

Navigating through Uncertainties: Role of ASEAN Accountants in Supporting Emerging Markets

As the world continues to deal with a global pandemic of massive proportion, countries around the world are running their race for survival, health, and wealth preservation. Traditionally, one of the key challenges and perhaps aspirations of emerging markets is to elevate their capacity and become more competitive globally. Now, they are facing new challenges that may require a new set of skills and approaches as part of the solutions. I believe accountants can play a key role in both – helping businesses and economies to define now normal and finding ways past COVID-19 challenges, as well as navigating through uncertainties whilst identifying new sustainable model to compete in the global market.

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AFA and the ASEAN Emerging Markets

According to the Morgan Stanley Capital International Emerging Market Index, out of 24 developing countries qualify as emerging markets, three – Indonesia, Malaysia and Philippines are in the ASEAN region. The combined GDP of the three countries in 2019 was worth 1,851.5 billion USD or representing 1.53 percent of the world economy¹, highlighting the importance and size of these countries to

the region's economy. As the region continues to fulfil its potential as one of the largest markets in the world, the role of these ASEAN emerging markets becoming even more important in today's continuously changing environment.

Accountants are long-established as trusted counsel to businesses in navigating through the dynamic forces of change that generate both opportunity and risk. Accountants are expected to adapt to new and challenging situations such as



¹ www.tradingeconomics.com (2019)

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As an accredited Civil Society Organisation of ASEAN, the ASEAN Federation of Accountants (AFA) aspires to contribute to ASEAN's objective in accelerating the region's economic growth. Through facilitation of sharing (i.e. knowledge, expertise, resource, etc) between the AFA member organisations, AFA continues to play our role as a regional body in building the collective capacity of the ASEAN accountancy profession.

Professional Accountancy Organisations (PAOs) are instrumental in our joint efforts to equip ASEAN accountants with the latest know-how. We recognise the importance of providing accountants with access to development opportunities, as well as maintaining their proficiency

through a comprehensive CPD framework. Accountants' role and expectation of their competencies are changing especially in emerging markets. It is our role, together with ASEAN PAOs to empower ASEAN accountants to lead in and contribute to the emerging markets.

Building Our Collective Regional Accounting Capacity

We realise not all PAOs have the capacity to continuously produce high-quality development materials for their members. Sharing and collaboration become important platforms for PAOs and accountants in the region to consult and establish network with their peers, learn from each other, as well as share best practices and development materials.

PAOs may establish stronger cooperation through Memorandum of Understanding (MOU) or Mutual Recognition Arrangement (MRA), to facilitate knowledge transfer and/or sharing. For example, the Institute of Singapore Chartered Accountants (ISCA) signed an MOU with the Myanmar Institute of Certified Public Accountants (MICPA) in 2018 to develop accountancy sector



in Myanmar. This includes a training on the ISCA Audit Manual. In 2019, ISCA signed an MOU to launch the Manual (for Standalone Entities) in Vietnamese together with the Vietnam Association of Certified Public Accountants (VACPA).

One important step for emerging markets to become more competitive globally is to build a solid national auditing and accounting framework. International Standards on Auditing (ISA) and the International Financial Reporting Standards (IFRS) are widely adopted in ASEAN countries. AFA and the ASEAN PAOs are working hard in promoting and supporting adoption and implementation of international standards. It was and continues to be one of our priorities, as reflected in our Strategic Plan for 2016-2019 and 2020-2023 and through establishment of the AFA Working Committee 1 as our platform for discussing matters relevant to adoption and implementation of standards in ASEAN countries.



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Our efforts in working with the AFA member organisations in building their capacity is also in line with our collective aspirations to work with the International Federation of Accountants (IFAC) on common strategic interest in the region. Continues fulfilment of the IFAC Statements of Membership Obligations (SMOs) by our member organisations is a benchmark that we are using not only in ensuring our efforts are targeted towards common priorities, but also in identifying potential issues faced by the PAOs. I am pleased to share that almost all of our member organisations are either a Member or an Associate of IFAC.

In 2019 alone, we welcomed IFAC and international standard-setters to the region and conducted various activities as part of our collaborative efforts in building the ASEAN

accountancy profession. In April 2019, together with the Institute of Indonesia Chartered Accountants (IAI) and the International Accounting Education Standards Board we hosted a joint international conference focusing on competencies of the future. At the end of the year, Malaysia hosted the IFAC Developing Accountancy Capacity in Emerging Economies Conference, providing a platform for leaders from around the world to share different initiatives focused on emerging markets. You can find more on these and other development activities in our AFA Annual Report 2019².

SMEs as Foundation of the Emerging Markets

A major part of the ASEAN economy consisted of the SMEs, accounting for between 89% and 99% of total establishments, and between 52% and 97% of total employment in the ten ASEAN countries. The SMEs contribute between 30% and 53% of each country's GDP, with export contribution between 10% and 30%³. SMEs make real contribution to income and employment generation, gender, and youth empowerment in the emerging markets.

We recognise the importance of the accountancy profession to contribute to the development of ASEAN SMEs. In 2018, we

launched the AFA Research Report 2018 – The Institutional Environment for Small and Medium Enterprises (SMEs) and Roles for the Accounting Profession (from the ASEAN Perspectives)⁴. This was followed by the AFA Research Grant 2019 initiative, granted to a group of researchers from Malaysia on Accounting Professional Technological Competency Skills (APTCS) SMPs for SMEs Technology Adoption. We look forward to finalising and sharing the full report later this year.

Redefining New Normal and Finding Ways Past COVID-19 Challenges

COVID-19 is changing the way we live. Organisations are forced to think and operate differently to cope with the changing business landscape. The accountancy profession is no exception. Accountants are expected to change and respond to the many strategic, technical, and operational challenges that come with the pandemic.



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² Link TBC

³ <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/micro-small-and-medium-enterprises/overview/>

⁴ <http://www.afa-accountants.org/news-77-AFA%20Research%20Report%202018.html>

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Leading the regional efforts in tackling the socio-economic issues that come with COVID-19, ASEAN issued a policy brief⁵, recognising the disruptiveness of the pandemic to economic activities in the region, tapering growth prospects around the world including Southeast Asia. The brief also highlighted how the pandemic may lead to long-term and considerable economic implications.

ASEAN acknowledges how the ASEAN countries have come up with various measures to counter the impact of the pandemic. Stimulus measures included, among others, tax breaks, subsidies including targeted support and cash assistance, and moratoriums



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I believe our role as a regional body is now even more important, particularly in facilitating communication and collaboration between our member organisations, partners, and stakeholders, creating a network of expertise and pool of resources. I am encouraged to see how AFA member organisations have been actively producing and sharing many COVID-19 related updates, some of which you can access through our website⁶.

In addition to the resources, AFA and our member organisations are actively hosting various webinars on various topics. Together with IAI and ICAEW, we co-hosted a joint webinar on financial reporting implications of COVID-19 where more than 1,000 participants joined the session, and another focusing on IFRS 17 Insurance Contracts. Similarly, with IAI and ACCA we also co-hosted a webinar looking at valuation and impairment considerations post COVID-19. Internally, we also conducted a joint meeting between the AFA organisations, IFAC and the IFAC PAO Development Committee, providing a platform for



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sharing of initiatives in dealing with COVID-19 challenges. Moreover, I am honoured to participate at the congratulate the Institute of Chartered Accountants on India (ICAI) Global Webinar hosted earlier this year, discussing challenges faced by accountants in COVID-19 era. I certainly hope this can be a beginning of many collaboration in the near future. ■■■

On behalf of AFA, I would like to compliment on the celebration ICAI on your Chartered Accountants Day (July 1). We recognise ICAI's role as one of the co-founding members of many international accountancy bodies, including IFAC and the second largest accountancy body in the world in contributing to the fields of education, training, and maintenance of high accounting, auditing, and ethical standards.

It is an honour for AFA to contribute to this special edition of the ICAI journal. I hope this article can enrich the message that we want to convey to accountants everywhere – that we are together in our efforts to contribute to the global development of the accountancy profession. I look forward to sharing this journal with accountants in the ASEAN region.

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⁵ ASEAN Policy Brief on the Economic Impact of COVID-19 Outbreak on ASEAN, 2020

⁶ <http://afa-accountants.org/news-94-COVID-19%20Resources%20for%20ASEAN%20Accountants.html>