



Strengthening Accounting Infrastructure for BRI and CAREC

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BRI – Belt and Road Initiative

- President Xi gave the historic speech and proposed an “economic belt along the Silk Road” back in 2013 at Nazarbayev University in Astana, Kazakhstan.
- In 2013 president Xi further proposed the “Maritime Silk Road” in his speech at the parliament of Indonesia.
- To create the new economic Belt and the maritime silk Road, President Xi suggested China should accelerate in:
 1. Policy Coordination
 2. Facilities Connectivity
 3. Unimpeded Trade
 4. Financial Integration
 5. People-to-People Bond

BRI and CAREC



BRI and CAREC

- Several projects have been done or are on the way, to name a few:
 - China-Kyrgyzstan-Uzbekistan Motorway
 - China-Central Asia Natural Gas Pipes
 - Silk Road Optical Cable Cooperation Agreement Signed
 - China-Kyrgyzstan-Tajikistan-Afghanistan
 - China-Pakistan Optical Cable Project
 - Gwadar Port Cooperation in Pakistan
- To further the cooperation, Facilities Connectivity, which includes infrastructure connectivity, is the foundation
- **Accounting Infrastructure** is part of the Facilities Connectivity.

Accounting Infrastructure

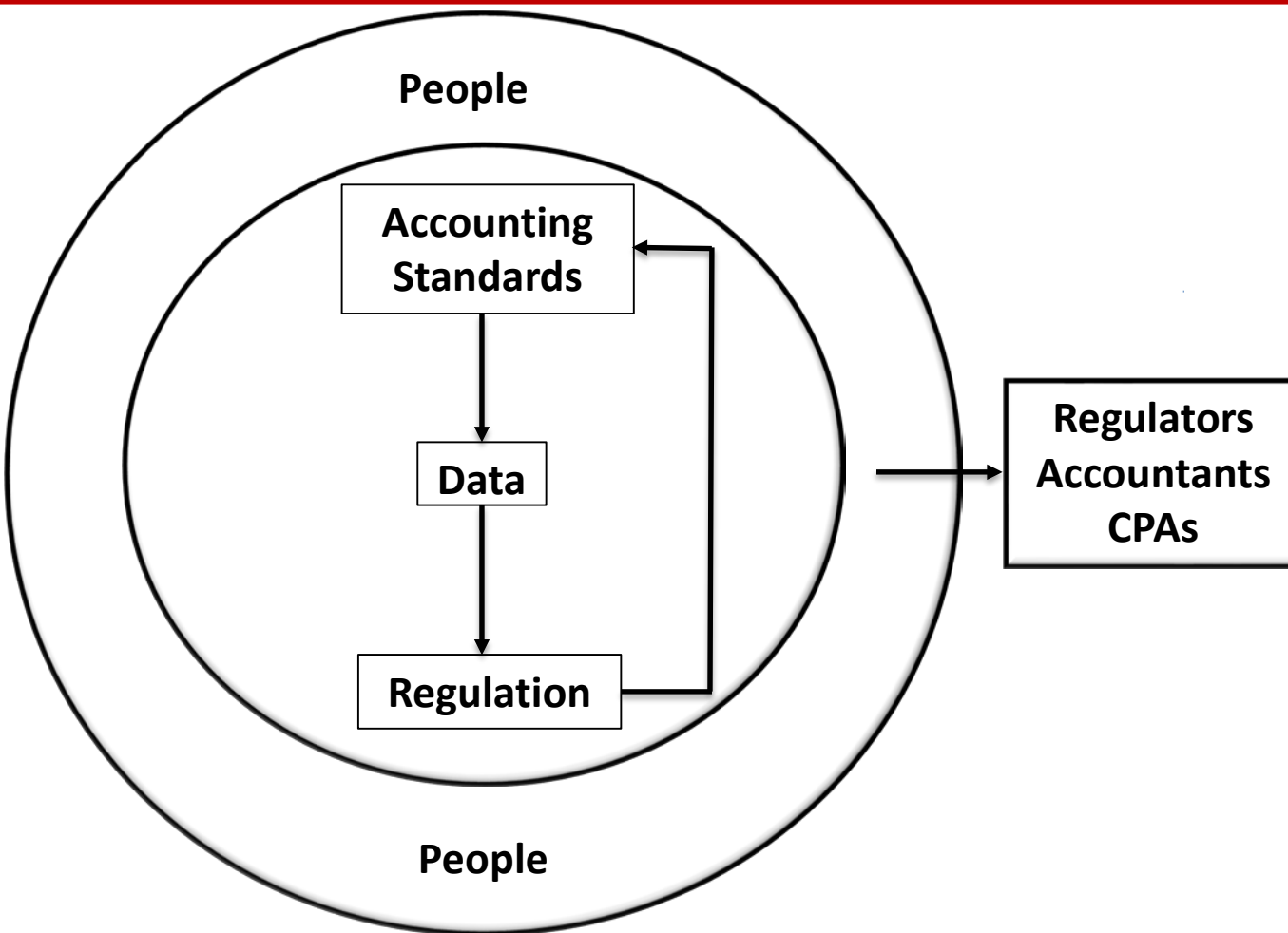
- Infrastructure
 - Hard Infrastructures
 - Roads, Railways, Utilities, Motorway, Hospitals, Schools...etc.
 - Soft Infrastructure
 - Culture, Languages, Governance System, Laws, Policies, Accounting...etc.
- "Hard infrastructure" cannot be separated from "soft infrastructure"
- If "soft infrastructure" is outdated, the development of "hard infrastructure" will be constrained.
- What is Accounting Infrastructure?

Accounting Infrastructure

The Definition of Accounting Infrastructure

Accounting Infrastructure refers to the soft infrastructures including
Accounting Standards
Accounting Regulations and
Accounting Professions
that provides quantitative data support for a country's economic
performance and cross-border transactions.

Accounting Infrastructure



The quality of a country's Accounting Infrastructures may depend largely on the quality of its Accounting Standards.

The effectiveness of Accounting Regulations is determined by the quality of standards.

However, all these cannot be done without high quality of Accounting Professions.

Accounting Infrastructure and CAREC Region

- Why Accounting Infrastructure is an important elements that may influence CAREC Region countries?
- Three levels:

Micro Level



Macro Level



Global Level

- Quality of Accounting Data – Accuracy, Timeliness, Sufficiency and Relevance
- Influence investors' investment decisions
- Accounting Data can have an impact on the accuracy of the Macroeconomic data
- It can further influence the formulation and the results of National Finance, Taxation, and Monetary Policies.
- The inconsistency of accounting infrastructure may create low comparability of the accounting data produced from different economies.
- As a result, this may create barriers and increase cross-border trading cost; thus hinder the trade and economic cooperation at multiple level.

Accounting Infrastructures in CAREC Countries

“A Comparative Study on Accounting Infrastructure in CAREC Member Countries”

- A research that was done by Shanghai National Accounting Institute, ZTE, and ACCA to find out the state of accounting infrastructure in the Central Asia Regional Economic Cooperation (CAREC) Region.
- Focusing on
 - Accounting Environment – Political, Economical, Legal
 - Accounting Standards
 - Accounting Regulations & Supervisions
 - Accounting Talents System
- Methods and Sources
 - IFRS
 - IFAC (International Federation of Accountants)
 - Laws & Regulations Documents

Accounting Standards in CAREC Countries

The Four Degrees of IFRS Adoption in CAREC Countries

Required

- Requires the public interest entities to use IFRS or their small and medium enterprises to use IFRS for SMEs.
- To fit into this category, a country must implement IFRS and/or IFRS for SMEs without or with minimal modification and at the same time remain consistent with the original IFRS guidelines.

Permitted

- It refers to the dual practice of national accounting standards and IFRS.
- In this category entities are given the right to decide whether to use IFRS/IFRS for SMEs or to implement the national standards. In addition, same as the first category, to be considered as “Permitted” the level of the IFRS and/or IFRS for SMEs adoption must be complete or with minimal amendments.

Converging

- Even though the modified version of IFRS or IFRS for SMEs (that is greatly different from the original IFRS) is in used, the country is in the process of negotiating and working with IASB to gradually eliminate the gap between local standards and IFRS.

Yet to Adopt

- A country is still implementing its national accounting standards with significant differences from IFRS.

Accounting Standards in CAREC Countries

The Degree of IFRS Adoption in CAREC Countries

Countries	IFRS Types	Required	Permitted	Converging	Not Yet Applied
Pakistan	Full IFRS	√			
	IFRS for SMEs	√			
Uzbekistan	Full IFRS			√	
	IFRS for SMEs				√
Kazakhstan	Full IFRS	√			
	IFRS for SMEs		√		
Afghanistan	Full IFRS	√			
	IFRS for SMEs				√
Azerbaijan	Full IFRS	√			
	IFRS for SMEs	√			
Turkmenistan	Full IFRS	√			
	IFRS for SMEs		√		
Tajikistan	Full IFRS			√	
	IFRS for SMEs				√
Kyrgyzstan	Full IFRS	√			
	IFRS for SMEs		√		
Georgia	Full IFRS		√		
	IFRS for SMEs		√		
Mongolia	Full IFRS	√			
	IFRS for SMEs		√		

Accounting Standards in CAREC Countries

Countries	IFRS Types	Required	Permitted	Converging	Not Yet Applied
Pakistan	Full IFRS	√			
	IFRS for SMEs	√			

- Pakistan is one of the early adopters of IAS/IFRS.
- Few IFRS standards are exempted or not used in Pakistan, the adoption of the Full IFRS and IFRS for SMEs is basically in line with IFRS.
- In Pakistan, IFRS for SMEs is also allowed to be used by the SMEs.
- Currently, except for listed companies, public interest entities, large enterprises, and small businesses, all medium-sized enterprises can choose to use IFRS or IFRS for SMEs.
- ICAP has also developed its national accounting standards, Accounting and Financial Reporting Regulations (AFRS for SSEs), that is applicable to Small Businesses.
- IFRS 1 (first time adoption of IFRS) not adopted.

Accounting Standards in CAREC Countries

Countries	IFRS Types	Required	Permitted	Converging	Not Yet Applied
Afghanistan	Full IFRS	√			
	IFRS for SMEs				√

- The **Corporations and Limited Liability Companies Law of Afghanistan** and **Law of Banking in Afghanistan** show that Afghanistan is partially practicing IFRS.
 - The Corporations and Limited Liability Companies Law of Afghanistan and Article 54 of the Law of Banking in Afghanistan stipulate that all companies (except micro-enterprises) must adopt IFRS.
- IFRS for SMEs is not yet adopted in Afghanistan; thus micro-enterprises are still allowed to use cash-based accounting.
- The **Da Afghanistan Bank Law** stipulates that all domestic banks and financial institutions are required to use IFRS
 - Da Afghanistan Bank itself also needs to abide by IFRS according to Articles 28 and 101.
- The World Bank issued a Report on Observance of Standards and Codes (ROSC) – Accounting & Auditing in 2009 and suggested that the government of Afghanistan consider applying IFRS for SMEs.

Accounting Standards in CAREC Countries

Countries	IFRS Types	Required	Permitted	Converging	Not Yet Applied
Azerbaijan	Full IFRS	√			
	IFRS for SMEs	√			

- There are several accounting standards in Azerbaijan, including IFRS, IFRS for SMEs, national accounting standards and its simplified version of the national accounting standards.
- **The Republic of Azerbaijan Accounting Law** defines how to use those standards and how to regulate companies to use the right kind of standards.
- The Accounting Law prescribes the types of public interest entities must use IFRS – such as Insurance companies, Investment Funds, Credit institutions
- Azerbaijan revised its Accounting Law in May 2018, deciding that from 1 January 2019 onwards,
 - the IFRS for SMEs will replace the Azerbaijan national accounting standards,
 - small and medium enterprises can adopt either the IFRS for SMEs or the Full IFRS.

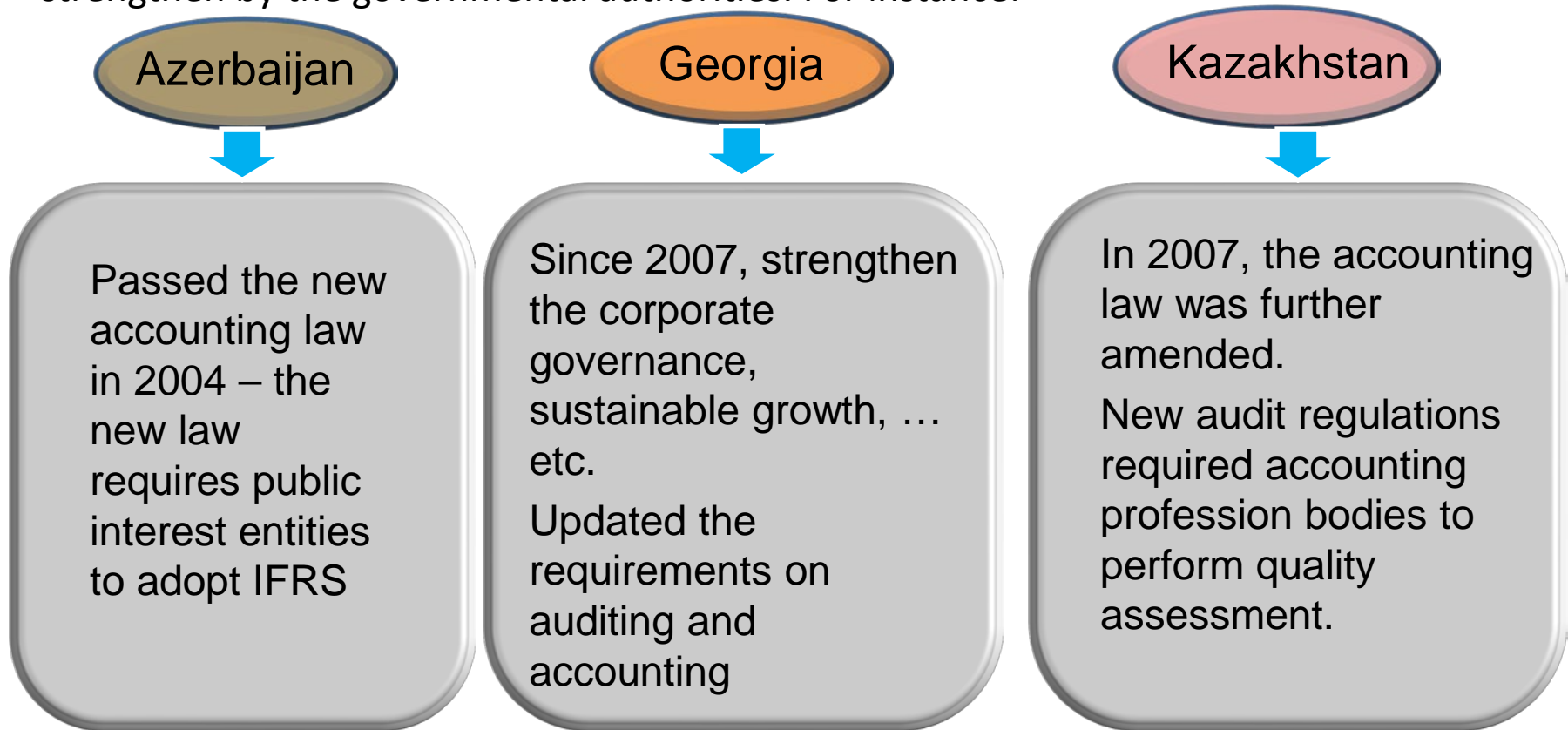
Accounting Standards in CAREC Countries

Countries	IFRS Types	Required	Permitted	Converging	Not Yet Applied
Turkmenistan	Full IFRS	√			
	IFRS for SMEs		√		

- The **Law of Turkmenistan on Accounting and Financial Reporting**
- All enterprises, including branches and representative offices of foreign companies operating in Turkmenistan, must prepare their financial statements in accordance with Turkmenistan's national accounting standards.
- Companies operating under the Petroleum Law of Turkmenistan may partially follow the national accounting standards.
- Turkmenistan's accounting policies are established on the basis of their own standards and the international accounting standards.
- Article 16.2 in Chapter 3 shows that the Ministry of Finance established a set of simplified financial statements for SMEs according to the national standards and IFRS for SMEs.
- Turkmenistan is shifting from the national accounting system to IFRS.
- The cabinet council convened in December 2018 - planning to start to bring the local accounting and financial reporting system up to the IFRS standards.
- The President of Turkmenistan also signed a decree
 - starting from January 2019, all businesses and organizations (except credit institutions), are required to abide by IFRS.

Accounting Regulations in CAREC Countries

- The accounting regulations in many of the CAREC countries are continuously being strengthened by the governmental authorities. For instance:



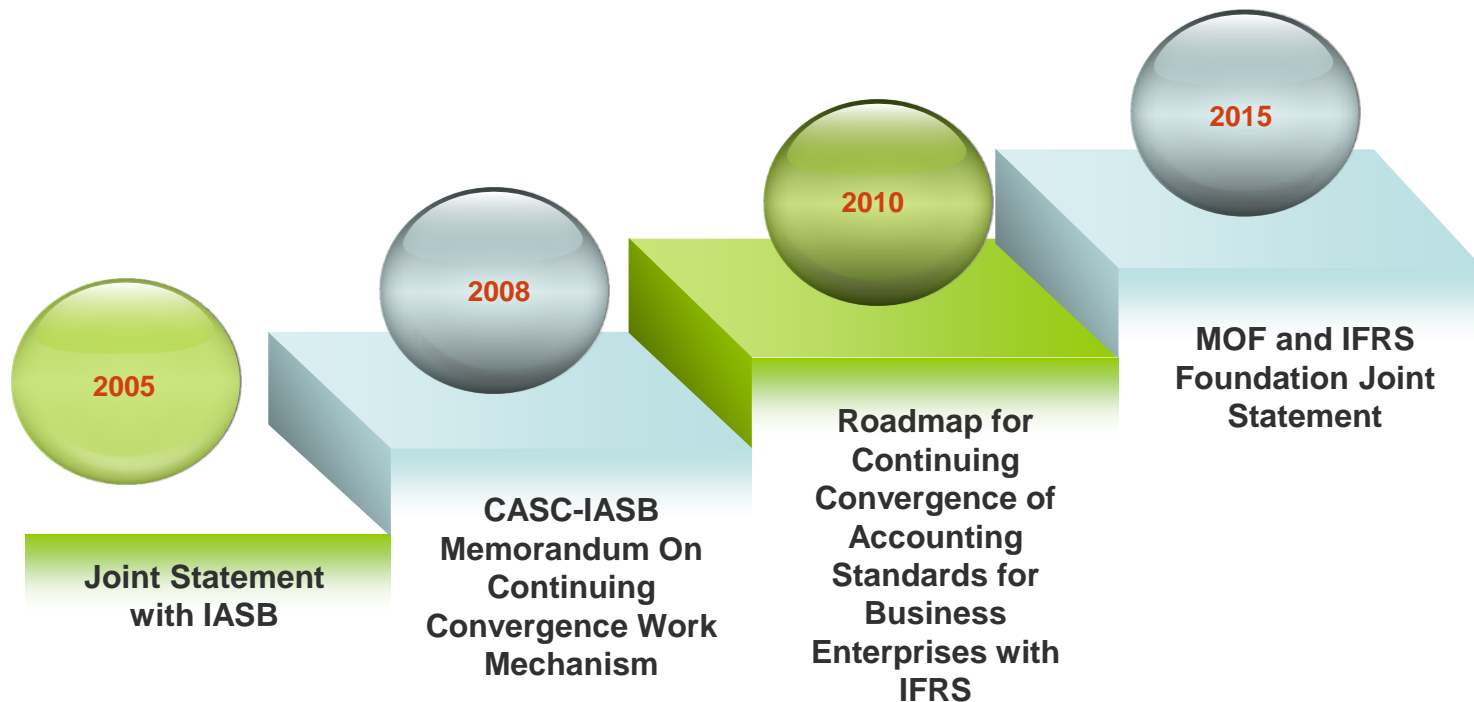
- This is an ongoing process
- Efforts have been made in improving the accounting regulations in the CAREC region

Accounting Talents Cultivation in CAREC Countries

- Currently, many CAREC countries are improving their talents cultivation system
 - Updating Tertiary Education Curriculums
 - Increasing and Refining Professional Trainings
 - International Conferences and Seminars
- Take Pakistan for example:
 - Institution of Chartered Accountants of Pakistan (ICAP) has led the way in internationalising the development of courses and programs to train profession talents in Pakistan.
 - University Level
 - ICAP emphasises on the collaboration with universities to attract young talents to join the industry.
 - In 2019 it has around 70,000 students will set the professional accountant examinations
 - On average the number of students tend to increases by 10% annually.
 - Professional Level
 - To be an ICAP member, applicants must complete all four stages of 21 courses.
 - Third party Evaluation of the courses

Accounting Infrastructure in China

□ Convergence with IFRS



Accounting Infrastructure in China

□ Accounting Supervision in China

- Internal supervision
 - Micro Level
 - Organisation Based
 - Internal Audit
- Social supervision
 - Statutory Supervision
 - External Audit
 - Audit Law
 - Non-Statutory Supervision
 - Mass Supervision
- Governmental supervision
 - External Supervision
 - Macro Level
- 3 in 1 Relations

Accounting Infrastructure in China

□ Talents Cultivation in China

- Establishing National Accounting Institutes
- National Leading Accounting Talent Training Program since 2005
- International High-level Accounting Talent Development Program since 2018
- Customised Corporate Talent Development Programs
- Professional Talent Development Programs designed by China Association of Chief Financial Officers
 - Management Accountant Training Program – 4 Levels
- Professional Talent Development Programs designed by Chinese Institute of Certified Public Accountants (CICPA)
- International Leading Accounting Talents Exchange Program
 - China-Central Asia Accounting Elite Exchange Program

Accounting Infrastructure in China

❖ International Financial Management Talents Training Project



- ☐ 50 students
- ☐ 6 intensive training sessions
- ☐ 133 days off-the-job study
- ☐ 45 teachers
- ☐ 110 class hours in English
- ☐ 1584 hours of online learning
- ☐ 9 ACCA standard examinations

1. Clarify the training objectives and elaborate the training plan

2. Online and offline training design

3. Multi-form & long-term communication mechanisms

4. International quality courses

Accounting Infrastructure in China

❖ International high-level accounting talent development program

财政部

关于印发《国际化高端会计人才培养工程 实施方案》的通知

2018年5月17日 财会〔2018〕12号

各省、自治区、直辖市、计划单列市财政厅（局），新疆生产建设兵团财政局，中共中央直属机关事务管理局，国家机关事务管理局财务管理司，中央军委后勤保障部财务局，北京、上海、厦门国家会计学院：

为贯彻落实国家人才强国战略，不断增强我国在国际会计领域的话语权和影响力，着力培养一批符合我国会计工作国际交流与合作需要的国际化高端会计人才，我部制定了《国际化高端会计人才培养工程实施方案》（以下简称《方案》），现予印发，请认真做好宣传和组织实施工作。

附件：国际化高端会计人才培养工程实施方案

- ☐ 30 students every year
- ☐ 30 students for 2018 and 30 students for 2019
- ☐ 3-year cycle
- ☐ Annual intensive training sessions for 1 – 2 weeks
- ☐ Field study in relevant domestic companies (3 to 6 months)
- ☐ Study in institutions abroad (6 to 12 months)

China-Central Asia Accounting Elites Exchange Program

- Why China-Central Asia Accounting Elites Exchange Program?
- Cultural Differences
 - Language
 - Culture
 - Rules & Regulations
 - Way of Doing Things...etc
- Cultural and economic diversity in the Central Asia region
 - The economic connectivity can be strengthened further.
 - Accounting infrastructure can continue to be improved and further developed.

China-Central Asia Accounting Elites Exchange Program

- Why Enhance Communication?
 - Railway example – Wide and Narrow Railways.
 - If we could have a standardise railway system, we can connect and link all the rails together
 - For more efficient goods transportation, reduce costs.
- Accounting is an international common business language and a vital “soft infrastructure”
- This program can also be seen as a platform for talent cultivation.
 - But also focuses on sharing and exchange of experiences and information
 - Share knowledge and discuss a collective way forward to strengthen the accounting infrastructure in the region.
- **Grow Together and Prosper Together**

Thank you!