

Think Ahead

ACCA

Professional accountants – the future:

50 drivers of change in the public sector – Pakistan



About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. It offers business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA has **188,000** members and **480,000** students in **178** countries – **64,000** currently working within the public sector. ACCA supports all its members and students to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **100** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seeks to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that, through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

In June 2016 ACCA formed a strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). The alliance represents the voice of 788,000 members and future professional accountants around the world, who share the commitment to uphold the highest ethical, professional and technical standards.

More information is available at: www.accaglobal.com



Part of our ground-breaking *Professional accountants – the future* series, this report identifies the 50 drivers of change that are expected to have the most impact on Pakistan's public sector and outlines how professional accountants will play a pivotal role in the coming years.

Contents

Participants	4
Executive summary	5
Introduction	6
1. Drivers of change	8
The economy	10
Politics and law	12
Society	14
Business of government	15
Science and technology	17
Environment, energy and resources	19
The practice of accounting	20
The accountancy profession in the public sector	22
2. The finance function and the professional accountant in the public sector	24
Finance skills in the future	25
3. Summary	26
Annex 1: top fifty drivers for change definitions	27
References	31

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The ranking of the drivers of change for Pakistan reflects an emphatic acknowledgement of the importance of leadership in the finance profession in building the future of the country.

The increasing use of public private partnerships and the complexities inherent in this form of funding, implementing and managing services and infrastructure for the population, was ranked first in importance by respondents and given similar prominence by those attending ACCA roundtables.

The ability of leaders to respond to disruption and effect the necessary changes came second and, in the context of Pakistan, can be identified as a clear indication of the complexities that the public sector needs to negotiate in devolving powers.

The pace of growth of the economy, in third position, contextualises the debate in a country where the rapid population growth necessitates correspondingly fast improvements in the economy to maintain stable levels of GDP per capita.

In the practice of accounting, the importance of clear financial reports and the role of the audit function ranked fifth, immediately after the quality and availability of the global talent pool and before the ability to use big data as an analytical tool for driving better decision making.

The volume and quality of foreign direct investment featured in seventh position, with respondents highlighting the significance and the potential of megaprojects such as those related to the China–Pakistan Economic Corridor (CPEC).

Transitioning from cash accounting to the accrual basis will be a challenge for Pakistan, as it has been for many countries. The move can be complex and, once again, respondents perceived it as an important change for fostering transparency, accountability and better fiscal management.

In 9th and 10th position, respondents identified the need for imaginative business models and alternative economic perspectives in steering the

country along the right path, while also emphasising the challenges coming from cybersecurity threats.

Moving down the rankings, issues related to the core skills of the profession become more relevant, with accounting skills capacity in transitional economies, the cost, suitability and flexibility of accountancy training featuring in 12th and 13th position while the ability of the profession to think more entrepreneurially came 16th.

Three key challenges that Pakistan will face in the years ahead are captured in 14th, 17th and 18th positions respectively: the scale and distribution of population growth, the unavoidable competition for limited natural resources and the scale of inequality.

The age structure of Pakistan's workforce (19th) is an obvious source of strength for the country, which can be maximised in combination with policies that broaden the spread and diversity in society and the workplace (22nd).

The calls on finance teams in Pakistan's public sector will be varied and complex. Beyond ensuring the ethical and efficient use of finite public funds, the profession will have to provide transparent and granular information on a range of important metrics while also embracing ICT advances and making the most of an increasingly deep dialogue with the private sector. All this will create new opportunities and require a change of mindset and approach. Strong technical competencies and ethics will remain essential tools in the armoury of public sector accountants but professional judgement, the ability to communicate across multiple audiences, and emotional intelligence will also be key.

In the medium and longer term, up-skilling and training the current finance workforce will add the crucial capabilities enabling public sector finance teams to act and add value as effective business partners.

Identifying the drivers that will have the most effect will make it possible to decide how Pakistan's public sector organisations and finance professionals must respond to change, overcome potential barriers to success and create the greatest possible value from the many opportunities that will exist.

Pakistan's public sector mission and priorities will continually be reshaped by a combination of demographic change, security risks, demand for better services and infrastructure and continuous concerns over sustainability and resource consumption. These challenges are also heightened by economic and political uncertainty.

For professional accountants there is a twofold challenge. Firstly, they need to understand the key forces shaping the future of their country and how these could affect Pakistan's public sector and Pakistanis' well-being. Secondly, they need to provide support for, and to influence, financial decisions that can ensure that public funds are deployed effectively at the micro-level of their organisations.

To help professional accountants and leaders in the public sector prepare for an uncertain tomorrow, ACCA undertook a global study exploring which emerging drivers of change could have the biggest impact and to highlight the skills that will be required over the period up to 2026. This report is based on the previous findings of the *Drivers of Change in the Public Sector* global report, which it aims to put into context by drawing out and presenting the views of stakeholders in Pakistan.

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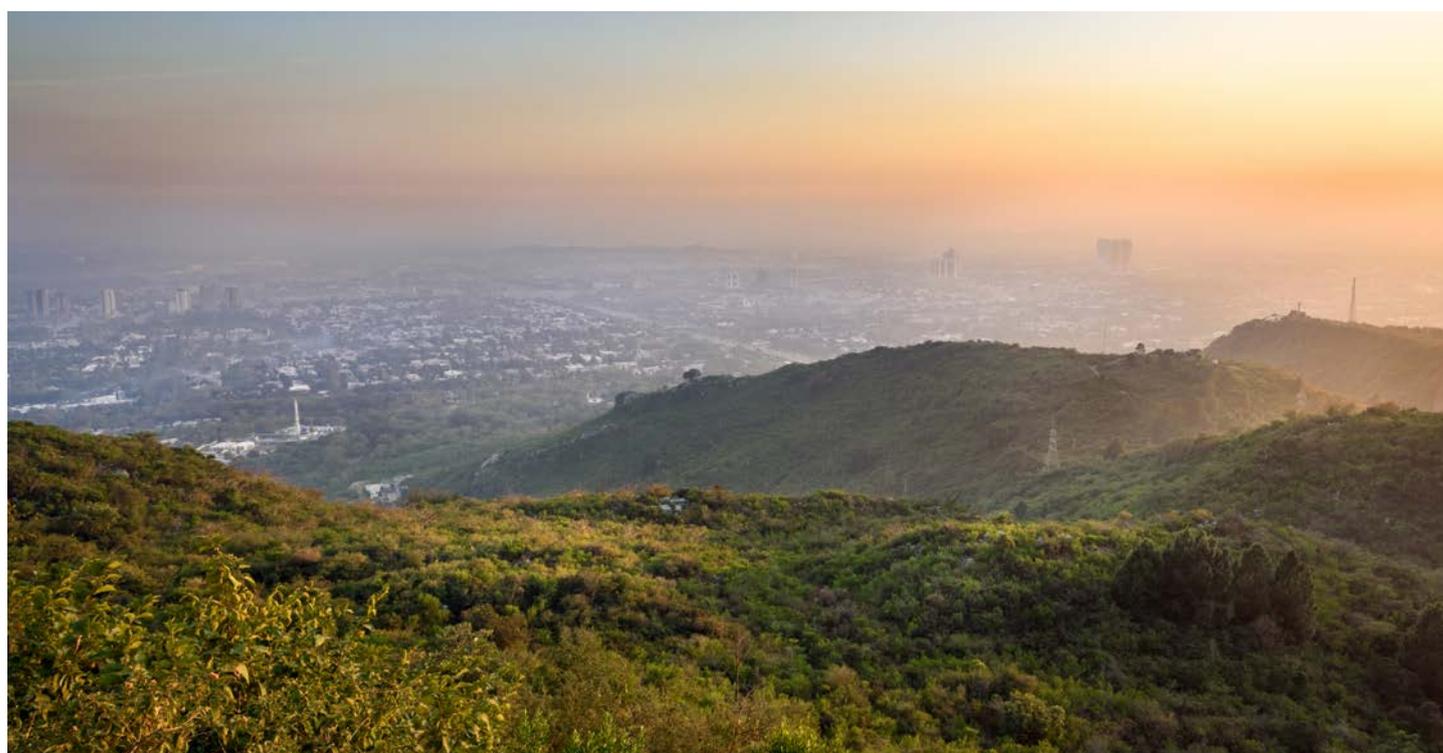
THE APPROACH

The research findings presented in this report are based on an online survey and workshops held in Pakistan. Respondents to the online survey were predominantly senior executives, ACCA members and members of other professional accountancy bodies working in public sector organisations.

Roundtable participants were asked to rank the top drivers of change across eight categories in order of importance and to provide their views as to the likely timing of the impact of each driver.

The eight categories are:

1. the economy
2. politics and law
3. society
4. the business of government
5. science and technology
6. energy, environment and resources
7. the practice of accounting, and
8. the accountancy profession.



The aim for this report is to provide a platform for engagement between public sector organisations, professional accountants and the wider community of stakeholders in Pakistan.

REPORT STRUCTURE

Chapter 1 introduces the ranking of the 50 drivers of change for Pakistan's public sector. It then investigates the top three drivers for each of the eight categories and presents insights from both the survey and the roundtables. In addition, it provides a time frame for the drivers to play out in the next five years and beyond.

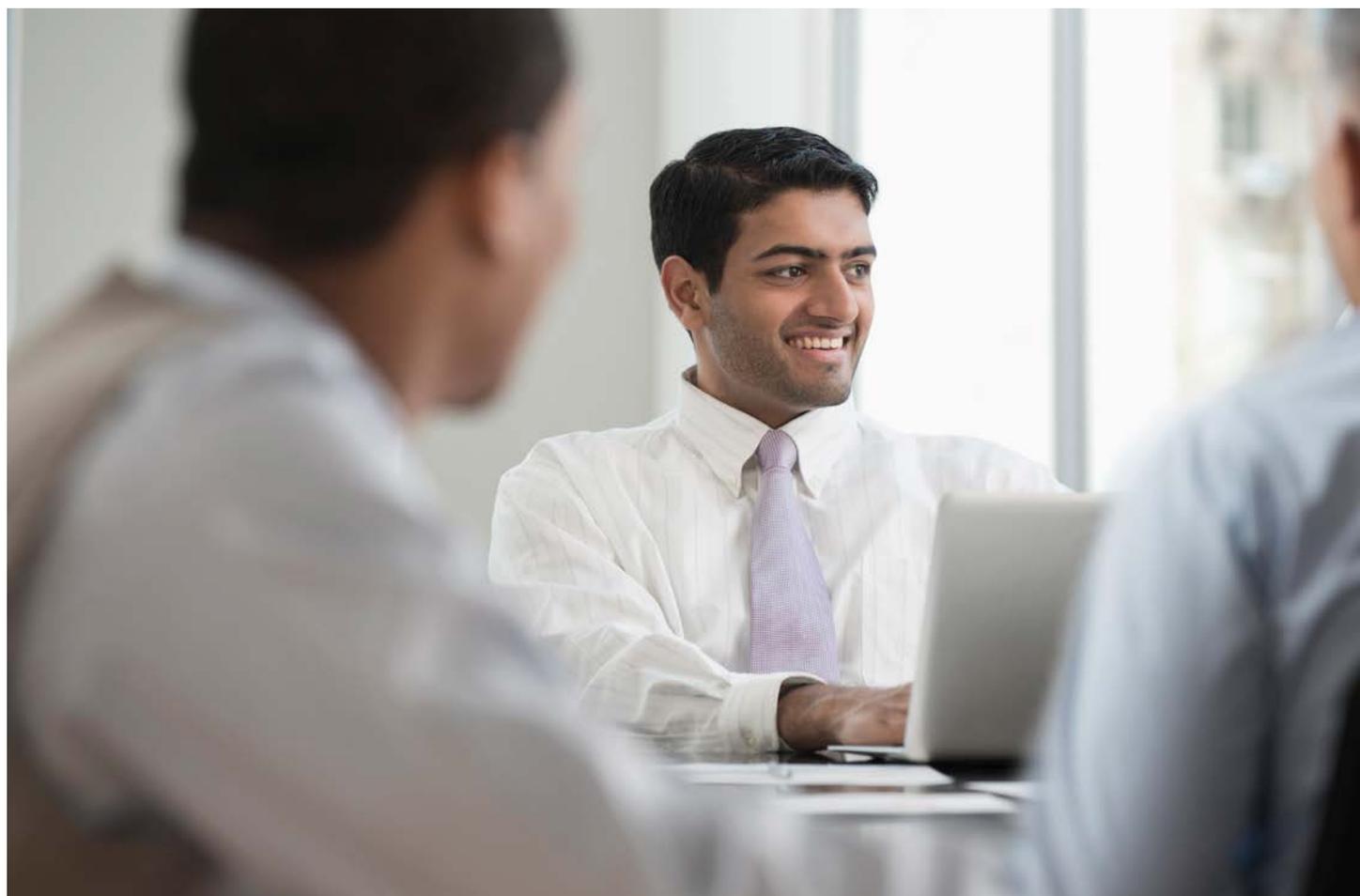
Chapter 2 assesses the combined impact of the drivers and examines the priorities that will emerge as the public sector seeks to move from insight to action.

When viewed collectively, the set of 24 drivers explored in this report present fundamental challenges and opportunities for Pakistan's public sector organisations and their finance teams. These challenges encompass every dimension of public sector organisations from governance and strategy through to operations and talent development.

This is the first report to focus exclusively on identifying the key factors that will change in the public sector in Pakistan and the likely timing of these, and to assess how they will shape the future.

A PLATFORM FOR ENGAGEMENT

The aim for this report is to provide a platform for engagement between public sector organisations, professional accountants and the wider community of stakeholders in Pakistan. No future-oriented work of this type can ever hope to be definitive, but it is hoped that the findings of this report will provide a timely input into the development of Pakistan's public sector strategy. It provides accountancy professionals, and the organisations in which they work, with a framework for preparing for, adapting to and influencing change.



Governments have a crucial role in seeking to understand what will drive change and assessing the potential impact that global changes will have in a local context.

There are many drivers influencing change in Pakistan. Some of these changes are caused by a rapidly increasing population, which will generate a need for more public services, better infrastructure and employment opportunities. Other drivers are linked to the availability of public services and the opportunity, created by advances in technology, to transform public services to be more citizen-focused. Collectively, they

are making the public sector environment fluid and forcing it to evolve. The 50 drivers of change are ranked in Table 1.1 and the top three drivers are identified for each of the eight domains of relevance in this chapter – the economy; politics and law; society and demographics; business; science and technology; environment, energy and resources; the practice of accounting; and the accountancy profession.



Table 1.1: Ranking of the 50 drivers of change for Pakistan’s public sector

RANK	DRIVER	CATEGORY
1	Use of public private partnerships (PPPs)	Business of Government
2	Business leaders’ responsiveness to change and disruption	Business of Government
3	The level of economic growth	Economy
4	Quality and availability of the talent pool	Business of Government
5	Clarity in financial reporting and defining the audit function	Practice of accounting
6	Big data: the development and exploitation of large organisational databases, data mining and predictive analytics	Science
7	Extent of foreign direct investment in developed and developing economies	Business of Government
8	Balance between external financial accounting and internal managerial accounting	Practice of accounting
9	Experimentation with and adoption of new business models	Business of Government
10	Consideration of alternative economic perspectives	Economy
11	Cybersecurity challenges for government	Science
12	Accounting skills capacity in transitional economy	Accountancy profession
13	Flexibility, suitability and cost of accountancy training	Accountancy profession
14	Scale and distribution of population growth	Society
15	Carbon tax and other environmental market mechanisms	Energy
16	Level of entrepreneurial skills in the accountancy profession	Accountancy profession
17	Competition for limited natural resources	Energy
18	Total scale and distribution of inequality and unmet needs	Economy
19	Workforce age structure	Society
20	Non-financial information and integrated reporting	Practice of accounting
21	Focus of global governance institutions	Politics
22	Spread of diversity in society and the workplace	Society
23	Broadening measurement of public sector value and progress	Economy
24	Speed and duration of business cycles	Business of Government
25	Rate of democratic transition	Politics
26	Stability of the global economic infrastructure	Economy
27	Defining the scope of the accountant’s role	Practice of accounting
28	Size and complexity of the CFO’s remit	Practice of accounting
29	Level of international political volatility	Politics
30	New industries and production models	Science
31	Global climate change	Energy
32	Stability of national revenue bases	Economy
33	Crowd-sourced funding for innovation: the consumer as investor	Business of Government
34	Cost and ease of access to higher education	Society
35	Governance and provision of outsourced public services	Politics
36	Scale of take-up of alternative energy supplies by business	Energy
37	Public perception and attractiveness of the accountancy profession	Accountancy profession
38	The workplace expectations of Generation Y, Z and beyond	Society
39	The digitisation of work	Science
40	Opportunities arising from adoption of global regulation	Practice of accounting
41	Manageability of national and international debt	Economy
42	Societal expectations and definitions of accounting	Accountancy profession
43	Advances in genetic science, impact of nanotechnology advances and robotic science across business sectors	Science
44	Enterprise risk management capability	Business of Government
45	Evolution of corporate governance regulation and practice	Business of Government
46	Adoption of integrated systems thinking to manage business complexity	Business of Government
47	Adoption of globally accepted accounting standards	Practice of accounting
48	Pressure to manage reputation as part of business strategy	Business of Government
49	Level of investment required to maintain national physical infrastructure	Economy
50	Scope and diversity of expectations of external stakeholders	Business of Government

Only once the wider social, political and cultural challenges have been tackled will the economy will be able to grow at the pace that is required to meet the needs of the fast-growing population.

THE ECONOMY

The country's economy has underperformed its peers' over a relatively prolonged period but is improving now, after years of complex democratic transition and destabilising forces at work. Feedback received from research participants highlighted that the centrality of economic growth to the ability of Pakistan to reach its full potential should not be overshadowed by the importance of considerations around how it can forge its own path to economic progress to address the stark inequalities that characterise the country.

Only once the wider social, political and cultural challenges have been tackled will the economy will be able to grow at the pace (5% per year: Rana 2017) that is required to meet the needs of the fast-growing population.

The level of economic growth

Pakistan's GDP grew at 4.7% in 2016, driven by the robust performance of services and industry. The positive trend is expected to accelerate to 5.2% in 2017, with forecasts putting the figure for 2018 at 5.5% (Asian Development Bank 2017).

Pakistan is a developing country, one of the 'Next 11', has an overall score of 52.8 in the Heritage Foundation's index of economic freedom – placing it at 141 in the world ranking (Heritage Foundation 2017) – and had its credit rating recently upgraded by Standard & Poor's and Fitch to B (Anis and Mangi 2015).

Pakistan's problems remain multifaceted and not easy to tackle (Kundi 2016); at 10% of gross domestic product (GDP), private investment is low for an emerging economy (the average is 18%) and the export sector is also significantly smaller than that of a typical developing economy (again, 10% against approximately 40% as an average) (Lagarde 2016).

Both the rule of law and the regulatory efficiency of the country need to improve as these currently create significant challenges for the public sector.

Employment in the formal sector is low and the tax base remains narrow, the tax to GDP ratio was 9.9% in 2014, compared with 14.8% globally (World Bank 2017a).

The International Monetary Fund (IMF), however, acknowledges areas in which things have improved, including better currency reserves in the last three years and a more stable balance of payments, which have been benefiting from lower oil prices (Economist 2017). Positively, the stock market has also risen by 50% since the end of 2015 (Economist 2017).

One of the main drivers of economic growth in the next few years is widely expected to be the flow (\$46bn) of infrastructure investments agreed under the China-Pakistan Economic Corridor (CPEC) initiative, part of the China's belt and road global trade project (Deloitte 2016).

While there are risks attached to infrastructure investment, and some of the funding is probably under-used, if all the projects that are currently planned are approved and completed, their value would easily surpass that of all foreign direct investment in Pakistan since 1970 and could be as high as 17% of Pakistan's 2015 GDP. The CPEC project could also create up to 700,000 direct jobs during the period 2015–30 and add up to 2.5 percentage points to the country's growth rate (Deloitte 2016).

This driver was ranked at 3 in Pakistan and number 1 globally.



Economy: Top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
The level of economic growth	3	by 2021
Consideration of alternative economic perspectives	10	by 2021
Total scale and distribution of inequality and unmet needs	18	by 2021

Commentators and respondents to ACCA's survey highlighted difficulties in enforcing tax collection as a major driver of underfunding of the public purse.

Consideration of alternative economic perspectives

Overwhelmingly, the feedback received from the ACCA survey and roundtable events indicates the importance of formulating new perspectives and policies that consider the interconnectedness of the economic, social, cultural and political spheres.

Only decisive action using all available levers, it was argued, would produce economic growth, development in infrastructure, qualitative change in people's lives, a country where people have equal opportunities, development and higher social standards.

In this sense, respondents emphasised the centrality of the role that women can play in society and the need for a stable and predictable long-term policy vision for the country.

Stakeholders in Pakistan ranked this driver at 10 compared to a ranking of 42 globally.



Total scale and distribution of global inequality and unmet needs

By the end of May 2017, after a delay of eight years, Pakistan's sixth population and housing census was completed and the hundreds of thousands of civil servants and military personnel who carried it out were demobilised (Baqai 2017). The census will provide a snapshot of the distribution of the population and confirm the prodigiously high rate at which Pakistanis have flocked to the cities: Pakistan has the fastest urbanisation rate in all South Asia. The drivers for this are basic but compelling: profound regional inequalities exist, powerfully brought to the fore by poverty statistics. Although trends are positive, with poverty generally falling on average in the last decade, between 21.04% and 60.19% of the population still fell below the poverty line in 2014, depending on the preferred measure (an income of \$1.25 or \$2.0 per day) (World Bank Global Poverty Working Group 2017).

Official statistics for 2006, the last year for which they have been released, show the difference in poverty distribution in rather stark contrast across the country: headcount poverty was 28.2% in Khyber Pakhtunkhwa and 22.7% in Sindh; it was far lower in Punjab (15.2%) but much higher in Baluchistan, where the complex geopolitical situation and weak institutional controls contributed to more than half the people (50.9%) being in poverty (Asian Development Bank 2017). Similarly sobering are statistics on progress in human development, as exemplified by low public spending per capita on health care and other basic services.

Rural poverty in Pakistan mirrors the size and distribution of land ownership, social structures and the composition of households. In the cities, on the other hand, it is the lack of employment opportunities, absence of social protection and basic services that drive poverty. Despite the increase in workers' remittances and a more diversified income base, rural poverty rates remain twice as high as in the cities, thus providing strong incentives for migration.

The challenges for creating an educated workforce in Pakistan are also significant: 25m children, almost half of all those aged 5 to 16, are out of school (Alif Ailaan 2014). While the tax revenue in Pakistan in 2015/16 was twice as high as in 2010/11, barely 1.2m tax returns were filed by March 2017 for tax year ending in 2015. The IMF estimates that Pakistan tax authorities could easily double the amount of tax collected (Rana 2016).

Commentators and respondents to ACCA's survey highlighted difficulties in enforcing tax collection as a major driver of underfunding of the public purse. The IMF estimates Pakistan's tax capacity to be 22.3% GDP (IMF 2015). According to this metric, the tax revenue gap amounts to more than 11% of GDP or Rs3.3 trillion (IMF 2015).

This driver was ranked at 18 in Pakistan and globally it was ranked at 47.



Ultimately, the goal is for Pakistan to be one of the 10 largest economies in the world by 2047.

POLITICS AND LAW

On the global stage, for many years, political risk has been muted and it is only in the last period that its relevance has become apparent once again. Not so in Pakistan, where political considerations, the vital role played by supranational financial institutions and the level of political volatility have played a key role in the development of the country and in the flow of funds and foreign direct investments (FDIs).

Focus of global governance institutions

Given the impact that foreign direct investments (FDIs) have on the ability of Pakistan to finance its infrastructure, the role and relevance of supranational organisations and foreign governments in the economic life of the country have been significant.

Empirical analysis shows that while US policies have no discernible influence over long-term capital inflows to Pakistan, a deterioration in the short-term US–Pakistan relationship can have a negative influence on inward FDI to Pakistan (Khan 2011).

The most important international financial institutions in Pakistan since the 1960s have been the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB). In 2002, Pakistan ranked second among the recipients of lending commitments from the World Bank and was the second largest recipient, after India, of ADB loans, receiving US \$1.14bn (Anwar 2006).

The most important and impactful development of FDIs in the last few years has been the dramatic growth of China in this area. Starting from a low base (Anwar 2006), China has grown in recent years to become the biggest provider of foreign capital to the country (GlobalCapital 2016), using as a vehicle the belt and road initiative and CPEC investments in particular.

This driver ranked at 21 in Pakistan, which was similar to the global ranking of 22.



Rate of democratic transition

2010 and 2013 were important years in the history of Pakistan and in its path to democracy.

2010 saw the passing of the 18th Amendment to the Constitution of Pakistan, which provided that the country would become a parliamentary democracy, with the president no longer empowered to appoint military leaders, dissolve the National Assembly or remove the prime minister.

The first properly democratic transition of power in Pakistan since the country's independence in 1947 took place in May 2013 when, for the first time, an elected government transferred power to another civilian government through democratic elections after a full term in office (*Economist* 2013).

In 2014, the government set out a comprehensive policy document illustrating its ambitions, *Pakistan 2025: One Nation, One Vision* (Government of Pakistan: Ministry of Planning, Development & Reform 2014). Ultimately, the goal is for Pakistan to be one of the 10 largest economies in the world by 2047.

Underpinning this, the policy document sets out seven pillars and 25 strategic goals for 2025. Many of these are congruent with the country's sustainable development goals, including developing social and human capital and empowering women, promoting sustained, indigenous and inclusive growth, ensuring better levels of governance through institutional reform and modernisation of the public sector, achieving security in energy, water and

Politics and law: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Focus of global governance institutions	21	by 2021
Rate of democratic transition	25	by 2021
Level of international political volatility	29	by 2021

An efficient and effective public sector, more than being a goal on its own, is a cross-cutting theme running simultaneously across all other objectives.

food supply, fostering entrepreneurship through the private sector, aiming for a knowledge-based economy and modernising transport infrastructure and regional connectivity.

The key enablers for this ambitious transformation were identified as a shared vision of peace and stability, social justice, the rule of law, and political stability and continuity of policies. Unsurprisingly, ACCA's roundtables and survey responses confirmed the importance of these levers and the crucial role that governance can play in underpinning the realisation of key national objectives. An efficient and effective public sector, more than being a goal on its own, is a cross-cutting theme running simultaneously across all other objectives.

Pakistan stakeholders ranked this driver at 25 compared with a ranking of 32 globally.



Level of international political volatility

Unlike more developed and diversified economies, which can cushion the impact of terrorism better, Pakistan has paid and is continuing to pay a very heavy price because of the instability that terrorism brings. The war in Afghanistan in the aftermath of 9/11, the influx of Afghan refugees across the border into Pakistan and the sectarian and ethnic conflicts between different factions and nationalistic and separatist movements have had wide-ranging repercussions for the economy of Pakistan, its political stability, the prioritisation in its resource allocation and, of course, its security.

Government sources conservatively put the cumulative losses to the economy over the 2011–14 period at more than \$28bn and corresponding costs at over \$100bn (Government of Pakistan: Ministry of Finance 2014). And yet, these estimates may still fall short of realistically estimating the psychological and cultural impact that terrorism has had on the country.

This was ranked at 29 by Pakistan stakeholders, which is broadly consistent with the global rank of 24.



Behind Brazil and ahead of Nigeria, Pakistan is the sixth most populous country and one with the biggest workforce in the world.

SOCIETY

Pakistan's population growth and workforce age structure are two sides of the same coin. While the former requires substantial year-on-year GDP growth to offer the population a chance of improving its economic conditions, the latter provides a big 'dividend' to the economy and one of which policymakers and employers could take further advantage by tapping into the enormous potential of wider female participation in the workforce.

Scale and distribution of global population growth

While many developing countries are experiencing significant declines in fertility rates and population growth, Pakistan's population is rapidly increasing. It is now estimated at just short of 200m, and increased by 34.2% between 2000 and 2011, the highest growth among the world's 10 most populous nations and almost twice as high as that of Mexico, the country with the second-fastest population growth during that period (Cox 2012).

The 2015 total fertility rate is reported by the World Bank to be 3.5 (World Bank 2017b). For a comparison, India's is 2.4 and Bangladesh is 2.1 (World Bank 2017b).

Such rapid growth poses significant risks and challenges. Respondents to ACCA's survey identified this as the most important of the drivers in the societal sphere.

Lower population growth makes investments in education more effective and has a positive impact on health as resources per capita tend to be higher and the amount of parental attention per child is also higher.

This driver was ranked higher in Pakistan than globally, at 14 compared with 25.



Workforce age structure

Behind Brazil and ahead of Nigeria, Pakistan is the sixth most populous country and one with the biggest workforce in the world. Official 2013 data show that Pakistan has a very young population, owing to the high fertility rate of 3.5 per woman (ILO 2013). Data for 2013 shows that 21.4% are aged between 15 and 24 and estimates made that year point to 71.8% of Pakistanis being younger than 35, with the median age being 22 years in 2010. This implied a dependency ratio of 66 for 2010, which is expected to fall further, bottoming out at around 44 in 2045.

It is unclear whether Pakistan is going to be able to capitalise fully on this demographic dividend. As discussed in other sections, it is not fully clear whether growth in Pakistan is capable of driving gains in the creation of new jobs or, necessarily, in improvements in employment quality, especially for women.

With 7.5 out of 10 women employed in agriculture as late as 2010 – compared with approximately 3.5 out of 10 men (ILO 2013) – only meaningful progress through a concerted policy effort, including by improving skills, offering better maternity protection and access to child care, can improve outcomes for the whole population.

This driver was rated lower in Pakistan than globally, ranked at 19 by Pakistan stakeholders compared with 11 globally.



Spread of diversity in society and the workplace

Pakistan ranks 147 out of 187 countries on the gender inequality index (United Nations Development Programme 2016). Its low rating is driven by insufficient enforcement of existing policies and rules protecting women (Middleton 2016), slow progress in the improvement of literacy levels, the very low political and economic participation rates of women, and high maternal mortality rates.

Society: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Scale and distribution of global population growth	14	by 2021
Workforce age structure	19	by 2021
Spread of diversity in society and the workplace	22	by 2021

For countries such as Pakistan, large gender gaps in education alone are estimated to reduce the growth of GDP by around 1.3% every year.

While Central and West Asian countries have significantly different records in improving gender inequalities and empowering women, Pakistan and Afghanistan display among the widest gaps. This is important for economic development and for public sector policymakers, as gender inequality has well-understood negative impacts on economic growth and development (Klasen et al. 2013).



Gender inequalities perpetuate distortions in the composition of the workforce, making it inefficient, restricting women's ability to contribute to their families' well-being and limiting the positive benefits of female education in areas such as employment, fertility and child mortality for the next generation.

For countries such as Pakistan, large gender gaps in education alone are estimated to reduce the growth of GDP by around 1.3% every year. Analyses estimates that if Pakistan had achieved the same level of gender equality as other East Asian countries, its annual per capita growth would have been 2% higher (every year) in the 1970s and 1980s, and approximately

1.6% higher in the 1990s (Klasen et al. 2013). A breakdown of this 'growth penalty' due to gender inequality ascribes two-thirds of the negative effect to gender gaps in education and about one-third to gender gaps in employment.

This driver was ranked 22 in Pakistan, compared with 10 globally.



BUSINESS OF GOVERNMENT

The crucial role that leadership can play in defining a future path for the country is reflected in its position of 2 in the overall ranking, immediately after the use of public private partnerships to provide infrastructure and services. This is particularly true in Pakistan, where the multifaceted issues against which the country is measuring itself require clear and strong direction and the ability to manage cultural and religious sensitivities while fulfilling the country's aspiration for a better future.

Use of public private partnerships (PPPs)

PPPs are a crucial mechanism through which Pakistan can address its infrastructure investment objectives. PPPs have the advantage of providing a degree of transparency and accountability and private sector expertise to a project while avoiding the downside of having to mobilise scarce resources from production taxation. PPP-funded infrastructure also presents fewer politically difficult dilemmas once it is up and running.

The advantages that well-run PPPs can bring to developing countries are obvious but setting and enforcing clear legal frameworks is less easy. Beside the complex fiscal challenges that PPPs raise, determining ways in which PPPs can provide value for money for the taxpayer and service users is among the most

Business of government: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Use of public private partnerships(PPPs)	1	by 2021
Business leaders' responsiveness to change and disruption	2	by 2021
Quality and availability of the talent pool	4	by 2021

What is clear is that without a re-evaluation of the role of women in the workforce, any effort will be hindered by its own lack of aspiration and vision.

complex tasks for the public service, as this normally requires considering the effects of a long-term power purchase agreement, minimum pricing structures, incentives for driving efficiency and other forms of other inducement for the private operator.

In the last few years, Pakistan has developed a complex institutional architecture for making sensitive decisions at both the federal and the provincial level. It has also started to look at PPPs as a potential solution to underinvestment in less obvious areas, including health services. While the transformational effects in scale and depth of the CPEC have started being felt, significant limitations still persist in the form of constrained long-term availability of financing and the bottlenecks, in both financial and technical capacity, at the devolved level.

Several comments at ACCA roundtables highlighted the varied and complex challenges, both cultural and technical, that procurement through PPP can raise for the civil service in general and the finance function in particular.

This was the top driver in Pakistan, whereas globally it was ranked 4.



Business leaders' responsiveness to change and disruption

Difficult as it is to define and measure, leadership, especially at a time of change and disruption, is key in determining short-term and long-term outcomes for a nation, especially one in which the population is rapidly increasing, the levels of service are patchy and institutional checks and balances are less strongly rooted than in other countries.

ACCA roundtable participants and respondents to the survey highlighted how finance professionals, especially the most senior ones, faced what can only be defined as a cultural revolution in bringing a big and inefficient public sector machinery up to 21st-century standards.

A literature review and ACCA's primary research confirm that the challenges are multiple. Pushing some decision making down the hierarchy requires new accountability and governance

arrangements, as does making devolution to the regions succeed. Transparency in policymaking does not only presume an engaged citizen but also significant investments in digital infrastructure and a public arena where dissent can be aired without fear of reprisal.

These challenges are further complicated by the perpetuation of insufficient flows of public funds, the result of losses stemming from the mismanagement of public enterprises that, in turn, give little room to the public purse for infrastructure investment and social protection.

Pakistan stakeholders ranked this at 2 as a driver of change, the same as its global ranking.



Quality and availability of the talent pool

Skills gaps and shortages are a problem often cited by employers, whether in the private or public sector. They featured fourth overall in the global ranking of the most impactful drivers of change and, if anything, their position hides their real influence over the long-term fortunes of the economy. Capacity-building efforts are being spearheaded by international organisations and the government, which have addressed some of the most pressing issues in the vocational sphere through imaginative and pragmatic approaches (Jamal 2015). Less clear is how to promote a step-change in the availability of higher-level skills. One obvious source to tap is the Pakistani diaspora (Yunas 2012, ILO 2016). Government policy envisages a strong private sector component and internationally recognised standards in the definition of qualifications and curricula (Ministry of Federal Education and Professional Training 2014).

What is clear is that without a re-evaluation of the role of women in the workforce, any effort will be hindered by its own lack of aspiration and vision.

This driver was ranked at 4 in Pakistan, whereas globally it was 2.



Pakistan is on the cusp of a major transformation as it builds the nation's digital capacity over the next few years, when the country will be heavily investing in IT infrastructure and providing more citizens with easier access to technology-based solutions.

SCIENCE AND TECHNOLOGY

The fast advance in ICT is becoming part of people's daily lives and offers very significant opportunities for bridging the gap between the developed and the developing world.

The penetration of technology and the importance of Pakistan's ICT sector, regulated by the Ministry of Information Technology and Telecom (MOITT), are



growing: in 2016, 17.8% of the population (34,342,400 of the nation's 192,826,502 people) were active internet users, a penetration well below that of India (38.4%) and Sri Lanka (29.3%) but higher than Bangladesh (13.2%) (internetlivestats.com 2017).

As the government continues to invest in the nation's ICT infrastructure and formulates policies conducive to further development, internet penetration rates are expected to increase.

In April 2017, the Ministry of Information Technology (MOIT) published its IT policy framework for the country, *Digital Pakistan*

Policy 2017, outlining the nation's challenges and goals (MOITT 2017). Some of the goals outlined in the MOIT policy, include: promoting innovation in the IT sector, increasing the use of ICT in education and closing the 'digital divide' between those with IT skills and those without, to name a few. The policy is the backbone for the nation's realisation of its 'holistic digital ecosystem' (MOIT 2017).

Big data: the development and exploitation of large organisational databases, data mining and predictive analytics

Pakistan is on the cusp of a major transformation as it builds the nation's digital capacity over the next few years, when the country will be heavily investing in IT infrastructure and providing more citizens with easier access to technology-based solutions.

Currently data is being collected at two levels, provincial and federal. At a federal level, some examples include the sixth national population census (2017) (Chaudrey2017) and the data collection of citizens' biometrics (face and fingerprints) by the National Database and Registration Authority (NADRA) as part of the nation's national identity card scheme (NADRA 2016). At the provincial level, information of present and past ownership of land and houses in Sindh and Punjab is being digitally recorded (Maher 2015).

As Pakistan continues to develop its digital ecosystem, whether is it through e-participation or ICT access for basic services, such as health or tax returns, inevitably more data will be collected, which will provide the government with more information on a wide range of stakeholders, from individuals to businesses.

As outlined in the *Digital Pakistan Policy*, policymakers intend to integrate the disparate databases at federal level to provide better quality e-Government

Science and technology: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Big data: the development and exploitation of large organisational databases, data mining and predictive analytics	6	by 2021
Cybersecurity challenges for government	11	by 2021
New industries and production models	30	by 2021

As science and technology continue to advance, they pave the way for novel approaches in industry and commerce as well as non-traditional ways of delivering public services.

services by building a real-time integrated management system and leveraging cloud-based solutions with the aim of achieving better data mining and analytics (MOIT 2017).

These efforts will, in turn, require skilled accountants working in the public sector who will be able to glean evidence and apply the predictive capabilities of these large data sets to draw inferences and transform them into actionable insights.

Much in line with overall findings at the global level, where big data analytics was ranked at 5, this driver was ranked 6 in order of importance for Pakistan.



Cybersecurity challenges for government

As Pakistan becomes more digitalised, it is not surprising that the public sector expects more cyber-based risks to come to the fore. As government agencies become the largest repository of data, they will have the most to lose from a cybersecurity breach.

Like other governments, Pakistan will have to embed security measures right from the start to safeguard its information. The Cyber Governance Policy Committee has been mandated to develop the necessary cybersecurity policies and framework (MOIT 2017).

Public sector accountants and finance professionals will have to factor in cyber-risks when adopting innovative technologies and to mitigate the risks of cyberattack. In addition, there is a need to create a culture of responsible user behaviour throughout public sector organisations.

This was ranked at 11 as a driver of change in Pakistan, versus 8 in the global rankings.



New industries and production models

As science and technology continue to advance, they pave the way for novel approaches in industry and commerce as well as non-traditional ways of delivering public services.

The ICT sector in Pakistan is taking a different path from other countries by leveraging its growing freelance workforce (ranked at 4 in the world in 2014) (Elance 2017) and IT export sector (70% growth from 2013 to 2016) (Pakistan Software Export Board (2016) to become the go-to place for software development and application designs as well as a global outsourcing location. This vision is supported by 14 software technology parks and a series of digitisation projects, including those promoting ICT-based entrepreneurship and e-commerce, across the country.

As for other sectors, notably agriculture, financial services and health, more digitisation is expected in the coming years. Agriculture is to benefit from the 'Agriculture Information Portal', a mobile platform that collects and disseminates information on key data, such as price, agricultural commodity markets and weather (MOIT 2017). Pakistan's Geographical Information Systems (GIS) are being remodelled to be able to monitor the environment and plan for a sustainable future. These efforts will bring positive outcomes to the nation's rural labour force (44%) and further contribute to the nation's GDP (in 2015 the agriculture sector contributed 21% to the nation's GDP) (Asian Development Bank 2015).

In health care, new applications, such as telemedicine, will be further promoted to distant rural communities through timely health care provision. Similarly, the financial services sector is making progress in the payment sphere and in mobile banking services. It is expected that by 2020 smartphone adoption will rise from 16.6% to 51% (Kanwal 2017), which will increase the accessibility of ICT-based public services.

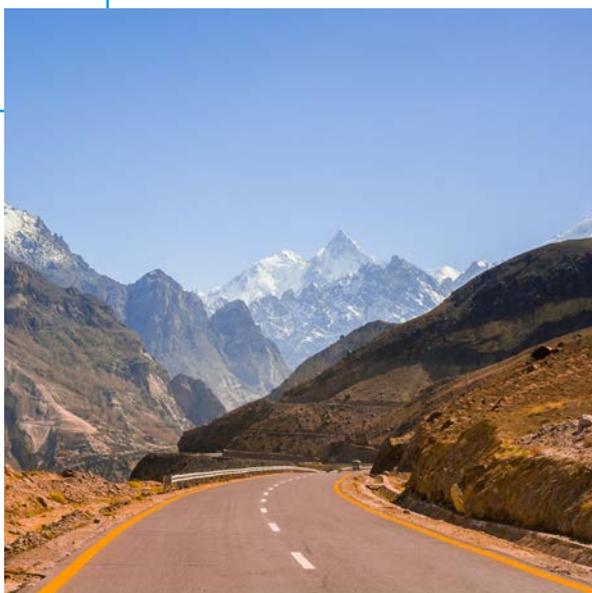
This driver was ranked at 30 in Pakistan, close to the global ranking of 33.



Pakistan's energy sector needs to be both reliable and sustainable for its economy to grow and to meet future demands.

ENVIRONMENT, ENERGY AND RESOURCES

Pakistan is a growing nation, its population is rising at an annual rate of 2%, and the proportion of its citizens living in urban areas is estimated to reach 50% by 2026 (38% in 2014) (Asian Development Bank 2015). Deforestation, pollution (noise, water and air) and climate change are all providing a new impetus for Pakistan to address sustainability issues.



from the past will compound to potentially damaging effect, which means that the true future cost and impact of GGE is not yet apparent or fully priced (ACCA 2012).

Some organisations will be affected more than others, especially those that emit high levels of GGE. Public sector accountants and finance professionals will require an understanding of the environmental externalities and impacts of government organisations and businesses, state-owned enterprises, PPPs and the private sector, in order to measure and account for them.

This driver of change ranked at 15 in Pakistan and 34 globally.



Competition for limited natural resources

Pakistan will need to sustain its increasing population and drive economic growth against a backdrop of political transition and finite resources. The nation has various oil, iron, coal, gas, copper, aluminium and gold reserves. There are, however, issues and questions around the most effective use and distribution of these resources if the country is to take maximum advantage of them.

Carbon tax and other environmental market mechanisms

Pakistan has plans to reduce its 2008 greenhouse gas emissions (GGE) by 30% in 10 years (Shaikh 2015).

Carbon taxes and 'cap and trade' policies are among the most widely adopted market mechanisms for encouraging businesses of all types to be more environmentally benign in their behaviour. The funds obtained from cap and trade policies can finance environmental protection and future clean-up costs.

These mechanisms work on the premise that the cumulative impact from emissions

Pakistan's energy sector needs to be both reliable and sustainable for its economy to grow and to meet future demands. In 2013 and 2014, the nation's power shortages caused a downturn in the output of large manufacturers which, it has been estimated, has subsequently reduced the nation's GDP by 2% (Asian Development Bank 2015). Other issues such as loading-shedding, cost-recovery and transparency are also prominent. At the same time, the nation has to import more fuel oil to generate electricity as its natural gas reserves are dwindling and the slow pace of development of hydropower alternatives is not providing a viable alternative (Asian Development Bank 2015).

Environment, energy and resources: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Carbon tax and other environmental market mechanisms	15	by 2021
Competition for limited natural resources	17	by 2021
Global climate change	31	by 2021

Pakistan's agricultural sector, the second largest nationally, is particularly vulnerable to the impact of climate change as it highly dependent on the water resources of the Indus Basin.

The nation's energy sector is dominated by public companies that are facing several problems, including inefficiencies from poor performance, the rise in costly imported fuel, oil-based power generation, accumulation of unpaid bills and the suboptimal use of industrial processing machines and commercial and domestic appliances.

Public sector accountants can help address some of these issues by increasing transparency in the operation and payment processes of energy organisations, and by providing better access to energy sector data, which could not only promote transparency but also provide insights into key issues.

This driver was ranked 17 in Pakistan and 15 globally.



Global climate change

There is wide consensus that human activity is having an impact on long-term climate change. Pakistan's agricultural sector, the second largest nationally, is particularly vulnerable to the impact of climate change as it highly dependent on the water resources of the Indus Basin. In the recent past, Pakistan has been facing extreme weather conditions, such as the drought in 1998 to 2002 and flooding in 2010, and these extreme events are occurring more frequently.

It is projected that Pakistan, and the wider region surrounding it, will experience a rise in temperatures, alongside an increase in rainfall during the rainy seasons and less rainfall during other months (Rasul et al. 2012). This will reduce agricultural productivity and potentially increase instances of severe floods.

Pakistan's public sector accountants will need to consider the short-term and long-term implications of environmental changes and the knock-on effects these will have on citizens and services, and to put in place solutions for, or mitigations of, these environmental issues.

Stakeholders in Pakistan ranked this driver at 31, while globally it was ranked at 21.



PRACTICE OF ACCOUNTING

In the years ahead, the practice of accounting in Pakistan will need to meet the needs of the country's wide-ranging stakeholders: greater demand for non-financial information, a better balance of financial reporting and management accounting and the evolution of the auditor's role.

Clarity in financial reporting and defining the audit function

Financial reports should be prepared with integrity and provide a fair representation of an organisation's financial health. For the public sector, robust, high-quality and effective financial reporting is an imperative because of the relevance of accountability to the public interest.

Currently, the federal and provincial levels of government in Pakistan produce cash-based accounts. There is a need to provide timely financial information based on international accounting standards to foster both transparency and accountability and for better fiscal management. It is important for the government to explain the purpose of levying different taxes, and where the taxes received are being spent.

Practice of accounting: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Clarity in financial reporting and defining the audit function	5	by 2021
Balance between external financial accounting and internal management accounting	8	by 2021
Non-financial information and integrated reporting	20	by 2021

Professional internal audit in the public sector is essential in evaluating the performance of public services and, to do this effectively, protecting the organisation's internal audit's objectivity is paramount.

The move from cash to accrual basis will undoubtedly be a challenge for Pakistan, as it has been for many countries. The transition is often complex and there is no easy method, but there are many lessons to be learnt from other jurisdictions.

The external audit activities of the public sector must be appropriately organised to facilitate public sector entities in meeting their objectives ethically, effectively, efficiently and economically while fulfilling their duty of transparency and accountability to the public.

The Office of the Auditor General of Pakistan (OAGP), a constitutionally independent office, audits accounts of all tiers of government and public sector organisations; the audit reports are not, however, typically based on performance but limited to compliance (Asian Development Bank 2015).

Professional internal audit in the public sector is essential in evaluating the performance of public services and, to do this effectively, protecting the organisation's internal audit's objectivity is paramount.

The Institute of Internal Auditors (IIA 2015) defines internal audit as: 'An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'

Internal audit at Pakistan's federal and provincial levels requires further development in areas such as independence, quality, coverage and frequency of reporting; adopting an international standard may help alleviate some of these issues and improve financial management and controls.

Applying the IIA standards can help make private and public internal audit more consistent. The IIA issues information catered specifically to public sector internal auditors and their stakeholders, such as the Internal Audit Capability Model (IA-CM) (IIA

2009), Internal Audit Competency Process (IA-CP) and a practical adoption guide, *Creating an Internal Audit Competency Process for the Public Sector* (IIA 2015b).

This driver was ranked higher in Pakistan (5) than globally (14).



Balance between external financial accounting and internal managerial accounting

Financial reporting provides transparency on how public funds are used. Management accounting provides the information that allows for informed decisions to be made. Both these reporting mechanisms should operate in tandem.

Public sector accountants will need to strike the right balance between the increasing reporting demands of both internal and external stakeholders; efforts need to be made to develop this further in the public sector, especially as demand grows for non-financial reporting and for presenting a holistic picture of the health of public sector organisations.

At the same time, the complexity of public sector accounts in Pakistan will increase as the volume of public sector data generated increases and the nation adopts more ICT-based processes. This could potentially present issues about what the focus should be on and how to analyse, interpret and take forward insights gleaned from this data. This is an opportunity for public sector accountants to apply their analytical and interpretative skills and support their organisation with a better understanding of its microeconomics and the relationship between resources, expenditure and the delivery of value-for-money services to the public.

This was ranked at 8 as a driver of change in Pakistan compared with 13 globally.



Pakistan's public services are currently hindered by a large and complex administration and ineffective coordination between government departments.

Non-financial information and integrated reporting

In both the private and public sector, stakeholders are calling for organisations to provide a total picture of their health, communicating both financial and non-financial performance in an integrated reporting format. Increasingly, non-financial information is recognised as being as important as financial information in determining an organisation's value and risk exposure. Non-financial disclosure could cover areas such as talent, corporate governance, and innovation. In response to the increasing demands for a holistic picture of organisational health, the model of integrated reporting (<IR>) is being adopted widely.

The move towards <IR> is a rational transition from cash-based and accrual-based systems. Cash-based accounting simply illustrate the funds spent, a rather oversimplified view. Accrual-based approaches go a step further while <IR> takes reporting to the next level by moving beyond operational linkages and financials, and including an organisation's strategy, performance and value-creation mechanisms and plans – an approach that provides stakeholders with a rounded view of how the organisation is performing and the material strategic issues it faces. At the same time, it aids public sector organisations and their finance teams to think more holistically about their departments and the government's strategy (both in the short and long-term).

This driver was ranked at 20 in Pakistan and 6 globally.



ACCOUNTANCY PROFESSION IN THE PUBLIC SECTOR

Pakistan's public services are currently hindered by a large and complex administration and ineffective coordination between government departments. This, coupled with insufficient public accountability and poor financial management, leads to inadequate social protection and insufficient infrastructure (Asian Development Bank 2015).

As Pakistan moves forward in realising its Vision 2025 – to be an industrialised, knowledge-based and technology-driven inclusive upper-middle income country (MOIT 2017) – public sector professional accountants have a vital role to play in delivering public services more effectively, in particular these three areas.

1. With the right accountancy competencies, transparency, efficiency and trust in the public and private sectors can be established.
2. Strong accountancy and auditing skills will enable effective regulation and supervision of capital markets and private enterprises, which will then attract further investment.
3. Demonstrably effective corporate governance can bolster inward investment.

Accounting skills capacity in transitional economy

In its quest to transition into a more developed economy, Pakistan must demonstrate that its businesses and public sector are consistently working to global standards. This requires that public sector accountants receive relevant, regular and current education and training to ensure

Accountancy profession in the public sector: top three drivers

TOP THREE DRIVERS	OVERALL RANK	IMPACT
Accounting skills capacity in transitional economy	12	by 2021
Flexibility, suitability and cost of accountancy training	13	by 2021
Level of entrepreneurial skills in the accountancy profession	16	by 2021

Pakistan's public sector accountants and finance professionals' entrepreneurial skills will be increasingly relied on, especially in light of the recent devolution reforms.

that they have the knowledge and skills to adapt to changes in the business environment while adopting developments in international accounting standards. This could involve moving public sector accounting from cash accounting to an accrual-based accounting standard, such as IFRS and IPSAS.

The development of a skilled public sector accounting workforce in Pakistan will benefit both government agencies and the private sector – as skilled professional accountants can help ensure that operations are prudently managed, transparent and competitive.

This driver was ranked at 12 in Pakistan and 19 globally.



Flexibility, suitability and cost of accountancy training

Over the next few years, Pakistan will require more accountants to provide greater transparency and accountability and to meet its objectives and its vision at the national level and on a global stage. The nation will rely on public sector accountants' financial insights to respond to the challenges ahead, such as managing the complexities of CPEC projects, increased activities in the PPPs sphere and the potential impact of lower or stagnant economic growth.

To respond to these challenges, the profession will need to operate effectively and efficiently in an environment that will be in a state of constant flux. This, in turn, will require the profession to future-proof itself and the Pakistan's public sector skills through continuous education and training.

It is also important to recognise that the next generation of accountants may want to learn and obtain new skills from a new form of pedagogy. ACCA's Generation Next research (ACCA 2016a), has found that the incoming accountants value experiential learning and tend to seek online training materials as their preferred learning resource. Public sector organisations will need a flexible approach with a rounded training strategy and to employ different types of training resources to fill gaps in the capability and knowledge of a multi-generational workforce.

As the public sector becomes increasingly professionalised, the responsibility for the continuous development of accountants lies with the organisation and the professionals themselves. This will ensure that accountants are skilled to contribute to and help shape Pakistan's public sector for today and tomorrow.

This driver of change was rated higher in Pakistan (13) than globally (20).



Level of entrepreneurial skills in the accountancy profession

Pakistan's public sector accountants and finance professionals' entrepreneurial skills will be increasingly relied on, especially in light of the recent devolution reforms. Provinces have been given more autonomy under the 18th constitutional amendment in 2010, access to revenues collected at the federal level (the 7th National Finance Commission Award, 2010) and greater tax authority (Asian Development Bank 2015). These changes will require strengthening of all operational aspects of provincial governments. Public sector accountants will need to explore new opportunities, seek alternative solutions and collaborate with different stakeholders, public and the private sector – overall requiring a more commercial mindset to make better-targeted use of public funds.

The rise in PPPs in Pakistan will also call for accountants in the public sector to go beyond their traditional functions; instead, they will need to hone their strategic and entrepreneurial skills, particularly when negotiating large-scale procurement contracts with private-sector partners. Skills such as negotiating, forecasting, team working, communication and business acumen will be essential in the new public sector environment.

This driver of change was ranked 16 by Pakistan stakeholders compared with a far lower ranking globally (27).



2. The finance function and the professional accountant in Pakistan's public sector

In a constantly evolving global landscape, the public sector finance function will need to play a pivotal role. It must lead the public sector in managing challenges – both current and those on the horizon.

As noted by the IMF, Pakistan's continued economic transformation is 'a moment of opportunity' (Lagarde 2016). The country's long-term economic prospects look bright; it has a large market base, a growing middle-class and several opportunities at its doorstep, such as the potential of CPEC to improve its infrastructure and create higher employment levels. Economic forecasts also point in a similar direction; by 2020, GDP growth is expected to remain positive (+3.7%), unemployment to decline (to 5.7%) and inflation to subside (to 3.3%) (Trading Economics 2017).

Government debt to GDP, however, is expected to rise from 66.5% to 72% by 2020 (Trading Economics 2017). Over the coming years, the nation will also face challenges from environmental, political and societal issues as mentioned in the previous chapter.

ACCA's global report outlines the challenges for the public sector in the next few years, (ACCA 2016c), which are broadly shared by respondents and stakeholders in Pakistan, as follows.

STRIKING THE APPROPRIATE BALANCE:

Short-term pressures and long-term planning – which one to prioritise? This is the kind of dilemma consistently facing finance teams across the public sector when they need to apply their skills to acquiring insights by drawing together a

broad range of inputs that can be used in forecasting and optimising, and, ultimately, as decision-making tools to inform the policy formation process.

TECHNOLOGICAL ADVANCES: The finance function will need to be able to leverage the tools that new and emerging technologies offer for analysing data to interpret and anticipate new trends and for assessing their impact.

QUALITY AND QUANTITY OF INFORMATION: Pakistanis are increasingly demanding better quality of, and more ready access to, public services. There is a desire for better understanding of and transparency on how public funds are used – finance professionals have a key role in this area.

GREATER COMMERCIAL FOCUS: Federal and provincial departments will need to be more commercially minded in their approaches as the increase in collaboration between the public and private sectors continues. The finance function will be central in ensuring PPPs' effectiveness and performance measurement.

GREATER AGILITY: Pakistan's public sector and its finance function will need to become more agile and able to operate effectively, especially against a changing and unpredictable backdrop. Bureaucracy and legacy structures will need to be addressed for public sector organisations to enable this.



Professional accountants working in Pakistan's public sector will need continuous training and professional development to be effective business partners in an evolving public sector landscape.

MORE RESPONSIVE AND FORWARD-LOOKING:

The finance function is best placed to respond to a changing landscape as it has a unique perspective and the information to back it up. Firstly, it has a thorough understanding of the organisation's finances, how they flow, as well as the objectives of the public services the organisation provides and the needs of stakeholders. Secondly, through their professional qualification, accountants have the training and competencies to manage risks and link financial data with operational performance. This will require a culture of continuous learning, the adoption of best practices from other sectors and countries and an approach that is forward-looking to ensure that the public sector can meet current and future needs and demands.

FINANCE SKILLS IN THE FUTURE

The accountancy profession has always helped to shape and support economies of all types and sizes. Professional accountants in the public sector are trusted expert counsels and key strategic advisers to complex organisations. Professional accountants working in Pakistan's public sector will need continuous training and professional development to be effective business partners in an evolving public sector landscape. In addition, they will require an optimal but changing mix of professional competencies.

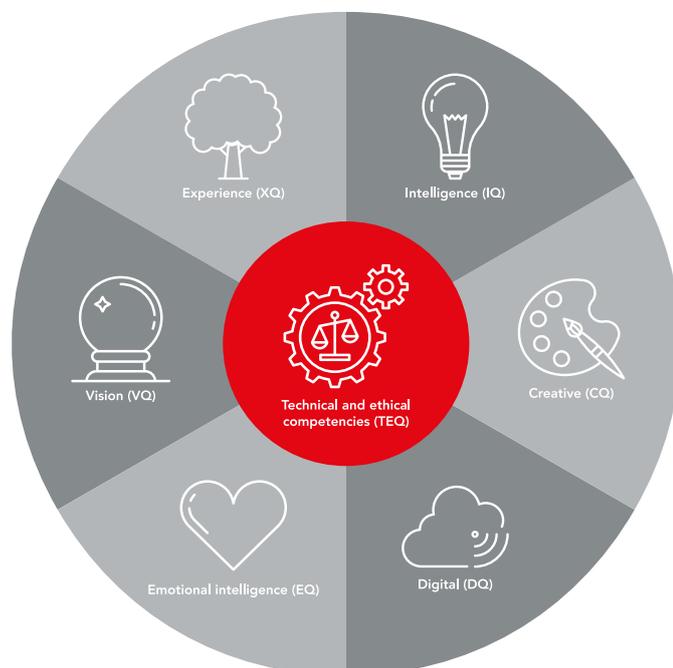
Professional quotients (PQs) represent a collection of technical knowledge, ethical behaviour, interpersonal skills and qualities,

as identified in ACCA's recent research, *Professional accountants – the future: Drivers of change and future skills* (ACCA 2016b).

Technical skills and the appropriate behaviours give accountants the ability to perform activities consistently to a defined standard, including for financial reporting, forecasting, operations management and scenario planning. Public sector accountants will also need to demonstrate professional judgement in all their activities, such as deriving insights from data analysis and interpretation, both financial and non-financial. This is a challenge, as the impact of government spending will depend on a complex network of factors.

Effective communicating, influencing, persuading and team-working skills, and emotional intelligence, are required now and in the future. Crucially, there are also more and more professional accountants working as part of cross-functional teams with internal and external stakeholders.

All this will mean that hard technical competencies and a strong ethical compass (TEQ) and experience (XQ), complemented by the intelligence (IQ) and digital (DQ) quotients will form the basis for success; interpersonal skills, behaviours and qualities will be reflected in quotients for creativity (CQ), emotional intelligence (EQ) and vision (VQ). Pakistan's public sector accountants' PQs mix will need to be shaped by their specialist area, roles and organisation in order to meet the nation's ambition of providing value-for-money for public services.



The public sector needs professional accountants now, more than ever, to improve public services to meet the needs of the citizen, and ensure good public financial management. This needs to be done sustainably, to meet the needs not only of the current generation but, importantly, also for future generations.

Pakistan's public sector professional accountants will need to have firmly in their sight the drivers of change that will affect not only the organisations they serve but also their country. This will enable them to plan better for the short and longer term. In addition, they will need the knowledge and skills to seize opportunities and adapt to challenges in order to contribute to Pakistan's progress. Pakistan's changing political landscape and economic environment, as well as evolving societal norms will influence the debate in the public sector in the years to come.

The China Pakistan Economic Corridor (CPEC) is seen as the economic hope for Pakistan's future. Regional integration leading to sustained commercial opportunities as well as proper financial and risk management are going to be key factors to stop this strategic project turning south.

Public services are also going through a transition phase, being reshaped by ICT advances and increasing involvement cross-contamination from the private sector. These will create opportunities that were not available in the past and require a different mindset and approach. Communication, professional judgement and emotional intelligence skills alongside strong technical

reporting and auditing competencies supported by an ethical approach will be essential for public sector accountants in realising the available opportunities.

The practice of accounting and the accountancy profession in Pakistan will also undergo both major and, in some cases, minor transformations in the coming years as the nation continues to grow and take its place in the global economy. Beyond the calls for finance teams to be involved in defining how to ensure that public funds are used ethically and effectively, there is an expectation that finance professionals should provide more transparent and meaningful disclosures. They need to bring existing reporting methods up to international reporting standards to provide timely and reliable reporting from all Pakistan's government departments. This will need to be supported by high-quality, independent audit.

Investments in up-skilling and training the current finance workforce will be the fundamental building blocks for making the finance team an effective business partner. At the same time, capacity-building efforts will also be important for securing the next generation of public sector accountants.



ECONOMY

1. Stability of the global economic infrastructure

The global economy, trade and financial flows are dependent on a complex underpinning infrastructure that comprises a range of key agreements, standards, systems, checks, balances and governance frameworks.

2. The level of economic growth

Growth expectations influence business confidence, consumer spending, government planning and budgeting, and management of the micro and macro economy.

3. Consideration of alternative economic perspectives

The financial crisis has offered a chance for nations to explore new economic perspectives and models traditionally neglected by mainstream economic thought. A serious examination of these perspectives could help reformulate the global economic system along more environmentally sustainable and equitable lines.

4. Total scale and distribution of global inequality and unmet needs

Higher income inequality, (as noted by OECD) within countries correlates with higher unemployment, higher crime rates, lower average health, weaker property rights, limited access to public services, lower social mobility, more social unrest, and less trust within and across the society, leading to more fragile democracies. This presents huge challenges for public sector and how it develops policies to meet these challenges.

5. Broadening measurement of public sector value and progress

How we assess value, progress and performance for government is expanding rapidly to take account of non-financial measures of development encompassing everything from innovation to happiness.

6. Stability of national revenue bases

The stability of national revenue bases is considered a prerequisite for the economic well-being of countries as it affects governments' ability to provide public services. Generally, government revenues are derived from direct taxes paid by households (mainly personal income tax) and corporations; and indirect taxes, social contributions and revenues from state owned assets and enterprises.

7. Manageability of national and international debt

The manageability of national and international debt is important for macroeconomic stability, business confidence and future economic development prospects. Levels of public debt also have important ramifications for citizen well-being, unemployment levels and the provision of social welfare services. Globally, the economic outlook is increasingly influenced by the views of policymakers, central bankers and financial institutions on the sustainability of sovereign debt.

8. Level of investment required to maintain national physical infrastructure

Physical infrastructure forms the economic backbone of all economies. The quality and resilience of a national infrastructure has a direct influence on the growth, competitiveness and attractiveness to inward investment of a nation's economy. The standard of economic infrastructure, encompassing water, waste, transport, energy and communications, affects the quality of life for citizens as well as the ability to meet objectives and commitments regarding sustainability and reducing carbon emissions.

POLITICS AND LAW

9. Focus of global governance institutions

A network of governance institutions such as the World Bank, IMF, World Trade Organization (WTO) and the UN could face intensifying pressure to adapt their structures to the reality of the changing world. There is, however, still a belief among developing nations – such as the G77 grouping – in particular that they need a stronger voice in the wider set of global governance institutions.

10. Rate of democratic transition

The rate of democratic transition is changing the global landscape. Political changes may open up the economy, attract foreign investment, create business opportunities and drive the growth of domestic segments but swift changes in power can be violent and disruptive – creating political and economic instability.

11. Level of international political volatility

The level of political volatility caused by popular uprisings or the actions of hostile nations and terrorists groups can pose a threat to both the physical and economic integrity of a state. Such fluctuations can affect inward investment and spending in a country thus seriously affecting the state's economic performance, and reduce confidence of global financial markets.

12. Governance and delivery of outsourced public services

The way in which public services are managed, funded, supplied and consumed is changing fundamentally, in line with the financial struggles that nations face. In order to meet higher demands with smaller public funds, it is likely that 21st century public services will look radically different in the future and from what was seen in the 20th century.

Public sector provision is increasingly moving to the private sector raising questions around governance and risk.

SOCIETY

13. Scale and distribution of global population growth

A number of key trends are shaping the world's demographic landscape. The global population is expected to continue to grow at least until 2050, forecast to reach 9.3 billion. At the same time, overall fertility levels are declining. These global trends mask marked differences at the national and regional levels. There are numerous cultural, social and economic factors that both affect and are affected by global demography.

Rapidly growing populations also present economic and capacity-building challenges for governments seeking to provide public services.

14. Spread of diversity in society and the workplace

Greater mobility across the globe has a great impact on the level of diversity. Cultural diversity and Increasing levels of female participation in the workforce is seen as both an important social goal and a vital way of maximising the use of available talent to maintain or bolster economic development.

15. Workforce age structure

A downward trend in global fertility coupled with an ageing society means that each future generation could be smaller than the previous one. Although the global population is still growing the average age is also rising.

With the abolishment of the default retirement age and workers staying in senior positions longer, organisations have to factor in increased salary and healthcare costs. As existing retirees re-enter the workforce owing to a combination of low pensions and removed barriers, organisations will have to consider how to attract, retain and integrate older talent.

16. The workplace expectations of Generation Y, Z and beyond

One of the biggest challenges faced by organisations today is how to understand and respond to the expectations of generations coming into the workplace.

17. Cost and ease of access to higher education

The economics of education is changing as public budgets shrink and institutions have to compete for funds, raise fees and cut unprofitable courses. Rising cost of higher education has important ancillary impacts for the level of personal debt for students and their equality of opportunity.

Online channels for delivering education are also changing the nature and delivery of professional development. The uptake of online learning may increase in emerging economies.

BUSINESS

18. Use of Public Private Partnerships (PPPs)

Governments have been and are increasingly looking to partner with private sector to help fund large scale public infrastructure programmes. This has led to significant growth in the adoption of PPP/PFI initiatives. However the perception that any risk of failure lies with public sector and reward is with the private sector.

19. Business leader responsiveness to change and disruption

Momentous economic and social forces are currently reshaping the world. At the same time, disruptive advancements – often enabled by technology – are affecting everything from industry structures, through societal governance to the nature of human interaction. The ability of organisations to adapt to new challenges and opportunities created by change and transformation is becoming a key determinant of success or failure in a turbulent operating environment.

20. Quality and availability of the global talent pool

Access to talent at all levels is consistently identified as a critical future success factor for all organisations. The challenge of securing a suitable flow of talent is increasingly becoming a top priority for leaders who are finding growth and development ambitions hampered by talent shortages. The quality of education itself seems to be a critical talent issue.

21. Extent of foreign direct investment in developed and developing economies

Foreign direct investment (FDI) flows are an important source of investment and economic growth for many countries. In an uncertain and highly competitive global economy, ensuring that a destination is seen as a safe location for FDI is becoming an increasing priority for many countries and their governments.

22. Speed and duration of business cycles

As technologies such as the internet compress time and distance, organisations are under pressure to adapt their structures, processes and systems on an almost continuous basis. As a result, there is a growing emphasis on the need for speed, flexibility, adaptability and responsiveness. These in turn demand rapid decision making and shortening cycles for execution of change. Public sector organisations will need to factor this in policy development and implementation.

23. Experimentation with and adoption of new business models

In an uncertain economic climate, the pace of introduction of new business models could accelerate. These new models have the potential to disrupt and reinvent industries. As pressure on public finances increase the need to develop new models of financing and alternative revenue and pricing models.

24. Crowd sourced funding for innovation: the consumer as investor

The internet has facilitated the emergence of new finance models that allow organisations to fund product development and service delivery in advance via crowdsourcing using online platforms. The public sector needs to be able to respond to such rapid changes.

25. Adoption of integrated systems thinking to manage business complexity

The perceived shortening of business cycles is creating major challenges in terms of how we design, manage and change highly complex, globally interconnected and rapidly evolving businesses. While the timescales for action are shortening, the perceived complexity of the task of making change happen is growing.

26. Enterprise risk management capability

There is growing concern and increasing uncertainty over the nature and scale of risks to which organisations are – or could be – exposed. At the same time, new risks and sources or concepts of risk, such as resource wars, are emerging. The ability to effectively manage this is increasingly important.

27. Evolution of corporate governance regulation and practice

Traditional structures of corporate governance stem from legislation, regulation and institutional best practices. They are intended to oversee the conduct of business and the management of relationships among and between internal and external stakeholders. These governance rules should improve accountability, reduce corruption and avoid conflicts of interest. A general push for greater transparency for public spends has driven increased expectations for accountability and demonstration of robust risk-management policies.

28. Scope and diversity of expectations of external stakeholders

The range of stakeholders for public sector organisations and the breadth of their concerns and expectations are increasing in the wake of a period of enormous economic turbulence and systematic failures. As a result, regulatory, transparency, ethical and performance demands of this growing range of external stakeholders are expanding for the organisation, the finance function and the accountancy profession.

29. Pressure to manage reputation as part of business strategy

The public sector has always had challenge of corporate reputation management which has been compounded by the instantaneous nature of the internet and social media in particular. The challenge is to manage long term government priorities whilst managing short term 'shocks'.

SCIENCE AND TECHNOLOGY

30. The digitisation of work

Increasing digitisation is transforming the nature of work and working practices in almost every sector. It is reasonable to assume that task automation will extend to ever-more knowledge-intensive, analytical and judgement-based work activities over the next decade and beyond.

31. Cyber security challenges for government

The increased reliance on computers in our daily lives and digitisation of financial services has opened up individuals and organisations to threats from cyberspace. Threats and attacks are typically conducted by groups and individuals who hack systems to attain both ideological and financial goals.

32. Big Data: the development and exploitation of large organisational databases, data mining and predictive analytics

There is a growing interest in how organisations can exploit 'Big Data' – the large and growing databases of customer and transactional information being generated through daily activities. The challenge is to create new toolsets that enable the management and manipulation of these large datasets and to generate powerful predictive insights about future customer behaviour. As governments are usually the largest collector of data, increasing use of data mining and predictive analytics should help to spot possible future opportunities, shocks, issues and challenges.

33. New industries and production models

Advances in science and technology are yielding radical new industrial processes that could be the basis of major industries of the future. In many cases, these industries are also introducing new business models and distribution approaches.

34. Advances in genetic science, Impact of nanotechnology advances and robotic science across business sectors

Advances in science have revolutionised humankind's understanding and control over the natural world. Opportunities are being created through nanotechnology and rapid progress in robotic science has led to the development of sophisticated machines that perform a wide range of industrial and domestic tasks. In medicine, a major field of study is the development of miniature robots that can be ingested and then repair damaged cells and organs in the body. This places great pressure on governments to ensure there is regulatory rigour to address ethical concerns raised and simultaneously explore opportunities to manage better healthcare provision.

ENVIRONMENT, ENERGY AND RESOURCES

35. Global climate change and

There is increasingly widespread agreement that the planet faces a real and growing risk from dangerous climate change and their impacts are unpredictable. New environmental risks – such as hereto unforeseen extreme weather events place significant pressure on public funds to manage the aftermath and develop robust preventative measures such as effective flood defences.

36. Competition for limited natural resources

Increasing demand for finite resources places pressures on governments to promote ethical resource consumption and maintain economic growth.

37. Carbon tax and other environmental market mechanisms

There is a growing move by governments to use taxation and market mechanisms to encourage more environmentally sound behaviour and provide the funds to finance environmental protection and clean-up costs.

38. Scale of take-up in alternative energy by business

Governments are evaluating and encouraging the greater use of alternative energy sources as one route to reducing dependency on carbon-based fuels. Increase of alternative forms of green energy, such as solar, wind and bio-gas, has given organisations a wider range of options for fulfilling their energy needs.

THE PRACTICE OF ACCOUNTING

39. Defining the scope of the accountant's role

Definitions of the accountant's role vary around the world. Common features include maintaining a record of an organisation's assets, transactions and financial activities, carrying out audits and ensuring compliance with financial and tax regulations.

The evolution towards becoming a more strategic partner within a business or as an external supplier may allow accounting to become a more integrated part of organisations.

40. Size and complexity of the CFO's remit

Organisations face a series of threats including macro-economic instability, consumer uncertainty, market volatility and increasing administrative complexity. At the same time, rising energy prices and a reconfiguration of the global landscape towards the emerging economies also present prominent and persistent challenges. As such, the role of the CFO is changing rapidly in line with constantly evolving expectations, demands and operating contexts.

41. Non-financial information and integrated reporting

The challenge of providing a total picture of organisational health is driving the move to communicate both financial and non-financial performance data in an integrated reporting format. Non-financial information is increasingly recognised to be as important as financial information as a driver of business value and risk. In response to demands for a holistic picture of organisational health, the model of integrated reporting is increasingly being adopted.

42. Clarity in financial reporting and defining the audit function

The goal of financial reporting is to present shareholders and regulators with a clear picture of an organisation's financial health.

The role of the audit function is to ensure that the accounts have been prepared in accordance with the regulatory framework, verify that the underlying procedures are robust and that the organisation's financial position has been clearly represented

43. Balance between external financial accounting and internal managerial accounting

A constant challenge for accountants is striking the right balance between external financial reporting requirements and internal managerial accounting. Both are expected to become more demanding and complex over time. Furthermore, as demands grow for a more integrated and holistic approach to external accounting, so the distinction between the two may reduce.

44. Opportunities arising from adoption of global regulation

As business globalises beyond traditional boundaries and more economies open up to adopt global practices and norms, the need for global regulation increases. Both opportunities and challenges arise from the implementation of global regulatory systems.

There are a number of significant factors for governments, firms and accountancy practitioners trying to implement global regulations. These include the rate of change, the distance between practitioners and those defining and implementing legislation, the operational context, and the complexity of regulations required to deal with the range of issues.

45. Adoption of globally accepted accounting standards

The introduction and global adoption of international accounting standards is seen by many as a desirable but unachievable goal. Others argue it is an essential prerequisite of true globalisation. In accountancy, steps towards global norms have been achieved with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and International Public Sector Accounting Standards (IPSASs) that are being aligned to IFRSs to ensure greater comparability between public and private sector financial reporting.

THE ACCOUNTANCY PROFESSION

46. Societal expectations and definitions of accounting

One of the big long-term questions for the profession is the extent to which the definition of what accounting is, and what it entails, may change over the next decade or more. The evolving scope and nature of accounting and the role of the accountant are being shaped by changes in multiple influencing factors. These include how the global economy is regulated, political motivations, disruptive technology developments and evolving business expectations.

47. Flexibility, suitability and cost of accountancy training

In a changing world, the spotlight inevitably falls on the capability of the education system to respond to the continuously evolving training needs of businesses and the professions. Economic changes, new business models and evolving regulatory demands will continue to create new and additional strategic, accounting, compliance and reporting requirements. The profession must demonstrate its ability to operate in a state of 'continuous evolution'.

48. Accounting skills capacity in transitional economies

Many developing economies are now producing significant numbers of well-trained professional accountants. Others, however, may have to undergo a fundamental transformation of their accountancy education system. Such a transformation process would include bolstering higher education course design and teaching methods.

49. Level of entrepreneurial skills in the accountancy profession

CFOs are increasingly expected to adopt a broader strategic and entrepreneurial role across the organisation. A greater emphasis on basic entrepreneurial skills such as business leadership, creativity, team-building, communication, negotiation and sales literacy could be integrated into accountancy training and continuous professional development.

50. Public perception and attractiveness of the accountancy profession

The public standing of and trust in accountants are critical to the effective functioning and attractiveness of the accountancy profession. Any issues could hamper the ability to recruit and retain top talent to the profession. Another key consideration for would-be entrants is the level of remuneration a big issue for the public sector where salary tends to be lower.

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