors, fraud and wastages and enhances productivity
and performance and ultimately makes the organisation
profitable and sustainable. For example: in accounts
department in its accounts payable section, few
persons gather approved documents of transactions,
a few prepare vouchers, a senior checks the vouchers
with supportive documents, a manager authorises the
vouchers. So the risk of errors and fraud in recording
liability reduces and makes the record reliable, of course,
through this team work.

Adil Farooq Qureshi, ACA
Kot Addu

Yes, of course, and indeed teamwork is compulsory to
sustain the success. Without teamwork, no organisation
has been able to achieve success and maintain it
afterwards. Whether it’s a Small and Medium Enterprise
(SME), a listed company or a multinational concern,
teamwork is, without exception, a key factor to achieve
the objectives and be successful in the corporate world.
Policy Board

Taxation policy is the fundamental part of the overall economic policy and planning of any country. This requires Transparency, Participation and Independence. In all the developed societies, there is interactive participation of the stakeholders in policy formulations.

In the past, due to lack of democratic structure in Pakistan such process could not be undertaken meaningfully. Potential revenue has been compromised due to lack of policy making that is essential for the sustainable growth in the revenue.

Recommendations

The prime objective of the Policy Board, which was formed under section 6 of the Federal Board of Revenue (FBR) Act, 2007 (as amended by Finance Act 2011) should have been to formulate national tax policy in consultation with the stakeholders. Unfortunately, this section has limited the role of the Board as facilitator i.e. providing guidance in framing fiscal policy and so on. This section needs to be properly amended by broadening the scope of the function of the Board to include the formulation of fiscal policy making as a support to legislative function. Moreover, it can also act as an oversight for the performance of the FBR.

The Board is currently headed by the minister of finance with more than five federal ministers as members of the Board along with the chairman of the respective committees of the parliament. The existing composition of the board is too heavy and would make it non-functional to carry out its objectives. Accordingly, it should have the minister for Planning as a member along with the chairman of the respective committee of both houses of parliament, other than the chairman FBR, secretary Finance and six members from cross section of civil society comprising of eminent economists, intellectuals, technocrats and representatives of major stakeholders viz. Federation of Pakistan Chamber of Commerce & Industry (FPCCI), Tax Bar Associations, trade bodies, The Institute of Chartered Accountants of Pakistan (ICAP) and other accounting and professional bodies.

Increasing Tax Payer’s Compliance

Tax payer compliance is the most critical issue for any taxation system in any country of the world. In an ideal circumstance, it means that all citizens and businesses would satisfy their obligations under the tax law to register where specifically required, and to voluntarily declare and pay on time their tax liabilities, all calculated fully and accurately in accordance with the law. This statement encapsulates four basic tax compliance obligations of citizens and businesses that generally speaking must be administered by all revenue bodies in accordance with their respective tax laws:

Administration Reforms

by Naeem Akhtar Sheikh
The primary goal of a revenue authority is to collect the taxes and duties payable in accordance with the law and to do this in such a manner that will sustain confidence in the tax system and its administration.

a. to register for tax purposes;
b. to file tax returns on time (i.e. by the date stipulated in the law) or at all;
c. to correctly report tax liabilities (including as withholding agents); and
d. to pay taxes on time (i.e. by the date stipulated in the law).

The tax payer compliance is a primary goal for any revenue authority and to quote:

“The primary goal of a revenue authority is to collect the taxes and duties payable in accordance with the law and to do this in such a manner that will sustain confidence in the tax system and its administration. The action of tax payers, whether due to ignorance, carelessness, recklessness, or deliberate evasion, as well as weakness in a tax administration means that failure to comply with the laws is inevitable. Therefore, the tax administration should have in place strategies and structures to ensure that non-compliance with the tax law is kept to the minimum.”

Analysis of Existing Situation

There is a broad consensus amongst various stakeholders that one of the major reasons plaguing the national tax system is stemming out of the failure of FBR to ensure the tax payer compliance. A lot of efforts have been made in past to improve and modernise this function, but despite these efforts it has not been able to deliver the desired objective of satisfactory tax payer compliance which is also evident from lower tax to Gross Domestic Product (GDP) ratio. This has resulted in non-availability of enough resources for the Government of Pakistan to finance its expenditure. The tax to GDP ratio at 9% is one of the lowest in the region and is having a devastating effect on the economy and people of Pakistan.

The tax system is marred by menace of tax evasion, under reporting, tax fraud, corruption, smuggling, and under invoicing to name a few. This inequity in the system is also hitting hard to compliant tax payers, as there are no level playing fields and they have to compete with tax dodger’s/evaders, which is making their businesses unfeasible.

The failure of FBR to collect the right taxes and meet the budget targets results in resort to ways and means by the field formations which has negative impact on economy and businesses as well as trust of taxpayers. The honest tax payer has to bear the brunt of excesses by the department and the burden of those who connive and get away in the system. The examples of the same are stoppage of tax refunds due including Value Added Tax (VAT) refunds, raising of arbitrary demands, collection of advance and undue taxes, etc.

Following are few excerpts from executive summary of reform report issued by Commission headed by Shahid Hussain in 2001 which is still relevant to date:

“Pakistan’s fiscal crisis is deep and cannot be resolved easily. Taxes are insufficient for debt service and defense. If the tax to GDP ratio does not increase significantly, Pakistan cannot be governed effectively, essential public services cannot be delivered and high inflation is inevitable. Reform of tax administration is the single most important economic task for the government. Consequently, in June 2000 the chief executive appointed a Task Force to review the tax administration and make recommendations to improve it.

‘An effective revenue organisation must comprise trained and dedicated persons with integrity, transparent processes, a comprehensive information system, and taxpayer education. This report suggests radical reform of recruitment, training, compensation, and performance management. It recommends self-assessment, selective audit, and expansion and upgrading of information management. It emphasises reduction of discretion and direct contact between tax collector and taxpayer. Indicative transitional measures are suggested for most issues.

“The current management of Central Board of Revenue (CBR) has taken creditable initiatives on process and reform. However, much more is needed and on a sustained and comprehensive basis. The Task Force’s recommendations for tax administration go far beyond what can be done for the rest of the civil administration. Yet, improvement in the collection of taxes is crucial and the government cannot wait, nor will half measures do.

“The measures suggested will substantially reduce the adversarial relationship between taxpayers and tax collectors, improve the efficiency and morale of the tax administration. There is a high probability that these measures will increase tax compliance and reduce leakage. There should be significant increase in the tax to GDP ratio.”
The above report was followed by a reform funded by World Bank, which is being carried since 2004. A lot of changes were made as a part of these reforms including setting up of Large Taxpayer Units (LTUs) and Regional Tax Offices (RTOs). Strengthening of IT function, conversion of returns to electronic data base, FBR portal, Pakistan Education & Research Network (PERN) software, improvement in pay structure, improved infrastructure, etc.

A semi autonomy was also granted to FBR vide Federal Board of Revenue Act 2007 to facilitate the reform process. The salient features of this Act was to grant power to FBR to carry out its strategic objective of modernisation of taxation systems and broadening of tax regime in an efficient and effective manner. Interestingly, the first power under section 4 is to implement the administrative reform agenda. This law also provides wide powers to HR management to effectively run the organisation. An amendment was also made in the above Act in 2011 providing for creation of policy board headed by Ministry of Finance to provide guidance on fiscal policy matter to FBR.

The FBR has oversights in shape of Internal and External Audit. The internal audit is carried out by a Directorate of internal audit, a wing established under the FBR and reports to the chairman. The internal audit wing is also not delivering the desired objectives of improvement and efficiency of the operations and accountability of the discretionary decision making process but rather proving counterproductive.

There is external audit in the shape of audit by Auditor General of Pakistan (AGP). The external audit is the oversight by parliament and out of the domain of this commission but is a futile exercise which results in waste of thousands of hours of FBR, AGP and parliament committee with no underline improvements.

Despite the above efforts, we have not been able to make any headway and our collection stand at even a worse position than in 2000 when compared in terms of tax to GDP ratio. There is a massive evasion and revenue leakage still at large at almost all levels of economy. So, the question arises what went wrong and why the desired results could not be achieved despite spending of so much time, money, and energy, and a painful delay in raising enough resources to ameliorating the misery of the masses.

**Recommendations**

We need to address this issue by developing a comprehensive response to the current issues being faced by FBR. In the short run, we need to analyse the issue of compliance in Pakistan on an urgent basis and come up with comprehensive frame work on Compliance Risk Management. This program should comprise of identification, assessment, prioritisation, and treatment of compliance risks, and the monitoring and evaluation of the impact of treatment strategies as a part of a revenue body management strategic process.

In order to ensure the effectiveness of the above program, a Compliance Monitoring Framework should be developed, which can be progressively enhanced overtime, and include a range of measures and indicators for each of the major risk type administered by the FBR. The FBR should also document its approaches and result of their monitoring efforts to encourage greater understanding and a dialogue among various stakeholders.

It must be understood that in order to effectively deliver on the above programs, the FBR would need appropriate resources and a methodology to allocate these resources in a most rational manner. The review of the existing structure raises a serious question as to the capability of the existing organisation to develop and undertake such a work in an effective and efficient manner.

Therefore, we need to address the capacity, capability and governance issues at FBR on urgent basis. Accordingly, an approach is required to address the issue of HR management, autonomy, governance and oversight mechanism.
on short, medium and long term basis. It must be borne in mind that any effort of administrative reform that is not implemented in full or in a piece meal manner will fail the effort and would become counterproductive.

**FBR Headquarter**

An effective and robust headquarter is critical for a well-functioning Revenue Administration. A reform of governance and organisational structure are key for success of any new initiative. Most of the modern tax administrations are organised on functional lines with particular roles assigned to the headquarter and to operational units. Each functional area (tax payer service, audit, registration, legal and litigation support, arears and enforcement, etc.) is responsible for 1. Strategic and operational planning 2. Development of national program 3. Provision of technical advice 4. Establishment of resource level and performance targets and measurement systems and 5. Monitoring and evaluation of field operations.

The FBR though organised on functional lines is connected with field formations through centralised authority of member Custom and member IR. The member Tax Payer Audit and Enforcement are only acting as policy maker and have no role in execution, monitoring, control and accountability of the entire process. This results in total disconnection between the functional head with functional lines at field formation level and resulting in failure of objectives. This is a serious issue and need to be addressed on urgent basis.

Under the present set up, the member operations IR & customs are the de facto bosses of the entire field formations irrespective of their functional line. The rest of the functional members including member audit and enforcement are connected through dotted lines and practically have no control on field formation officers.

The member operation, due to the very nature of his job, is overburdened and focuses on tax targets and therefore, all other important functions get scarified in pursuit of the same. And, in fact, this distortion is responsible for part of the mess.

Moreover, the division of staff at field formations though initially organised on functional lines till commissioner level has now been diluted to IAC level resulting in further chaos. The real benefit cannot accrue from functional specialisation unless it is directly connected and controlled by functional top management at headquarter level. The failure of this initiative was also due to reason that this functional specialisation had no top ownership at FBR level.

Another important area of broadening of tax base is also under a DG, which also report indirectly to member operations. There has been a major failure in increasing the number of tax payers and the current arrangement indicates towards the lack of importance to this very critical area.

Moreover, the FBR headquarter also lacks capacity at both professional and technical level. Due to this inability a professional ownership and effective oversight capacity is not available at headquarter level to undertake tax payer risk and compliance programs.

**Recommendations**

The FBR Headquarter needs to be reorganised with functional specialisation clear flowing all the way down to the level of field formations at LTU and RTO levels. Four functional divisions need to be created namely in IR viz. operations/enforcements, tax payer’s audit, registrations (broadening of tax base) and litigation support/legal at FBR with clear demarcated staff at field formation level. All the staff at the field formation level should be divided in these functional lines directly reporting to functional head at FBR.

The functions other than those specific to audit, registration and legal support may be clubbed under member operations such functions to include return processing, records, enforcement, refunds, arears, etc.

This re-organisation will help in development of risk based compliance program by each division and a complete ownership and accountability of the program. It would also allow an effective review and oversight of the implementation function being carried out at field formation levels. Analysis of results stemming out of action taken and continuous improvement in methodology resulting in improved compliance and achievement of overall objectives. This would also allow a greater communication and exchange of information between headquarter and field formations, which is essential in any functional based organisation. For example, a properly structured headquarter audit function, in inland revenue, would be in daily communication with audit units in the field discussing strategy and plans, providing guidance on cases and monitoring results.

Training needs to be a continuous part and parcel of professional staff at FBR. The directorate should offer executive training programs for all levels of staff at the FBR.
Effective tax audit is one of the most effective tools to ensure compliance to law by the tax payer and has a direct correlation to under reporting in the system.

The custom wing should also be moving to function-based structures with strong headquarter units capable of providing high quality technical advice to the field and implementing modern approaches to risk management in areas such as valuations, trans-shipment fraud, post release audit, interdiction and intelligence, etc.

**HR Management**

The first and foremost area that needs focus is the human resource at FBR. The aforementioned report clearly spelled out a reform to recruit, train and measure performance of human resource. It appears that this area was neglected the most in the subsequent reforms process.

The staff employed by FBR comes from various academic disciplines and are recruited through civil services recruitment process by Public Service Commission. They are given six months common training and then they are sent for specialised training in Inland Revenue Academy and Custom Academy for another six months for specialised training in tax laws, accounting and business laws. It can be safely concluded in today’s world of technology, online banking, e-commerce and complex transaction, the staff is completely incapable of performing the task assigned to them.

The tax audit is a core function in any revenue service especially in the self-assessment regimes. Effective tax audit is one of the most effective tools to ensure compliance to law by the tax payer and has a direct correlation to under reporting in the system. This core function is being looked after by part of about 2000 officers and there is a serious lack of capacity to perform any type of meaningful tax audit both at the headquarters and at field formations.

If we look at the HR profile in FBR, one finds that more than 90% of the staff consists of persons of grade 16 or below with head count of about 20,000. The total officers above the rank of grade 17 and above are 1,966. This profile itself speaks about the working of the organisation. The absolute numbers and the ratio of support staff to professional staff are untenable. This 90% staff represents the part of the problem as they are the people who are surplus in the organisation, lack ability and are in fact counterproductive.

**Recommendations**

To respond to challenges being faced by the FBR, the Federal Board Revenue Act 2007 needs to be suitably amended to allow employment of high caliber professionals at market based salaries to augment and strengthen the management at headquarters and strengthening its enforcement and compliance function at field formation levels. As a short term measure, FBR should induct professionals on contract basis on MP grades.

As a tax administration has to deal with state of the art aggressive tax planning schemes involving cross border financial transactions, a tax audit solely comprising of internally promoted auditors could encounter difficulties detecting and analysing these schemes effectively. Therefore, FBR can also alternatively think of induction of mid-career recruitment of experience tax consultants with experience in law and accounting directly into higher grades. This measure would be an effective counter measure and would also attend to the needs of large taxpayer unit with large size clients.

In short to medium term, the curriculum of the training directorate needs to be augmented and the training made more rigorous. The period of specialised training should be extended to at least one year to cater to modern external economic challenges. Moreover, a minimum of three months practical training should be mandatory before a formal posting to make the officer well versed with all practical aspects.

The best performers in training and high achievers should be allowed to choose the audit wing and registration wing in the order of priority. All staff in these wings be allowed initially to get double salary provided they maintain a certain level of performance criteria. Double compensation should also be offered to outstanding performers in operation or service and support wings.

Training needs to be a continuous part and parcel of professional staff at FBR. The directorate should offer executive training programs for all levels of staff at the FBR. These executive courses should be mandatory and performance at these courses should be linked with future promotions till grade 20. Moreover, the high performers may be allowed to stay in audit and registration wings.

In the longer run, we need to work on the idea of creating a specialised tax services cadre totally separate and independent from other civil services of Pakistan with its own rules and regulations. This would also require a complete revamp of directorate of training to convert it into a centre of excellence.
THE COMPLEXITY AND URGENCY OF WATER: TIME FOR THE ACCOUNTANCY PROFESSION TO STEP UP

by Prof. Tony Allan, Dr. Tony Colman, and Dr. Martin Keulertz

The World Economic Forum published a report in 2015 on key economic risks that captured and highlighted the opinion of experts and global decision makers. Water is the number one risk threatening global stability in the coming years. The accounting profession can play a major role in helping to mitigate this risk by advancing global standards and reporting requirements for water use in agriculture, which withdraws 70% of freshwater worldwide while industry and households are withdrawing 20% and 10% respectively. However, due to return flows by industry and households, thanks to water recycling technology, the actual water consumption rate of agriculture is at 92% compared to 3% by households and 5% by industry.

At no stage in the food supply chain do stakeholders have to account for how much water they use. Vast quantities of water flow through increasingly global supply chains without their value being passed through and captured in commodity prices. This market system mismatch between environmental costs vs. profits has very serious consequences for global water resources.

Groundwater aquifers around the world are being depleted at an accelerating pace in both developing and industrialised countries. At the
same time, surface water reservoirs are increasingly under pressure as a consequence of population growth, urbanisation, and increasing competition between the energy and the agricultural sectors. Examples of hotspots include the Nile River, where countries such as Egypt and Ethiopia argue over water use for energy and food security. Or the Mekong River, where there is a continual struggle to meet the demands of the local populations for the energy and agricultural uses of water.

Meanwhile, climate change further exacerbates existing trends. For example, California’s water resources face a ‘crunch time’ thanks to a decreasing snowpack in the Sierra Nevada mountains and, thus, less run-off. The governor ordered unprecedented and mandatory water restriction regulations statewide because of the decreased snowpack. In California and elsewhere, farmers are the main managers of water. They consume approximately 90% of all water that is needed to meet the food needs of society in a market system that does not incentivise or enable farmers to steward water effectively. On the contrary, they are being incentivised to over-use surface and groundwater in irrigation. In many world regions where farmers have irrigated, they have run out of water (see recent articles in the

Water is the number one risk threatening global stability in the coming years.

But there are inherent problems with irrigation. Irrigation increases crop and food production, because water can be made available when rainfall is less than needed. If the water is assumed to be free and the environmental costs of using it—such as soil salinisation—are ignored, then irrigation can work financially in the short term. But the practice is not sustainable, economically or environmentally.

Over the past century, farmers have been encouraged by society and governments to irrigate. Instead of relying on water stored in the soil, accompanied by conservation farming practices that produce sustainable yields, farmers find themselves forced to produce large volumes of food—all dependent on irrigation to keep the global food system going.

Water is not an easy resource
Water is a fugitive resource. Freshwater moves around constantly. It falls as rainfall at different depths across the planet, it percolates into the soil, and is often invisible. It also changes its appearance from vapour to water and back to vapour in the water cycle. Water may evaporate at one place but precipitate at another. While wetter zones receive abundant rainfall, dry lands sometimes receive marginal amounts of rain leading to decision makers facing the extreme challenges of significant flood and drought events. Transporting water is also problematic as it involves high transportation costs. Finally, although water is strategically very important, it is assumed to be free and does not figure as valuable in the value system of food consumers. This particularly applies to the water used for food production where the cost of water as an input and the externalities of misusing it have never been internalised.

The supply chain: the arena of managing water
Food is a $5-7 trillion in market. All inputs are accounted for in food supply chain management except for the environment. The market does not properly account for the natural resources of water and energy. Water is only accounted for in exceptional circumstances in food supply chains. Although, stewarding water resources is assumed by society to be one of the duties of the farmer, there are no reporting or accounting rules to guide farmers or provide systems to pay them for water stewardship.

And, food production is even subsidised with roughly one billion USD a day in peak times by countries within the Organisation of Economic Co-operation and Development (OECD) to keep food prices low and disposable income more effective.

The way forward: the role of the accounting profession
This is where we believe the accounting profession can help the world to become water secure. Water does not only need to capture the attention of Corporate Social Responsibility (CSR) managers but also CFOs. The CSR side has become increasingly aware of their social and environmental responsibilities, and has begun to recognise the need for water ecosystem stewardship, as well as stewardship of biodiversity and the atmosphere. The adoption of voluntary water stewardship concepts is increasing. But the profit generating side of the food corporates has the fiduciary duty to ignore the costs of water for...
which there are no reporting and accounting rules.

The operationalisation of stewardship deploys different methods, such as risk tools and water footprinting, to analyse water risks and disclose the water use of stakeholders. Nestle even attaches a value ranging from 1 (low risk) to 5 (high risk) Swiss Francs to reflect the current and future availability of water in their production plants.

However, these initiatives are in their infancy because of the absence of compulsory requirements. Even the most environmentally aware companies may find themselves in a prisoner’s dilemma if they attach a value to their water resources when the vast majority of the food industry still does not account for water costs and externalities. Water needs to find its way into the mindsets of CFOs so that they can recognise emerging societal values as well as the potential bottom line impacts. Those very farmers who manage, and mismanage, 90% of the water need effective economic incentives. Without incentives that protect farm livelihoods, farmers cannot practice sustainable soil and water management. The business as usual approach makes farmers the unwitting start of an uneconomic and environmentally unsustainable system of food provision.

Methodologies to account for the environment exist and have become an increasingly popular topic in the academic accounting literature. Water management accounting as a sub-discipline is, however, still in its earliest phase. Examples from the Australian wine industry show that physical water management accounting is underway and accepted by wine supply chain managers. The monetary side of water management accounting, however, is still getting used to the need for more costing and accounting information if the outcomes are to be effective. However, while margins in the wine industry are considerably higher than in, for example, cereal production, the core question will be how to develop accounting for water to change behaviours and actions of all parties in the supply chain.

This is not proving to be an easy task. It requires engagement between the leaders of the accountancy profession as well as farmers and corporate executives. It also requires the awareness of wider society. Consumers and voters need to grasp that sustainability in the twenty-first century will come at a price.

It is time for accountants to engage in this crucial debate and enable the mitigation of the world’s greatest risk of the coming decades. What is needed are appropriate global standards for accounting for water. Sustainability reporting by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) provide a voluntary basis for providing disclosures, which in some jurisdictions is a requirement to disclose environmental related risks.
in regulatory filings. The same must be said about the Natural Capital Coalition in the United Kingdom, which seeks to develop a universal methodology valuing all externalities at risk, including water. However, the significant challenge in this process appears to be how to account for (including measurement, quantification, and pricing) of the fugitive water resource. Attaching a price to water is not an easy task and it would inevitably add a burden to welfare states across the world, which relies on cheap food to keep aging and/or young societies together. But the pricing of water and the payment to farmers for caring for water needs to be part of the accounting standards as much as labour or energy costs. Affordable food should still be possible with market competition despite the higher water costs needed for sound environmental stewardship with the continued government intervention to protect the poor.

Water needs to find its way into the mindsets of CFOs so that they can recognise emerging societal values as well as the potential bottom line impacts.

It is time for accountants to engage in this crucial debate and enable the mitigation of the world’s greatest risk of the coming decades. What is needed are appropriate global standards for accounting for water.

About the authors:

Dr. Martin Keulertz is a research fellow at Humboldt University of Berlin and adjunct research fellow at the Texas A&M WEF Nexus team.

Dr. Tony Colman is a visiting research fellow at UCT EGS South Africa, UEA WSRC UK and the Columbia Water Center, Earth Institute, New York.

Prof. Tony Allan heads the London Water Research Group at King’s College London and SOAS.

Courtesy: Used with the permission of International Federation of Accountants (IFAC) Global Knowledge Gateway: www.ifac.org/Gateway.
The Risks & Opportunities Posed by Water Can’t Be Ignored — by Businesses, Industries, or Nations

by Dr. Dorothy Maxwell

The Sustainable Business Group recently published the milestone State of the Apparel Sector Water report for the Global Leadership Award in Sustainable Apparel 2015. The awards take place in conjunction with World Water Week (WWW), the go-to annual event where international experts, practitioners, decision makers, and business innovators meet to discuss the globe’s water issues.
The Water Scarcity Challenge

Water is a resource under increased stress, with its management now cited as one of the greatest risks to business continuity and growth. In the big picture, water scarcity has been identified as one of the greatest risks to society over the next ten years by the World Economic Forum (WEF). From a human rights perspective, access to safe, clean drinking water supplies, hygiene, and sanitation are already risks in many world regions. The World Wildlife Fund’s (WWF) Water Risk Map, which illustrates the countries and regions around the globe that already suffer from high water risk, confirms what the news media is also reporting that China, India, US, Pakistan, Bangladesh, Australia, Africa, Turkey, and Brazil are already facing this risk.

Water risk factors include water stress (when local demand for water exceeds available freshwater in the area), drought, insufficient rainfall, flooding, and pollution. Already today, around half of the world’s major river basins, home to 2.7 billion people, face water scarcity at least one month a year, and water restrictions are projected to be further amplified by climate change. More than 70 major rivers are already so over-allocated that little of their water reaches the sea, according to the European Environmental Agency’s State of the Environment 2015 global statistics.

By 2030, the global population is expected to be 9 billion with economic growth in emerging markets at 6% and more than 2.5% in well-developed markets. By this time, 4 billion people are expected to live in high water stressed areas and global freshwater demand will exceed supply by more than 40% if the world continues to follow ‘business as usual’ practices (WEF’s Global Risks Report 2014). For water-intensive business sectors, such as water utilities, agriculture, energy, extractives, chemicals, and textiles, this represents a major resource risk in terms of continued supply, competitiveness, and resilience. Water constraints will increasingly challenge ‘business as usual.’

Water Management Solutions

So how can we better manage water? What would success in water management look like? Solutions will need to include global, regional, and local perspectives—all the way down to the watershed level. Internationally, the draft UN Sustainable Development Goals for water, set to be finalised in September 2015, see success as a world where there is availability and sustainable management of water and sanitation for all and where this is seen as a human right. For business, improving water management, as with wider sustainability improvements, requires a mixture of drivers and actors. Drivers include effectively enforced government regulation, market, and financial incentives, such as water pricing (assigning a price to water reflective of its true costs and benefits), and the need for supply chain traceability and accountability for risk and reputation reasons. Industry best practice includes a business model shift from being ‘water users and polluters’ to ‘responsible water stewards’ focusing on protecting and enhancing freshwater resources for all the stakeholders that use them.

Technology innovations for water use/reuse, harvesting, and field and factory-based improvements are key to rapid, leap-frog change. In terms of water infrastructure, current thinking recommends investment in integrated water resource management solutions for water supply and sanitation suited to local supply and demand into the long term. Collaborative platforms are also important to scaling action and connecting multiple stakeholders. Existing platforms include the UN Global Compact CEO Water Mandate, WWF Water Stewardship programs,
World Water Day

and WEF 2030 Water Resources Group (chaired by Nestle SA, PepsiCo, SAB Miller, and the Coca-Cola company). Frameworks, such as the Alliance for Water Stewardship (AWS) standard, provide clarity on what a globally consistent approach for responsible water use and management entails.

Some business innovators are taking a lead on water management. For example, Heineken and the UN Industrial Development Organisation operate water stewardship acceleration initiatives for breweries in water scarce countries and regions. The H&M and WWF water partnership is focusing on apparel supply chain water challenges in China and Bangladesh. Levi Strauss & Co. has saved one billion liters of water through its WaterLess technology (which reduces the water used in garment finishing by up to 96%) and production improvements since 2011. Sasol, the South African energy and chemical company, proactively invested to improve the aging infrastructure of the municipal water catchment they draw from in response to concerns over material water security risks. Even though they only use approximately 4% of the catchment yield compared to other users, investment in the catchment infrastructure improvements provided a lower financial cost for greater long term supply than operating alone within their plant.

Role of Accounting and Finance

Investors and, increasingly, accounting professionals have identified water-intensive sectors as having a high exposure to business disruptions from water-related issues. This can increase production costs and negatively impact profit and loss, and, ultimately, shareholder value. Investors also perceive a potential for stranded assets in light of water scarcity and the growing threat of regulation and markets forcing internalisation of externality costs. But water risk also provides financial opportunities. Financial packages such as water funds are increasing in the agriculture sector to support restoration of watersheds, infrastructure development, and sustainable water management. However, investor assessment of water risk is still evolving and financial analysis does not yet systemically include water use and pollution in water stressed regions.

At present, water consumption and pollution is measured in businesses using tools such as Life Cycle Assessment and the Water Footprint. These provide a quantitative measure of water impact at factory or supply chain levels. This information is typically disclosed in Corporate Social Responsibility (CSR) or integrated reports.

Awareness of materiality of water risk is growing. For example, 68% of respondents to the 2014 CDP Water Program questionnaire reported that water poses a substantive risk to their business (questionnaire results available online); 22% of respondents reported that water-related issues could limit the growth of their business and, of these, one-third expected that constraint to be felt in the next 1-2 years.

Translating this information into management accounting, reporting, and financial environmental social and governance (ESG) applications is still relatively new—although growing. Beyond socially responsible investors, institutional investors are increasingly asking businesses how they manage water risk. More tools to support businesses and investors assess and quantify

Water is a resource under increased stress, with its management now cited as one of the greatest risks to business continuity and growth. In the big picture, water scarcity has been identified as the number one global risk to society over the next ten years by the World Economic Forum (WEF).
Given that the same amount of water is on the planet now as when it was formed, the question to ask is why is water scarcity increasing and what has changed? The answer is rooted in our increased use and pollution of water.

Challenges and Next Steps

While there is growing awareness in business and finance of the critical nature of water scarcity, it is still the elephant in the boardroom for many water-intensive sectors. Raising awareness of the water challenge and shifting mindsets beyond today’s mainly efficiency-based approaches to water stewardship is a key next step. Incentives to drive action—regulatory and market—equal to the scale of the water challenge are still limited and an essential next step for enabling uptake of water management solutions. This is especially the case in emerging markets where water risk is already high. For example, where water pricing exists, it rarely reflects the true value of water and associated costs and benefits. As a result, the price is not high enough to drive the long term water management solutions required. Beyond water stewardship business models, practices, and incentives, other next steps include investment in water management infrastructure suited to local and regional circumstances, government regulation to shift behaviour that is practically enforced, and collaborative platforms to enable scale and integration across stakeholders.

But change is underway in some countries with many of these steps starting to be implemented. For example, China is a recent highly promoted example of increasingly stringent environmental legislation and enforcement. From January 2015, China’s environmental protection law imposed stricter daily fines for pollution across a range of high-water using and polluting sectors, including energy, mining, and textiles. In addition to this strong regulatory enforcement approach, infrastructure developments for water supply, improving effluent treatment, and financial incentives (such as water tariff increases) are a key focus. The Chinese government’s approach is focusing on ‘three red lines’ on water—pollution, use, and efficiency—to shift from a pay-to-pollute to ‘polluter pays’ regime. Import tariffs on water pollution treatment technology have been reduced to incentivise their installation. This new regime is a step change for China, and poses a risk to those who cannot comply and an opportunity to the innovators who can.

By 2030, the global population is expected to be 9 billion with economic growth in emerging markets at 6% and more than 2.5% in well-developed markets. By this time, 4 billion people are expected to live in high water stressed areas and global freshwater demand will exceed supply by more than 40% if the world continues to follow ‘business as usual’ practices.

About the author: Dr. Dorothy Maxwell has worked in sustainability with businesses, government, and non-governmental organisations in the EU, Asia Pacific, and US for more than 24 years.

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IFRS 15:
Affects on Telecom Sector

by Ahmed Khan
International Financial Reporting Standards (IFRS) 15 **Contracts with Customers** introduced a big change with a challenge of its implementation for almost every company, mainly if it was covered by International Accounting Standards (IAS) 18 and other revenue recognition related standards.

IFRS 15 provides five guiding principles for revenue recognition, which are:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when(or as) the entity satisfies each performance obligation

The profile of revenue and profit recognition will change for some entities as the new standard is more detailed and more prescriptive than the existing guidance available in IAS 11, IAS 18, International Financial Reporting Interpretations Committee (IFRIC) 13, 15 & 18 and Standards Interpretation Committee (SIC) 31 which will be superseded. Further, the new Standard will introduce new complexities, in particular to the telecommunications companies.

These telecom companies will need to consider:
- whether they are able to apply the portfolio approach to groups of contracts;
- the impact of the new guidance on allocating revenue to all goods and services in a contract;
- how to account for contract modifications;
- whether particular costs relating to obtaining a contract must be capitalised;
- whether revenue must be adjusted for the effects of the time, value of money; and
- the reliability of information to be disclosed in the financial statements.

Applying these new rules may result in significant changes to the revenue profile and, in some cases, cost recognition. This is not merely a financial reporting issue it is preparing the market and educating analysts on the impact of the new Standard as well and these might include:
- changes to key performance indicators (KPIs) and other key metrics (e.g. ARPU);
- changes to the profile of tax cash payments;
- availability of profits for distribution;
- for compensation and bonus plans, impact on the timing of targets being achieved and the likelihood of targets being met; and
- potential non-compliance with loan covenants.

**Significant Challenges in Revenue Recognition**

The January 1, 2017 effective date may be set to the following challenges for telecommunication entities:
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Allocation of revenue to different goods and services

Previously, due to lack of specific guidance in IASs, there was a greater room for judgment to identify the goods and services and their allocation to the revenue. IFRS 15 requires that revenue from a contract should be allocated to each distinct good or service on a relative standalone selling price basis. Therefore, the main challenge will be to split bundled offers into individual performance obligations and allocate the transaction price. In such case, the revenue for the individual performance obligations may be recognised over time (e.g. delivery of handset), or at the point of time (e.g. 2 years subscription plan).

Under IAS 18, many telecom operators provided free handsets to customers and treated them as marketing costs. However, under IFRS 15, telecom operators must have to allocate total contract price between the revenue from the sale of handset and sale of monthly plan. As a result, the timing of revenue recognition changes, which typically means that recognition of more revenue at the start of the contract (when the handset is delivered) and less as the contract continues (and airtime services are provided) whether or not this is reflected in the pattern of billings.

This is really challenging because implementation will require significant changes in the Information Technology (IT) systems, so that IT systems can automatically calculate and book the amount of revenue recognised each month.

Contract modification

It is very common in the telecommunications industry to allow customers to modify their contracts to, for example, increase or decrease minutes or add or remove services. In the past, IFRSs included only limited guidance on such modifications. IFRS 15 includes detailed guidance on whether a contract modification should be accounted for prospectively (as an adjustment to future revenues) or retrospectively (via an adjustment when the modification occurs), or even as a separate contract. This may result in a change of practice for some entities and, again, may pose a logistical challenge for the industry.

Capitalisation of contract costs

The new Standard introduces specific criteria for determining whether to capitalise certain costs, distinguishing between those costs associated with obtaining a contract (e.g. sales commissions) and those costs associated with fulfilling a contract. The new Standard requires entities to capitalise contract costs e.g. success fees and then amortise on a systematic basis. Entities will need to exercise judgment to determine the appropriate basis and time period for this amortisation.

Time value of money

IFRS 15 strictly defines the financing component and requires accounting for such a component separately from revenue. This applies to payments in advance as well as in arrears. As a result, maybe you would need to carefully incorporate time value of money into some long-term advances received or paid, or contracts settled after more than 12 months. This new guidance may change current accounting practices in some cases. For example, telecommunication companies that offer subsidised hardware (e.g. handsets, modems or set-top boxes) to customers whose contracts are paid over more than 12 months will have to consider the time value of money.

Disclosures

IFRS 15 significantly increases the volume of disclosures required in entities' interim and annual financial statements. Telecom entities may need to expend extra effort when initially preparing the required disclosures. For example, entities operating in multiple segments with many different product lines may find it challenging to gather the data needed to provide the disclosures. As a result, telecom entities will need to ensure that they have the appropriate systems, internal controls, policies and procedures in place to collect and make the required disclosures. In light of the expanded disclosure requirements and the potential need for new IT systems to capture the required data, telecom entities may wish to prioritise this portion of their implementation plan.

Conclusion

Time to implement the standard is not far away. Telecom entities are advised to perform an assessment about the possible affects of this standard on accounting policies, accounting systems, internal controls over financial reporting, telecom regulations, local taxes and corporate laws. They would have to also consider how they will communicate the changes with investors and other stakeholders. We encourage telecom entities to gain an understanding of IFRS 15 and evaluate how it will affect their specific revenue recognition policies and practices.
From “there’s much time still remaining” to “I have to drop any two papers now,” is the typical journey of a CA finalist these days. Yet very few of us try to understand the mechanics of such failures. Generally, students complain about time, teachers, office commitments and several other reasons but simultaneously waste the limited resource of time.

Here, I want to share my study and research about the possible causes of such scenarios. But before reaching directly to solutions, it is a must to have a basic understanding of how a human mind works to your benefit and how it can mismanage everything around you.

Do I really have to mention that it is the mind and thoughts that drive your day? Of course, I don’t have to. But what I want to tell you is the two different levels at which it operates conscious and subconscious - so you may understand how to train it to your benefit.

Imagine a man is riding an elephant. At a particular turn, the man wants the elephant to take the right but what can a man could do if the elephant gets stubborn to take the left turn? Believe it or not, about 95% of anything you do in a single day is done by your subconscious mind (the elephant), whether it is behavioural, official, hobby related and conscious mind (the rider) only contributes to 5% of the daily life.

So what factors affect these two levels? Conscious mind is affected by reason and logic like, “I have to study to pass the exams, I’ll start tomorrow, I’ll do two chapters a day, etc.” while the subconscious mind is driven by emotions and images like, “That social site is quite interesting, I’m getting famous, I’m all fired up for that cause, etc.” and ultimately, you won’t study.

One best example is recalling the best horror movie you would have seen lately. Consciously, by reason and logic, you know its acting and makeup or computer graphics but subconsciously, due to such images and emotions depicted, your body starts to react to them. At least you’ll get a glass of water, or do you remember in our childhood after watching martial arts movie, we used to pretend to be Bruce Lee or Jackie Chan for weeks.

So what can we do to make the elephant obey the rider? I believe the following techniques applied with commitment and faith would generate a positive impact on the subconscious mind:

**FOCUS:** First of all, you need focus. Focus can drive your body even “physically” to your goal. For example, mark parallel lines on a road with a gap of about 12 inches and try to walk in mid of those, so that your feet won’t touch any of those lines. Piece of cake right? Now imagine yourself walking on a two feet wide boundary wall of the roof top of a 9th floor building. Why would your body shiver and why would you feel a force pulling you down there now? Because now you’re focusing excessively NOT to go down there and remember, the mind doesn’t understand the word “NOT.”

You have to keep your mind thinking about study all the time, whether you’re studying at that moment or not. This exercise will reap its
fruits when you actually sit down to study.

PRIORITISE: Many of the friends with whom I studied in a group failed and I won’t say unfortunately because they had different priorities even a month before exams best friends, cell phones and chats, etc. Preferences may have a deeper impact in some or all aspects of your life. So you must prioritise wisely. Similarly, prioritise the topics by their significance in terms of toughness and exam frequency and please, prioritising doesn’t mean to decide what to be left untouched.

DISCIPLINE: One of my friend cleared Introduction to Economics in his fifth attempt. He would never believe me but one could find the answer in his college bag. The way he used to carry his notes and books was just awful. If you asked him to take out a particular chapter, he would take about five minutes every time.

So how does this relate to performance in exams? It is crucial if one cannot relate his memorised contents to the multi-topic based exam questions in those nerve wrecking three hours and 15 minutes. It is only possible if you stay organised and maintain discipline in your mind. “There is nothing as obedient as a disciplined mind and there is nothing as disobedient as an undisciplined mind.”- Buddha

BIRD EYE VIEW: Students often, when passionate about studies, start to learn important concepts or chapters in sequence straight away, not realising the pattern and structure of the course and that particular topic’s relation to other topics. They should revisit the outline and check consistently the relevance and connection of a particular topic to other topics. It strengthens mind mapping and makes it easy to remember. A tree diagram with various colors is a good way to do it.

CHUNKING: It is tougher to think about building a wall as compared to placing a brick in the best possible position. The human mind feels comfortable when things are divided into different classes or categories or broken down in chunks. For example, think which of these numbers is hard to memorise and why? (A) 456321789 or (B) 456-321-789

MNEMONICS: When important things are in a list form or contains headings, it is the best to use Mnemonics. Like to remember a list of Effectiveness, Accessibility, Reduction, Accuracy can be memorised by A.R.E.A. But one has to be really careful while preparing those terms otherwise he/she will end up with numerous mnemonics but not remembering what they actually stood for.

TO TEACH IS TO LEARN: Memorising is done best when calling out a concept loud. Combined studies are a great way to do that. Participate in studying and trying to explain complex concepts to your friends and don’t worry if at times your friends correct you because that’s what good friends are for.

KEEP MOVING SLOWLY: Moving is going to take you to the goal. And believe me, moving slower is what multiplies the efficiency. Students are often reluctant to start, not considering the fact that “you don’t have to be great to start, but you have to start to be great.” Almost everyone agrees that moving is crucial in almost every circle of life but times come when the mind tells you that you’re not going fast enough. But don’t let that thought overcome your actions and remember: “It doesn’t matter how slow you move, as long as you don’t stop.”

MOTIVATION: Some might laugh when it comes to motivational seminars or talks or small videos but little do they know, motivation is the fuel that is needed to light up your desire. There are times that you are hit very hard and some refuse to get up while some say “game isn’t over if I have not won it yet.” So what keeps them moving? Winston Churchill said, “Even if you’re going through hell, keep going!”

Get a lonely place, sit comfortable and ask yourself what can fuel you? Money, fame, cars, status, visiting cards or perhaps your family. Also keep in mind that you have to revisit and refresh your motivational aspects, which might keep on changing through time. As Zig Ziglar said, “Bathing and motivation doesn’t last long. That’s why we recommend it daily.”

Whatever qualification you are pursuing, hard times might hit you and may bring your mind to a state where you have just had enough. And whenever you feel like quitting, just think about why you started.

Remember, everyone is unique in his own way. No principle or technique can be applied to all individuals equally. Keeping in mind these techniques, stay fresh and open to adjusting yourself to what suits you best. Create a rigorous work ethic and remember: “Hard work beats talent, when talent doesn’t work hard.” And whenever you feel that your job is difficult, think if it were easy, everybody would do it. Good luck.
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Description of the Roles

**Chartered Accountant**
Oasis Accounting and Finance division incorporates the disciplines of Business Finance, Corporate Accounting, Treasury, Regulatory Reporting and Accounting Operations across multiple jurisdictions and specialist businesses. Reporting directly to the Chief Financial Officer and the Chief Executive Officer, the incumbent will need to possess exceptional technical, analytical, consolidation and reporting abilities coupled with sound business acumen, excellent communication skills and the ability to work independently and integrate seamlessly within teams as required. The position will require management of the entire global accounting and finance framework for the business and experience within a multi-currency and multi-jurisdictional accounting and finance environment will be a distinct advantage.

**Compliance & Regulatory Officer**
Oasis’ Compliance & Regulatory Department incorporates, amongst others, the discipline of Regulatory Compliance which ensures adherence to Regulatory and other internal or external reporting requirements. Develops, initiates and maintains policies and procedures of the Compliance program and related activities. Reporting to the Chief Regulatory Officer, the incumbent will need to possess exceptional technical and analytical abilities, and experience within a regulatory environment/business e.g. Mutual Funds or Financial Institutions will be given preference to. Candidates who have experience and/or qualifications in Islamic Finance will also be preferred.

**Internal Auditor**
Oasis’ Regulatory Department incorporates, amongst others, the discipline of Internal Audit which provides reliable, value added and independent assurance to management and other stakeholders over the effectiveness of controls, mitigating current and evolving risk, and ensures cultures of control in all processes. Reporting to the Chief Regulatory Officer, the position will require management of the entire global internal audit framework for the business and experience in a multi currency, multi jurisdictional internal audit environment will be a distinct advantage.

The candidates will manage and form part of a focused team based at Oasis’ office in Cape Town and will need to travel to similar operations offices from time to time to fulfill functional, project and management requirements. This is a complex but rewarding opportunity for a specialised professional who strives for excellence, thrives on challenges and is determined to grow and advance his/her career.

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**Candidates who Should Apply**

**Chartered Accountants**
- 5-10 years of accounting experience with an excellent track record.
- Strong Management experience
- Excellent technical and analytical ability
- Superior communication and reporting skills
- Suitable qualifications
- Registered as a Chartered Accountant
- Working knowledge of current industry standards

**Internal Auditors**
- 8-10 years if internal audit experience with a proven track record
- Strong management expertise
- Excellent technical and analytical ability
- Superior communication and reporting skills
- Suitable qualifications
- Registered as a CIA / CISA (preferred certification)
- Working knowledge of current industry standards

**Compliance & Regulatory Officers**
- Chartered Accountants with 2-3 years if Regulatory / Compliance experience at a Mutual Fund / Bank
- Excellent technical and analytical ability
- Superior communication and reporting skills
- Qualifications in Islamic Finance will be given preference
- Registered as Chartered Accountant
- Working knowledge of current industry standards

**Location**
Cape Town, South Africa

**Application Process**
E-mail your CV, copy of your ID, Certified Academic Transcripts and Industry Qualifications to recruitment@za.oasiscrescent.com.

Your submission is to be accompanied by a cover note that confirms submission of all required documents. All submissions are to reach Oasis by 30 June 2016.

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