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THE NEPAL CHARTERED ACCOUNTANT

Journal of the Institute of Chartered Accountants of Nepal

Special Issue on the Occasion of

SAFA INTERNATIONAL CONFERENCE on ENABLING BUSINESS ENVIRONMENT FOR ECONOMIC DEVELOPMENT

Heartly welcome to

Dr. In-Ki Joo
IFAC President

CMA (Dr.) PVS Jagan Mohan Rao
SAFA President

&

All SAFA Delegates

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
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(Established under the Nepal Chartered Accountants Act, 1997)


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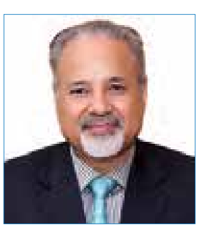
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Contents


TATA MOTORS
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TATA NEXON, THE SAFEST SUV
GLOBAL NCAP
FOR SAFER CARS
5 STAR SAFETY RATING

Message from Rt. Honorable **Prime Minister of Nepal**

The Prime Minister

KATHMANDU
NEPAL

Message

It is pleasing to know that Institute of Chartered Accountants of Nepal (ICAN) is hosting South Asian Federation of Accountants (SAFA) International conference on "Enabling Business Environment for Economic Development" in Kathmandu on April 4, 2019.

By the promulgation of the democratic, progressive constitution in 2015 and successfully holding the elections of all three tiers of federal setup, has effectively ended the protracted political transition, and has fostered a sense of high optimism in Nepali people.

Now, I believe, the country would move forward towards the way of prosperity with the right intention and execution of the national vision of Prosperous Nepal, Happy Nepali. Political stability, which is a key prerequisite to country's economic growth, is absolutely fulfilled now. It is not only political stability that Nepal is now ensured with, but also with policy consistency. Legal, institutional, and procedural reforms that was long overdue has gained speed under my leadership.

I am confident that the conference will foster innovative ideas and further collaboration for bossiness environment across the SAARC region.

On this occasion of international conference, once again, I express my best wishes to the entire family of ICAN. I wish all the delegates a pleasant stay in Nepal and the conference all success.

April 1, 2019

K P Sharma Oli

Message from Honorable **Finance Minister of Nepal**

Government of Nepal
MINISTRY OF FINANCE

Dr. Yuba Raj Khatiwada
Finance Minister

SINGHADURBAR
KATHMANDU, NEPAL

April 2, 2019

Message

I am pleased to note that The Institute of Chartered Accountants of Nepal (ICAN) is hosting South Asian Federation of Accountants (SAFA) meetings along with a full day international conference on the theme "**Enabling Business Environment for Economic Development**" from 4-6th April, 2019 in Kathmandu.

A transparent as well as rule based accounting and accountable auditing system certainly helps enhance good governance, promotes ethical and fair business and also mitigates financial risks which ultimately improves the overall business environment. In this context, the role of ICAN remains immensely important in creating conducive business environment thereby assuring a reliable financial health of any organization or business entity. Adoption of International Accounting, Auditing and Reporting Standards and best practices ensure a reliable, consistent, transparent and comparable financial position which ultimately boosts investors' confidence and hence foreign investment inflows.

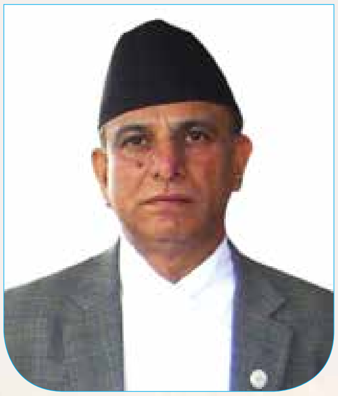
While we have concluded Nepal Investment Summit 2019 last week, this conference has emerged subsequently to continue discussion on business environment in Nepal from Chartered Accountants' perspective. In this context, I would like to thank the ICAN and SAFA for organizing such a timely and relevant conference and meetings in Nepal. I am confident that the discussion on "the role of professional accountants in sustainable economic environment" along with other topics scheduled in the conference would certainly help maintain their professionalism through knowledge/experience sharing and adopting international best practices.

I hope that the deliberations among participants in the meetings and conference would be able to generate innovative ideas, enhance professionalism and widen networks of Chartered Accountants.

I wish great success of this conference and SAFA meetings.

Dr. Yuba Raj Khatiwada

Message from Honorable
Auditor General of Nepal



Tanka Mani Sharma (Dangal)
Auditor General of Nepal

Babar Mahal
PO Box 13328
Kathmandu, Nepal

Message from Honourable Auditor General

It gives me immense pleasure to know that the Institute of Chartered Accountant of Nepal (ICAN) is organizing SAFA International Conference on "Enabling Business Environment for Economic Development" in Kathmandu, Nepal on 4th April 2019. The theme of the conference seems quite relevant to Nepal as Nepal is aspiring for national goal of "Prosperous Nepal, Happy Nepali" and developing its 25 years vision and 15th five year development plan. I do hope that it is equally relevant for participating South Asian Countries.

I understand the role of accounting profession to create enabling environment for economic development in any country. The services provided by the professional accountants are backbone in creating investors' confidence on financial information reported by the economic entities operating under different industries in national economy.

I understand the South Asian Federation of Accountants (SAFA), as a forum of professional accountancy bodies, is committed to positioning, maintaining and developing the accountancy profession in SAARC Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

An enabling business environment is a prerequisite for the nation's economic development which includes a conducive policy and legal environment including the political stability, investment in human capital and collaboration among stakeholders which could help a country move ahead in the development path. The Professional Accountants may serve at various capacities such as a tax practitioner, company law consultants, cost accountants, investment banker, finance managers, internal and external auditors and many more. In the context of enabling business environment, these professional accountancy bodies would play a big role in the nation's economic development. I believe that these widespread roles of professional accountants will definitely contribute to the national goal of economic prosperity.

I earnestly believe that this Conference will provide a common platform for professionals, industrialists, tax authorities, financial regulators and other related stakeholders to explore the major issues concerning the overall business environment and economic development of the country. It will also provide a forum for the exchange of knowledge, ideas and learning experience among the professionals.

I hope this Journal and its contents will be instrumental in addressing contemporary economic and industrial issues concerning the challenges and opportunity to attain economic prosperity.

I wish the Conference a grand success.

TMSharma

Tanka Mani Sharma (Dangal)
Auditor General
24 March 2019

Message from President

South Asian Federation of Accountants (SAFA)

I am glad to note that that the Institute of Chartered Accountants of Nepal (ICAN) is organizing the SAFA International Conference on the theme “Enabling Business Environment for Economic Development" on 4th April 2019 at Kathmandu, Nepal.

Economic development across all sectors is among the foremost priorities of every country and to achieve this right environment where there are enough opportunities for new business to start and even incentives for business to thrive are essential. Improving the business environment by lifting constraints and filling gaps in the regulatory and administrative support mechanisms are necessary, but need to be accompanied by a strong push for effective implementation to deliver real results. Due importance also needs to be given to the climate change and United Nations Sustainable Development Goals (SDGs).

I am sure that participants will be immensely benefited from the deliberations and technical papers that will be presented in the Conference.

While I congratulate ICAN for organising SAFA International Conference, I convey my best wishes for the success of the event.

With warm regards,

CMA Dr. P.V.S. Jagan Mohan Rao
President
South Asian Federation of Accountants (SAFA)

Welcome Message from
President of The Institute of Chartered Accountants of Nepal

It is our pride and pleasure to host different events of South Asian Federation of Accountants (SAFA) along with a SAFA International Conference on the theme *"Enabling Business Environment for Economic Development"* from 4 - 6 April 2019 in Kathmandu.

The milieu of this Conference is very opportune. Nepal successfully concluded the 'Nepal Investment Summit 2019', which achieved in showcasing Nepal as a favorable investment destination by unveiling potential opportunities for investment in the sectors such as Energy, Tourism, Industry, Transport Infrastructure, Information and Communication Technology and Agriculture.

South Asia is a region with boundless opportunities. It has embarked on the journey to be global powerhouse. Economic Development is essential for nation and its citizen to fully realize their potential and to enjoy fruits of democracy. Economic Development will jut remain a slogan if the enabling or supporting factors are not identified and harnessed.

Professional accountants are pillars of economic development. The aggregate wisdom and insight of the SAFA members does have a profound bearing on the financial and economic health of the region. This Conference which will focus on issues such as International Trade, Foreign Assistance, Foreign Direct Investment and Role of Professional Accountants in sustainable economic development will definitely generate novel ideas and vision to guide the SAARC region for a better and prosperous future. I believe the Conference will be an enriching experience to the participants as well.

Last but not the least, I would like to heartily welcome foreign delegates and national and foreign participants in the Conference and wish the SAFA International Conference a grand success.

CA. Jagannath Upadhyay (Niraula)
President, ICAN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बार्षिक ब्याजदर

Message from President

The Institute of Chartered Accountants of Bangladesh (ICAB)

It is indeed a great pleasure to learn that the Institute of Chartered Accountants of Nepal (ICAN) is going to organize the SAFA International Conference titled **"Enabling Business Environment for Economic Development"** at Hotel Radisson, Kathmandu, Nepal. The theme chosen for the conference is very timely for SAARC region in general, Nepal in particular. Topics of the technical sessions are also relevant to the conference theme.

A conducive business environment is a prerequisite for economic growth and poverty reduction. Creating and maintaining a business climate that stimulates inclusive and sustainable industrial development must be at the core of any effort to spur the growth of vibrant and competitive industrial sectors.

It is true that from the global perspective, the South Asian countries need to work more in the areas relating to ease of doing business like, starting a business, dealing with construction, trading across borders, enforcing contracts, resolving insolvency, etc. I believe, collectively with policy makers, professional accountants can play key roles for ensuring a healthy business environment using their professionalism and expertise, specifically to improve our positions on all indicators of ease of doing business in creating better business environment.

It is visible that south Asian economies are growing at a faster rate in recent years. I believe the role of the professional accountants for the business and economic growth in the South Asia Region is vital. We have a lot of prospects to be explored for development as we have by this time developed skilled human resources to cater in our region. Ample investment opportunities also are available here. So growth should not be a major challenge for us. We also need to explore the opportunities from the international trade and to focus on enhancement of foreign direct investment for our regional sustainable development. Active and effective participation of professional accountants can significantly contribute for business growth and such development.

I sincerely hope that the Conference will bring an opportunity of strong collaboration and networking opportunities to the participants. I believe that the deliberations made in the conference will have strategical policy recommendations for SAARC nations.

I wish a grand success of the conference.

A F Nesaruddin FCA
President

Message from President

The Institute of Cost and Management Accountants of Bangladesh (ICMAB)

I am happy to know that the Institute of Chartered Accountants of Nepal (ICAN) is organizing the SAFA International Conference on the theme, Enabling Business Environment for Economic Development. For a developing country, economic development is dependent on: education, gender and work, natural resource security, investment, foreign trade, digitization etc. Among them, creation of enabling environment for domestic and foreign investment is one of the pre-requisites for sustainable and inclusive growth.

The organizers' initiative to select three important topics like: sustainable foreign trade, proper utilization of foreign aid and attracting foreign direct investment, for discussion in the Conference deserves due appreciation. The discussants would need to address relevant sustainable challenges to create values for the stakeholders including employees, customers, suppliers and the society.

Besides the above, selection of panel discussion topic, Role of Professional Accountants in Sustainable Economic Environment, bears no less significance. Professional accountants now-a-days are the creators, providers, preservers and reporters of value. It is expected that the discussants and audience would deliberate on how the professional accountants would play these roles for creation of sustainable economic development environment, along with sharing the experience in SAFA countries.

I thank the organizers for selection of such important topics for the conference, the benefits of which would be reaped by the SAFA countries, as a whole.

Looking forward towards a successful and remarkable conference.

M. Abul Kalam Mazumdar FCMA

President

Message from President
The Institute of Chartered Accountants of India (ICAI)

I am happy to note that the Institute of Chartered Accountants of Nepal is hosting SAFA International Conference on the theme "Enabling Business Environment for Economic Development" on 4th April 2019 in Kathmandu, Nepal and to mark the occasion is also bringing out a Souvenir.

The theme of the Conference is very apt as accountancy profession is playing an important role in enabling business environment and ensuring sustained economic growth of a country. The reliability of financial information is directly linked to sustained economic growth and development of a country. In the absence of compete and reliable financial information, the investors generally remained very skeptical in making investment in any economy. This, in turn, prevents economic growth of an economy. High-quality financial reporting is prerequisite for improving trust, transparency and facilitating the mobilization of domestic and international investment, creating a sound business environment and fostering investor confidence, thus promoting financial stability and economic growth.

It is very encouraging to note that the Conference will focus on range of issues that are essential for enabling business environment for sustained economic growth. I am sure that the participants will find the Conference professionally enriching and rewarding. And deliberations will also provide useful insights to the delegates.

While conveying my best wishes to the Institute of Chartered Accountants of Nepal (ICAN) for grand success of the SAFA International Conference and publication of the Souvenir, I congratulate each and every member of the ICAN for their rigorous efforts for the development of accountancy profession in Nepal.

Best Wishes,

CA. Prafulla P. Chhajed

President

Message from President
The Institute of Cost Accountants of India (ICAI)

I am happy to note that the Institute of Chartered Accountants of Nepal (ICAN) is organizing the

SAFA International Conference on the theme "Enabling Business Environment for Economic Development" on 4th April 2019 at Radisson Hotel, Kathmandu, Nepal.

Business environment involves policy, legal, institutional and regulatory conditions that govern business activities. The aim of reforms in business environment is to reduce the costs and risks of business activity by improving government policies, laws and regulations, and by stimulating competition through new market entrants. The government as a catalyst for development can substantially influence the market through its policies and programs to improve the business environment, national competitiveness and strengthen economic growth. Professional accountancy bodies can play important role as a strong accountancy profession is essential to economic development. I am sure deliberations in the conference would be beneficial for all concerned.

I congratulate ICAN for organizing the International Conference and wish the event a grand success.

With Warm Regards,

CMA Amit A Apte
President

Message from President

The Institute of Chartered Accountants of Pakistan

It is indeed a pleasure to know that Institute of Chartered Accountants of Nepal is hosting the SAFA International Conference 2019 on April 4, 2019 and I would like to take this opportunity to extend heartiest congratulations on behalf of the Institute of Chartered Accountants of Pakistan.

The theme of the Conference Enabling Business Environment for Economic Development will generate intense and informative discussions on current economic developments in businesses and role of accountants. I am sure that the Conference would be an appropriate juncture for accounting professionals to deliberate amongst themselves on how accountants can help to survive in this competitive environment and facilitate faster economic growth in developing economies.

The spirit behind South Asian Association for Regional Cooperation (SAARC) is South Asian peoples' determination to cooperate regionally and to work together towards finding solutions to their common problems in a spirit of friendship, trust and understanding. In South Asia, the agenda to achieve prosperity is driven by the need to enable business environment, achieve sustainable growth and reduce poverty. This requires public sector reforms, including tax reform and expenditure restructuring, and an improvement in the performance of public enterprises through increased competition, privatisation, a wider distribution of shared ownership and removal of entry barriers that still hinder participation of the private sector.

In order to fulfill the high aspirations of its peoples in the face of current global economic and financial crises, the regional cooperation will need a new strategic vision. This new vision could be seen as a bridge between East Asia, rich in its human resources and technology and West and Central Asia, rich in natural resources and finance.

Like all other professions, the sustainability of the accountancy profession depends upon the quality and consistency of the services provided by its members and the profession's capacity to respond effectively and efficiently to the demands of the economy and society.
Needless to say that our survival depends on our proactive role in the economy. An accountant is providing services that the society finds useful, which is based typically on innovations and on understanding unique needs of the hour with ever increasing speed and precision. With such eminent participants representing the profession around the globe, I am confident that this Conference will give you valuable insights and innovative ideas to further strengthen the profession to achieving excellence.

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

On behalf of the Institute of Chartered Accountants of Pakistan (ICAP), I would like to extend my sincere best wishes for a successful and productive SAFA International Conference 2019.

Jafar Husain, FCA
President

Message from President
The Institute of Cost & Management Accountants of Pakistan (ICMAP)

On behalf of the Institute Cost and Management Accountants of Pakistan, I would like to congratulate The Institute of Chartered Accountants of Nepal on the efforts for organizing such a wonderful event and to bring professionals from round the globe on a single platform.

This SAFA Conference will be an excellent opportunity to enhance awareness on the theme enabling business environment for economic development and also to recognize the contribution of professionals towards the economic development.

Accounting has a vital role in present day economics. Almost every segment of any society needs and uses financial information, directly or indirectly. Accounting has a responsibility to provide the essential information for financial planning and control.

With the fairly recent increase in commercial activities and industrialization of the developing countries, attention should also be focused on the role of accounting in the economic development. Even though most individuals and governments, as well as international economic organizations, recognize the need for capital and its efficient utilization for achieving rapid industrialization, little attention has been given to the potential contributions of accounting toward the fulfillment of economic development plans.

The conference will explore how the accountancy profession is gearing up to meet the new demands of the augmented role of the industrialized world in providing development finance and solutions for development. We will hear from learned speakers round the globe and it will be an excellent opportunity to exchange ideas and way forward strategies for nation as whole

I congratulate once again for organizing such a marvelous event.

Thank You

Mr. Zia-Ul-Mustafa
President, ICMA Pakistan &
Vice President - SAFA

Message from President

The Institute of Chartered Accountants of Sri Lanka (ICASL)

I am pleased to send this message on the occasion of the SAFA International Conference on "Enabling Business Environment for Economic Development" hosted by the Institute of Chartered Accountants of Nepal (ICAN) in Kathmandu, Nepal.

South Asia has an important responsibility in ensuring we complement the growth momentum, by taking advantage from the development which will ultimately benefit not only our individual countries but will also ensure the success and sustenance of the region.

Despite large scale poverty across the region, South Asia also has many positives, including being one of the world's most promising economies boosted with an exceptional talent pool. Therefore, if we all focus on this goal, I am certain our region will go on to become an integral part which will add significant value across the global map.

To ensure we take advantage of the growth, it is increasingly important for South Asian nations to create a conducive business enabling environment which will ensure economic development not just for individual countries but also for the region as a whole. As an influential professional community, professional accountants together with our respective professional bodies as well as SAFA can influence policy makers in our countries to increasingly focus on putting in place laws and regulations that will facilitate an inviting business environment.

In this context, the SAFA International CFO Conference is a timely event, because it focuses on an important and relevant topic. I believe the conference will be an important platform as it will help accountants in the region understand their increasing responsibility in not just strengthening the profession but in also helping the country and the region evolve economically.

I wish the SAFA Conference fruitful deliberations.

Jagath Perera
President

Message from President

CMA Sri Lanka

I wish to congratulate The Institute of chartered Accountants of Nepal For hosting the SAFA International Conference on "Enabling Business Environment for Economic Development" to be held in Kathmandu Nepal on 4th April 2019 followed by SAFA Committee Meetings and Board Meeting.

The Conference technical sessions on International Trade, Foreign Direct Investment and Sustainable Economy with special reference to the role of the professional accountants is of significance to all SAFA countries.

Whilst this international conference will enrich the member bodies with professional knowledge, skills and expertise this international gathering will also provide a great networking among SAFA member bodies bringing them closer to one another.

As a Founder signatory to the formation of SAFA in 1984, I am indeed happy to note that the first project of this new body which included as Founder Members the Chartered and Management Accounting bodies of India, Pakistan and Bangladesh and the Chartered Accounting body of Sri Lanka which I represented was to assist in the formation of the Institute of Chartered Accountants of Nepal and the then Association of Chartered Accountants of Nepal was invited as an Observer.

This dream was fulfilled in 1997 when the Institute of Chartered Accountants of Nepal was incorporated by an Act of Parliament and admitted as a member of SAFA. Thereafter the Institute of Certified Management Accountants of Sri Lanka was incorporated by an Act of Parliament in 2009 and admitted as a member in January 2010 a missing link which I noticed when signing the historic document in the formation of SAFA in 1984. In 2018 Afghanistan was admitted as an Associate member of SAFA and the International relations Committee is now working on both Maldives and Bhutan who are invitees for Board Meetings to expedite the incorporation of the professional accounting bodies in these two countries.

I wish to pay a special word of thanks to the President CA. Jagannath Upadhyay (Niraula) President ICAN and the Secretariat for hosting the SAFA International Conference. Let me also fondly remember your Founder President Mr Komal Chitracar with whom I have had a long relationship and supported him in the formation of ICAN.

I wish ICAN and the SAFA events a great success.

Prof. Lakshman R Watawala,
FCA, FCMA, FCMA(UK), CGMA, FMAAT, FCPM.
President and Founder President CMA Sri Lanka
Past President SAFA
Past President CA Sri Lanka
Founder President AAT Sri Lanka

About SAFA

South Asian Federation of Accountants (SAFA) was formed in the year 1984 to serve the accountancy profession in the South Asian Region and uphold its eminence in the world of accountancy. SAFA is an Apex Body of the South Asian Association for Regional Co-operation (SAARC) and a Acknowledged Accounting Grouping of International Federation of Accountants (IFAC). SAFA represents over 375,000 accountants having membership of the national chartered accountancy and cost and management accountancy institutions in the South Asia.

The current membership of SAFA represents ten professional accountancy bodies in Bangladesh, India, Nepal, Pakistan, Sri Lanka and Afghanistan. SAFA came into existence at the initiative of the accounting professional bodies in the South Asian Region, which has a bond of culture and homogeneity of professional environment.

About ICAN

The Institute of Chartered Accountants of Nepal (ICAN) an autonomous body established under the Nepal Chartered Accountants Act 1997 for regulating the accounting profession in the country. The objectives include enhancing social recognition and faith in the Accounting Profession by raising public awareness towards economic and social responsibility of Accountants; contributing towards economic development and creating awareness among the professionals about their responsibility towards the importance of accountancy profession. The mission is to promote and regulate high quality financial reporting and auditing in Nepal, to develop and maintain the competence of professional accountants and enhance the reputation and role of accounting profession in all sectors of the economy.

The ICAN is a member of the International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA).

About the Conference

Living Standard of people depends on the country's productivity and GDP. In General higher GDP countries have higher living standard. South Asian countries, basically, have lower GDP and lower productivity. GDP indicates the development status of any country and economic development plays vital role in the overall development of a country besides it being complicated and affected by different factors.

The Institute is organizing an SAFA International conference for promoting economic environment in the nation. This conference will try to explore some possible indicators for obtaining better economic environment through which economic development is peered. Basically, this conference will address the implications of International trade and creation of business environment by analyzing causes and consequences of trade deficit. Nepal is facing higher trade deficit as it has limited export and higher import. Trade is a major factor for attaining foreign currencies. In current days the major source of income is remittance which may or may not help in the long run. Expanding trade with higher attainment is the way for development.

Most of the developing countries get assistance from developed countries for economic development. For how long the under developed and developing countries shall sustain from foreign assistance? The management of foreign assistance is difficult. Is that support is ample for developing nations? How far does it work? These are very big questions. Foreign assistance is the source of development for somehow, not for forever. Every developing country must be aware in this context.

Developed countries are investing to developing countries through foreign direct investment (FDI) and foreign portfolio management. With FDI, a country can be made financially developed but rules and regulations for FDI should be clear so that the country can able to benefit from it. Think about whether the country is getting sustainable benefit or not.

This conference will also highlight on Challenges and Opportunities of International Trade, Foreign Assistance: Growth Prospects of a nation and Foreign Direct Investment and Sustainability. This conference will also share the countries experiences of SAFA region.

SAFA International Conference

"Enabling Business Environment for Economic Development"

4 April, 2019

Program Schedule

8:30 AM - 9:00 AM	Registration and Tea/Coffee
9:00 AM - 9:30 AM	**Inaugural Session** ***Chief Guest***: *Hon'ble Finance Minister Dr. Yuba Raj Khatiwada* ***Guest of Honor***: *Hon'ble Auditor General Mr. Tanka Mani Sharma Dangal*
9:30 AM - 11:00 AM	**Session 1** International Trade: Challenges and Opportunities ***Session Moderator***: *Mr. Gyan Chandra Acharya, Former Under-Secretary General and High Representative, UN-OHRLLS* ***Speaker***: *Dr. Posh Raj Pandey, Chairman, SAWTEE* ***Commentator***: *Mr. Chandra K. Ghimire, Secretary, Ministry of Health and Population, Nepal Government*
11:00 AM - 12:30 PM	**Session 2** Foreign Assistance: Growth Prospects of Nation ***Session Moderator***: *Mr. Kewal Prasad Bhandari, Secretary, Office of the Prime Minister and Council of Ministers* ***Speaker***: *Mr. Rurik Marsden, Head of DFID, Nepal* ***Speaker***: *Mr. Franck Bessette, Program Manager and Lead Financial Management Specialist, World Bank, Nepal* ***Commentator***: *Mr. Shree Krishna Nepal, Joint Secretary, Ministry of Finance*
12:30 PM - 1:15 PM	**Lunch Break**
1:15 PM - 2:45 PM	**Session 3** Foreign Direct Investment and Sustainable Development ***Session Moderator***: *Dr. Shankar Sharma, Former Vice-chairman, National Planning Commission, Nepal* ***Speaker***: *Mohammed Humayun Kabir, FCA, ICA Bangladesh* ***Speaker***: *CA. Nanda Charanjot Singh, FCA, Council Member, ICA India* ***Commentator***: *CA. Maha Prasad Adhikari, CEO, Investment Board of Nepal*
2:45 PM - 3:00 PM	**Tea Break**
3:00 PM - 4:30 PM	**Session 4** Panel Discussion on "Role of Professional Accountants in Sustainable Economic Environment" (Country Experience) ***Panel Moderator***: *CMA (Dr.) PVS Jagan Mohan Rao, President of SAFA* ***Panelists***: *Representatives from SAFA Member Bodies*
4: 30 PM - 5:30 PM	**Closing and Vote of Thanks**


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Brief Profile of
Session Moderator

Mr. Gyan Chandra Acharya
Former Under-Secretary General and High Representative
UN-OHRLLS

Ambassador Gyan Chandra Acharya, a national of Nepal, was appointed to the position of UN Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) on 5 September 2012 until 31 March 2017.

Mr. Acharya had the responsibility of monitoring and following the implementation of the dedicated programs of action, IPOA for the Least Developed Countries (LDCs), VPOA for the Landlocked Developing Countries (LLDCs) and SAMOA Pathway for the Small Island Developing States (LLDCs). He was called on to analyse and advocate for the issues and concerns of these vulnerable countries and ensure their integration into and coherence with global processes, including those related to the Sustainable Development Goals and the Post- 2015 Development Agenda at the United Nations. He also coordinated the advocacy work related to the LDCs, LLDCs and SIDS in forums and platforms outside the United Nations.

Mr. Acharya was a member of the United Nations Senior Management Group and the High-Level Task Force for Global Food Security as well as a Commissioner of the high-level Broadband Commission for Sustainable Digital Development. He is also served on the Advisory Board of the Sustainable Energy for All (SE4All) initiative, co-chaired by the UN Secretary General and the President of the World Bank.

In November 2014 Mr. Acharya served as the Secretary General of the Third UN Conference on Landlocked Developing Countries held in Vienna, Austria.

Mr. Acharya has three decades of experience in the diplomatic service of Nepal, during which he was involved in the articulation and promotion of bilateral, regional and global issues. Prior to joining the UN, Mr. Acharya was Permanent Representative of Nepal to the United Nations in New York (2009-12), during which he chaired the LDC Global Coordination Bureau for over two years and was a member of the LLDC Global Bureau.

He was Foreign Secretary with the Government of Nepal (2007-2009), Ambassador and Permanent Representative to the United Nations and the World Trade Organization in Geneva (2003-2007), Spokesman of the Foreign Ministry (1999-2002) and Joint Secretary (Director-General) responsible for South Asia, Europe and the Americas and Regional Organizations, Economic Relations and Coordination Divisions (1998-2003).

A strong advocate of the issues affecting LDCs, LLDCs and SIDS, Mr. Acharya stressed that “LDC, LLDC and SIDS issues are livelihood issues of interest and concern to all, and as such they need urgent global attention and support to complement their national efforts”. He called for a pro-active role of all the stakeholders in galvanising international support in a spirit of global partnership and solidarity to make best use of the immense potentials that exist in these countries.

Brief Profile of Speaker

Dr. Posh Raj Pandey

Chairman, SAWTEE

Dr. Pandey has more than 25 years of experiences working on issues of trade, economy and development. Currently, he is the Chairman at South Asia Watch on Trade Economics and Environment (SAWTEE), a consortium of South Asian NGOs, working to build capacity of concerned stakeholders in the context of liberalisation and globalisation. He holds a PhD in economics and master's degrees in business management and in economics.

Dr. Pandey has served as a member of the UN Secretary General High-Level Panel on Technology Bank. He is listed in the Indicative Panelist of the Dispute Settlement Body of the WTO. He is a member in various committees of the Government of Nepal, including Board of Trade and Nepal Business Forum. Dr. Pandey has served as an economic expert in Prime Minister's Advisory Board and was a member of the National Planning Commission, an apex policy making body of the Government of Nepal. He was one of the negotiators for Nepal's accession to the WTO. Dr. Pandey has also worked for the UNDP in Nepal on the issues of multilateral trade integration and trade-related capacity building.

He was a faculty at the Central Department of Economics, Tribhuvan University and has extensively published on the issues of international trade, macroeconomics and development.

Brief Profile of **Commentator**

Mr. Chandra K. Ghimire

Secretary, Ministry for Health and Population, GoN

Mr. Chandra Kumar Ghimire is currently the Secretary at Ministry of Health and Population. For over 29 years, Secretary Ghimire has been serving the Government of Nepal in various roles and capacities. Being Secretary and Joint Secretary of Ministry of Commerce, he has acted for years and accomplished pertinent tasks, including bilateral, regional and multilateral negotiations. Prior, he was the Secretary at the Office of Prime Minister and Council of Ministers as well as National Planning Commission, Government of Nepal. He has made significant contributions to Nepal's trade and transit sectors as the Consul General of Nepal at the Consulate General of Nepal, Kolkata, India.

Mr. Ghimire has been decorated with numerous awards and accolades, including the prestigious Suprabal Jana Sewashri Medal, for his remarkable contribution to the public services.

Mr. Ghimire has represented Nepal in various international and national forums. Apart, he has published extensively in reputed journals and newspapers. He is engaged also in Nepali literature wherein two anthologies of poems and a number of essays as well as stories so far have been published to his credit.

Mr. Ghimire has an M.Phil. in Public Policy from University of Bergen, Norway. He is a Gold Medalist from Tribhuvan University in Master of Public Administration. He has attended a host of training programs and courses, including, Kennedy School of Government, Harvard University, US and University of York, UK, where he was a Chevening Fellow.

Brief Profile of
Session Moderator

Mr. Kewal Prasad Bhandari
Secretary, Office of Prime Minsiter and Council of Ministers, GoN

Mr. Kewal Prasad Bhandari is a Secretary, Nepal Administrative Service, Government of Nepal has obtained Master's Degree in Public Administration (1994), Master's Degree in Political Science (1992) and Bachelor's Degree in law (1990).

He worked as gazetted class 3rd officer from July 1992 to February 2002 in various responsibilities in Postal Service Department, Ministry of Information and Communication, gazetted class 2nd officer from February 2002 to April 2010 in various responsibilities in different department, Ministry of Finance, Secretary of National Women's Commission from June, 2010 to July, 2011, Joint Secretary in Ministry of General Administration from July, 2011 to April, 2012, Executive Director of Social Security Fund from April 2012 to January 2015 and as a Director General of Department of Labor from November 2012 to April 2013 and Executive Director of Vocational and Skills Development Training Centre from April 2013 to May 2014. (Multiple responsibility), Director General, Department of Money Laundering Investigation from 2015 January 2016 January, Joint Financial Comptroller, FCGO and PEFA National Coordinator from January 2016 to June 2017, Chief of Budget and Program Division, Ministry of Finance from June 2017 to January 2018, Chief of International Economic Cooperation Coordination Division, Ministry of Finance from January 2018 to May 2018, Secretary of Ministry of Economic Affairs and Planning, Province 3, from June 2018 to March 2019.

He is currently a Secretary in Office of Prime Minister and Council of Ministries, Singhadurbar from March 2019.

Brief Profile of Speaker

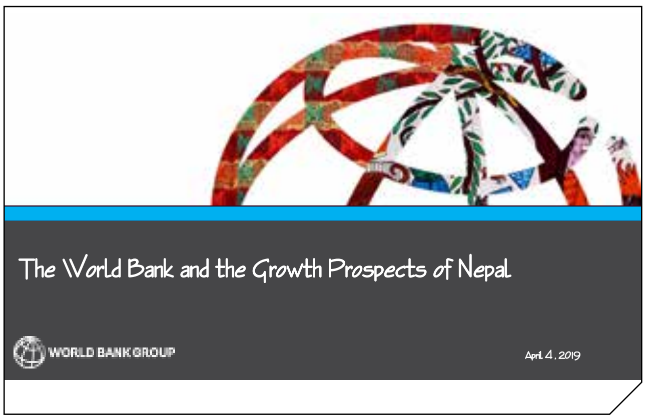
Dr. Rurik Marsden
Head of office, DFID Nepal

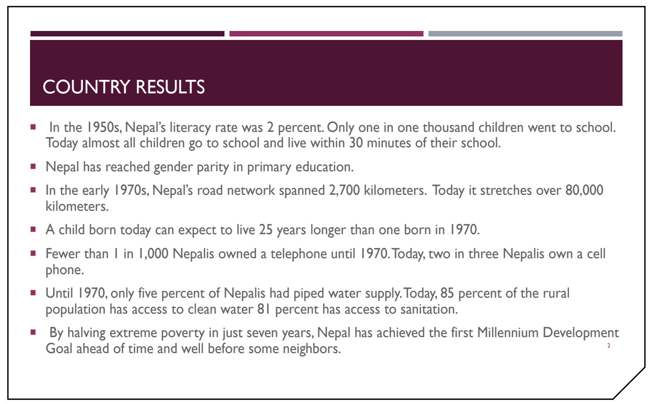
Rurik Marsden is Head of the UK Department for International Development's (DFID) office in Nepal. He studied at Cambridge and Sheffield universities before joining the UK civil service. He has worked for DFID in Myanmar (2004-2008) and South Sudan (2011 - 2014) as well as at the UK delegation to the European Bank for Reconstruction and Development (EBRD) and at DFID's headquarters. Before coming to Nepal, he worked in DFID's research and evidence division, as Deputy Director with responsibility for oversight of DFID research on conflict, governance, growth, education and humanitarian innovation. He is currently studying for an Executive Master in Public Policy at the LSE through a scheme organised by the UK Government Policy Profession. In 2009 he was awarded an OBE for his work in Myanmar. He is married with one daughter.

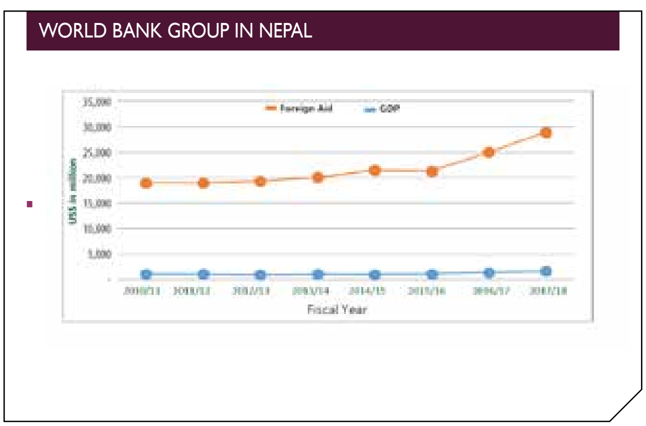
Brief Profile of Speaker

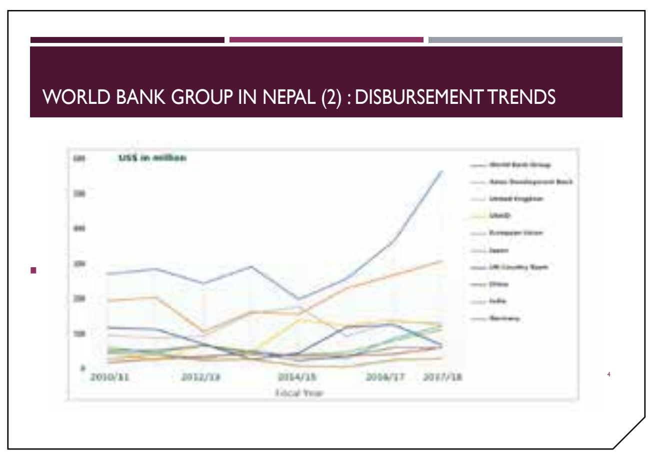
Mr. Franck Bessette
Program Manager and Lead Financial Management Specialist
World Bank Nepal

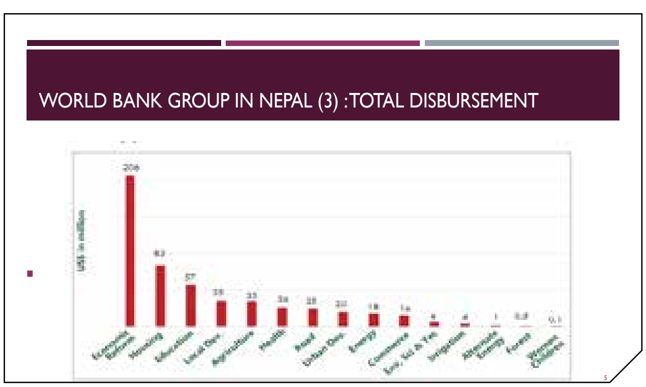
Franck Bessette is the Nepal PFM MDTF Manager since January 2016. Alumni from the French National School of Administration (ENA), he is chief auditor at the Supreme Audit Institution of France (Cour des comptes) and has been seconded in 2006 to the PEFA Secretariat in Washington, the IMF as a PFM Technical Assistance Advisor and then to the World Bank since 2013.

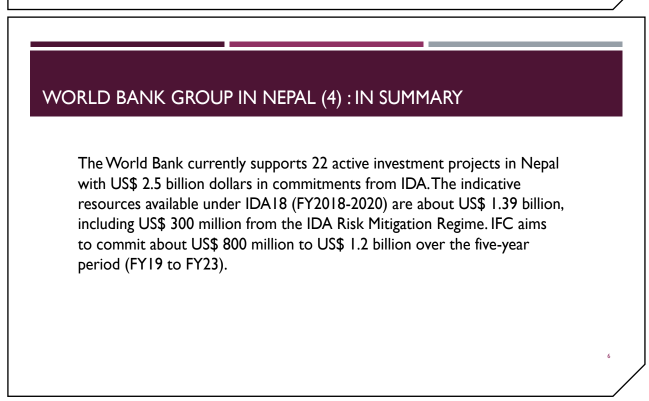












THE COUNTRY PARTNERSHIP STRATEGY (CPF)

- The CPF prioritizes the following areas:
- ***Strengthening public institutions.*** **T**he WBG will be explicit in its support to strengthening public institutions for effective economic management, service delivery, and public investment not only at national level, but at sub-national levels.
- ***Private sector led jobs and growth.*** The WBG will contribute to generating more and better jobs through private sector-driven growth, building on ongoing work to improve access to energy and connectivity, regulatory environment and financial sector stability.
- ***Inclusion and diversity.*** The WBG will work to achieve greater inclusion for the poor, vulnerable, and marginalized groups, with greater resilience against climate change, natural disasters, and other exogenous shocks.

7

MAXIMIZING FINANCE FOR DEVELOPMENT (MFD)

- Maximizing Finance for Development (MFD) is the World Bank Group's approach to systematically leverage all sources of finance, expertise, and solutions to support developing countries' sustainable growth. In embracing the Sustainable Development Goals (SDGs), countries' resource needs surpass their own budgets and available donor funding. Meeting the SDGs demands that we find solutions to crowd in all possible sources of finance, innovation, and expertise to meet this challenge. We do this by improving the enabling environment, developing regulatory conditions, building capacity, putting in place standards, financing a first mover or innovator, and reducing risks

8

MFD-PRIORITY REFORMS TO MAXIMIZE FINANCE AND CROWD IN THE PRIVATE SECTOR FOR ACCELERATED GROWTH

- Competitiveness and Integration with Global Markets
- Financial Inclusion and Capacity for Long-Term Finance
- Public Investment Management and Public-Private Partnerships (PPPs)

Competitiveness and Integration with Global Markets

Issues	Constraints	Reform priorities
Low productivity due to processes that limit FDI and links to external markets	Cumbersome business processes	Establish one-stop process to streamline business processes
Low competitiveness including poor connectivity and high transport costs	Weak implementation of law governing repatriation of funds for foreign investor; a lengthy approval process	Lower tariff rates on key intermediate products, custom processes, certification rules
	Large infrastructure gaps	Update the Foreign Investment Act
	Under-developed Global Value Chains (GVCs)	Enact PPP law and develop PPP pipeline to fill infrastructure gaps
	Anti-competitive behavior including high tariffs on inputs	Implement Land zoning and Act for industrial parks and links to GVCs
	Shortages in managerial and technical skills, access to finance, and access to land	Improves skills by simplifying VISA processes, investing in domestic skills

10

Financial Inclusion and Capacity for Long-Term Finance

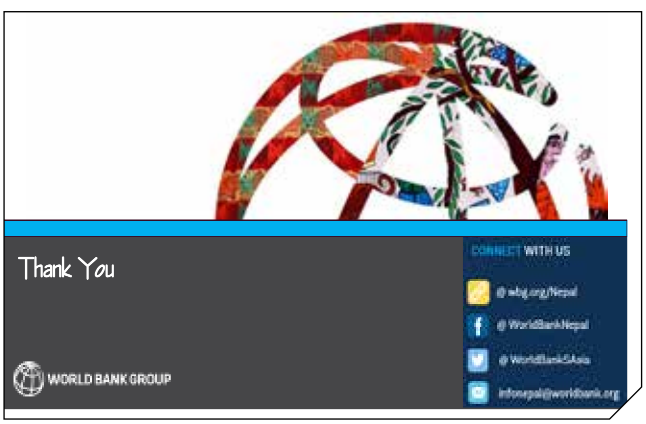
Issues	Constraints	Reform priorities
40 percent of SMEs cite access to finance as a key constraint only 9 percent use banks to finance investments	Lack of credit information on small/modest loans	Strengthen the legislative and regulatory framework for movable assets, develop big data and epayments, promote digital financial services
Limited long-term finance for investing to eliminate the infrastructure gaps	High reliance on conventional collateral-based lending	Create a functioning yield curve to support L-T finance
	Debt market dominated by short-term government debt, with no active yield curve to support long-term finance	Strengthen insurance supervisor including risk based supervision
	Bank dominated financial sector with limited ability for intermediation coupled with weak institutional investors that invest mostly in short-term instruments.	Adopt legal and regulatory reforms for alternative investment funds to promote PE/VC
	Restrictions on foreign exchange and borrowing; unclear FDI regulations	Amend FIA and related regulations to remove regulatory and institutional constraints to foreign lending/ borrowing

11

Public Investment Management and Public-Private Partnerships (PPPs)

Issues	Constraints	Reform priorities
Inordinate delays in approvals and completion of infrastructure projects	Weak strategic plans and coordination across key government agencies	Establish an infrastructure unit, for strategic investment planning, selection, prioritization and coordination among government agencies; and performance monitoring
An unclear licensing and PPP process Including limited regulations and institutions conducive to private financing of infrastructure	High turnover in key ministries for a PIM process to strategically and effectively identify, prepare, appraise and monitor projects	Strengthen project screening, appraisal, prioritization and manage related liabilities in key Ministries
	Weak procurement processes	Develop an integrated database of projects centrally to track and monitor project performance on a continuous basis
	Weak legal and institutional frameworks for PPPs and failure to adequately articulate the role and powers of local governments	Update the Procurement and PPP laws and issue related regulations and guidelines including the role of sub-nationals

12



Brief Profile of **Commentator**

Mr. Shree Krishna Nepal
Joint Secretary, Ministry of Finance, GoN

Serving Government of Nepal as a Senior Officer with 20 years of Experience. Expertise in Public Financial Management and Customs Reforms. Currently serving as a head of International Economic Cooperation Coordination Division (IECCD), Ministry of Finance. Holding responsibility for coordination and mobilization of international development cooperation.In previous capacity, successfully led the customs reforms with implementation of trade facilitation measures. Excellent capacity of team building, leadership, budgeting and cost controls.

Brief Profile of **Session Moderator**

Dr. Shankar Sharma
Former Vice-Chairman, National Planning Commission, Nepal

Shankar Sharma, former Ambassador of Nepal to the United States, has a Ph.D. in economics from the University of Hawaii. He was the Vice-Chairman of the National Planning Commission from 2002 to 2006. Dr. Sharma also worked as a consultant to the Constitution Committee on "Distribution of Natural Resources, Economic Rights and Public Revenue" in helping to draft the new Constitution of Nepal. He has also served in various other capacities for the Government of Nepal such as the member of NPC, Chief Advisor in Ministry of Finance and Alternate Governor of Nepal for the International Monetary Fund and Senior Economist in Institute of South East Asian Studies (1986–1993).

Dr. Sharma has an extensive experience in government, international institutions and economic research. Before joining the National Planning Commission as a Member in 1997, he worked as a Senior Economic Advisor, Ministry of Finance, Nepal; a Senior Economist in the Institute of Southeast Asian Studies, Singapore; and a Fellow in the East-West Center, Hawaii. He also served as a Professor of Economics in the Centre for Economic Development and Administration, Tribhuvan University.

Some of his contributions include Economic Reforms in Nepal and Prospects for Improving Nepal-US Trade and Investment Relationship (Nepal USA Chamber of Commerce and Industry, Nepal), A Generic Guideline for Development through Economic Diplomacy (Institute of Foreign Affairs, Nepal), Trade, Protectionism, and Industrial Adjustment in Vegetable Oils: Asian Response to North America (Institute of Southeast Asian Studies, Singapore), and Energy Market and Policies in ASEAN (Institute of Southeast Asian Studies, Singapore).

Brief Profile of Speaker

Mr. Mohammed Humayun Kabir
FCA, ICA Bangladesh

Mr. Mohammed Humayun Kabir obtained B. Com Hon's in first class and M.Com in Accounting from the University of Dhaka. He studied Chartered Accountancy & passed both group I & II of final exams of ICAB at a time, became ACA in 1984 and FCA in 1989. He also studied on International Capital Market at St. Catherine's College, Oxford, UK. Mr. Kabir has been recognized six times as a Commercially Important Person (Export) in 2007, 2011, 2012, 2013, 2014 & 2015 and awarded Jatiyo Paribesh Padak (National Environmental Award) in 2010 by the Government of Bangladesh.

Mr. Kabir worked for a professional (CA) Firm from Feb 1981 to Jan 1985 and a Development Financial Institution from Feb 1985 to June 1988 in senior positions. A Professional Accountant in Business, Mr. Kabir, since June 1988, has been working for the industry. Currently he is the CEO of Shinepukur Ceramics Ltd, a leading tableware Manufacturing & Exporting Company of Bangladesh.

He is also involved with National Board of Revenue (NBR), Bangladesh as a Facilitator of Alternate Dispute Resolution (ADR) since March 2012.

He is an independent Director of Islami Bank Bangladesh Ltd and an Adviser of Bangladesh Ceramics Manufacturers & Exporters Association.

He is involved with the Federation of Bangladesh Chamber of Commerce & Industries (FBCCI) as a Chairman/Co-chairman/Member of its different standing and non-standing Committees.

Mr. Kabir was a member of Management Committee of Bangladesh Employers' Federation (BEF), an elected Director of Shippers Council of Bangladesh, a Director of Bangladesh Jute Spinners Association and a Vice-Chairman of Bangladesh Jute Goods Association. He also sat in the Board of Directors of Shadharan Bima Corporation, Bangladesh Telecommunication Company Ltd and West Zone Power Distribution Company Ltd and Dhaka Stock Exchange Ltd.

Since 2001, he has been elected as a Council Member of the Institute of Chartered Accountant of Bangladesh (ICAB) for consecutive seven times. He was vice president in 2002 & President in 2008 of ICAB. Currently, he is the Chairman of Taxation & Corporate Law Committee - TCLC of ICAB and Technical Adviser of ICAB to South Asian Federation of Accountants – SAFA Board.

Mr. Kabir is well known for his expertise in fiscal & corporate laws, financial management, business strategies & governance and macroeconomic issues. His analysis & suggestions are being accepted by the policy framer, decision makers and entrepreneurs with high esteem and value. Mr. Kabir is a regular Participant in TV Talk Shows on National Economic issues especially on banking, capital market, fiscal matters and issues relating to trade and investment. Mr. Kabir has an academic interest. Mr. Kabir is rendering academic & training related services, as a resource person to ICAB, BPATC (Bangladesh Public Administration Training Centre) & other organizations for last 38 years. He delivered lectures, presented papers and chaired seminars in home and abroad on topics relating to economy, business & accountancy profession. He has been nominated by the Government in its different Committees for reviewing corporate/Taxation Laws, for evaluating proposals for Investment/EOI/Consultant hiring/ Procurement bids.

SAFA International Conference on

Enabling Business Environment for Economic Development
venue : Radisson Hotel, Kathmandu, Nepal

Foreign Direct Investment and Sustainable Development

Mohammed Humayun Kabir FCA
Council Member and Past President, ICAB

April 04, 2019

1

Preface

- The subject matter of this presentation is promoting green foreign direct investment (FDI). The paper also reviews relevance of "IR" framework particularly its "six capitals" for reporting on Sustainable Development Goals (SDGs) and areas of regional cooperation for achieving the SDGs.
- Cross-border environmental management by Transnational corporations (TNCs) or Multi National Enterprises (MNEs) plays a decisive role in promoting green investment. However, this role is perceived in different, and sometimes opposite, ways. Pessimists keep testing the "pollution haven" hypothesis; optimists tend to put a premium on TNCs as a vehicle for promoting environmentally sound technologies and management systems. The truth lies somewhere in between.
- For the developing countries, the issue of environmental protection is also about time, or rather the lack thereof. The pressure of delivering high growth rates and securing FDI means that policy decisions often have to be taken in response to immediate output and employment objectives. The lack of resources and expertise in monitoring and enforcement, and sometimes the inability to work collaboratively with TNCs, adds to the problem.

2

Promoting sustainable development through investment

- Promoting sustainable development through investment" is expected to:
- Explore - ways to ensure that a larger number of developing countries and countries with economies in transition benefit from investment, in particular FDI;
- Promote the use of environmental management systems in developing countries as well as the transfer of environmentally sound technologies to these countries;
- Encourage companies to take responsibility for promoting sustainable development by applying best practices and promoting environmentally responsible corporate behavior and information policies, especially those related to public disclosure procedures;
- Improve environmental performance along the supply chain and in waste management; and
- Explore the potential role of voluntary guidelines for making investment more broadly supportive of sustainable development.

3

Greening of consumption and production

- The "greening" of consumption and production is changing the way of life and the way of doing business not just in the industrialized countries, but increasingly in developing countries as well. Consumers are becoming more environmentally conscious. TNCs find considerable competitive advantages in being "green" and are increasingly concerned about their environmental image. Environmental policies and regulations of the command and control type give way to economically adjusted measures, such as "green" procurement.
- There is an enormous potential for improving environmental performance along the supply chain, making full use of the purchasing power of consumers, businesses and the public sector – the latter often being the biggest, and sometimes the only, customer of TNCs. "Supply chain management" makes suppliers part of what can be called the "environmental footprint" of firms. In this case, it is not the ownership that matters, but the creation of "green" business and consumer networks across national borders.

4

Greening the supply chain

- "Greening" the supply chain is a matter of shared responsibility and cooperation. There are encouraging signs of TNCs offering their suppliers in developing countries training courses and supporting them in the implementation of environmental management systems. Expanding this practice could greatly improve the environmental impact of FDI. Cooperation between TNCs and their suppliers in the developing countries is also necessary, if only to ensure that introducing environment related conditions for suppliers does not erect new barriers to trade or detract from the objectives of setting up environmental management systems.
- The efficiency of markets depends on transparency, which is also crucial for environmental performance. Environmental reporting by TNCs – internal and external, voluntary and mandatory – can go a long way towards improving management practices and, in turn, environmental performance. In fact, reporting back to stakeholders creates a strong incentive to improve environmental performance. It also makes it easier for civil society to maintain a spotlight on environmental performance, for instance through awards and publicity, as opposed to more conventional regulatory approaches.

5

Better Business, Better World

- "Best practices" bring life to binding legal and administrative regimes. The examples provided in a study show that while there is a general trend towards managing corporate environmental responsibilities, including reporting, on an international scale, there is no single "best practice" describing how to do that. What constitutes "best practice" in one company or country is not necessarily the best, or even good, for another company with a different organizational make-up, or in a country with a different environmental profile and priorities.
- The SDGs require an urgent response from business on issues of environmental sustainability and development impact and to incorporate them into company strategy and to communicate on performance and practice in a way that pushes for a financial system oriented towards longer term sustainable investment –Better Business, Better World

6

Businesses are being called to contribute SDGs

- Businesses are being called upon to contribute to the Sustainable Development Goals (SDGs) which were adopted in 2015 as the sustainable development agenda for the world to 2030. They are also being warned that the long-term success and survival of some industries and businesses depends on the achievement of one or more of the SDGs, particularly climate action. Whilst overall responsibility lies with national governments, the SDGs cannot be achieved without a concerted effort by business and other organizations."The SDGs… tackle the root causes of poverty and unite us together to make a positive change for both people and planet." - United Nations Development Programme. "The 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs)."-UNCTAD
- "We must have the courage to strike out in new directions and embrace an economic model which is not only low-carbon and environmentally sustainable, but also turns poverty, inequality and lack of financial access into new market opportunities for smart, progressive, profit-oriented companies." - Business and Sustainable Development Commission (2017)

7

Foreign Direct Investment and Sustainable Development

- **FDI and Sustainable Development** : FDI can accelerate the diffusion of modern, eco-efficient management know-how, technologies and their spillovers, and thereby contribute to sustainable development to the nations.
- **FDI is of special importance for developing countries**. Although most of the worldwide FDI flows take place between OECD countries, they accounted for the largest share of capital flows to developing countries in the 1990s. Given that FDI flows, in particular to developing countries, are projected to increase further in the coming decades while official capital flows (especially aid) are set to fall, it is safe to assume that the nature of the FDI flowing to developing countries will play a significant role in shaping their economies.
- TNCs (Transnational Corporations) are the important investors in developing countries. They have an enormous potential to influence the economic and ecological performance in those countries, not only directly by using modern and environmentally friendly technologies, but also indirectly by providing examples for others to follow.

8

Globalization and foreign direct investment

- FDI takes place in an institutional context that influences its structure and effects, which includes:
- International economic agreements and the discussions about a multilateral agreement on investment(MIA) for worldwide standardization of the treatment of investments and further liberalization (of FDI) .
- International environmental agreements, especially the Montreal Protocol (1987), the Basel Convention (1989), the results of the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro (1992) and the Kyoto Protocol (1997).
- Initiatives on environmental reporting and transparency about the activities of companies by providing honest and complete information.
- SDGs - Also known as the 2030 Agenda, adopted by 193 countries of the UN. Its17 goals and 169 targets are based on one principle – leaving no one behind. It rests on three pillars - economic, social and environmental - so that development is sustainable, inclusive and holistic. It focuses 5P's - people, prosperity, planet, partnership and peace.

9

Influence of environmental policy in the home countries of TNCs and the host countries of FDI

- A strict environmental policy in the home countries of TNCs can influence the environmental standards such companies use in the host countries. Furthermore, it can give the host countries of FDI valuable information about the conduct of environmental policy: These countries often have fairly modern regulations, but in some cases lack the capacity to enforce them. An exchange of experiences between industrialized and developing countries might also help improve the environmental performance of FDI.
- TNCs' behavior has the most direct influence on the structure and effects of FDI. In managing the environmental problems connected with their activities many corporations have introduced environmental management systems.

10

Uniformity in environmental management systems

- Whether the introduction of environmental management systems by TMCs leads *to a better environmental* performance in the host countries of FDI is not certain; it depends crucially on whether the TNC uses different standards in different countries, or whether it uses an integrated cross-border environmental management policy with company-wide standards, regardless of the location of the plant. This decision of the TNC depends on numerous factors which may vary from case to case. However, a new empirical study shows that, according to the affiliates of TNCs, the policy of the parent company at headquarters and the local regulatory environment are very important factors in influencing the environmental performance of TNCs and their affiliates (HANSEN,1999a;b).
- Similar considerations apply to technology transfer, where many firms face a choice between modern (and more environmentally friendly) or older, and more pollution-intensive, technologies in the host countries.

11

Environmental impacts of FDI

- Environmental impacts of FDI has in the past focused mainly on the impact of host-country environmental standards on TNCs' investment decisions. Does the fact that countries compete internationally for FDI by trying to offer favorable conditions for companies lead to a competitive lowering of environmental standards (resulting in a "race to the bottom" or "pollution havens")?
- Environmental costs are typically a small element in these decisions. If anything, the imposition of higher environmental standards seems more likely to generate a technological response, rather than leading to capital flights.
- Technology is spread to the host countries through FDI in diverse ways, depending on several factors that differ from company to company and from country to country.

12

Environmental & Technological effects on FDI

Several Case-study reveal that :

1. Globalization is a driver for standardization.
2. TNCs organize their corporate environmental responsibilities internationally.
3. Management commitment to environmental issues is essential; corporate values and training can greatly enhance this commitment.
4. Environmental supply-chain management is starting to take hold.
5. TNCs' concern for their reputation requires them to adhere to strict global standards.
6. Global environmental transparency requires integration of TNCs' foreign subsidiaries into environmental reporting.
7. Cost reduction is an important incentive for energy conservation.
8. Public perceptions can play an important role in improving technology transfer.
9. NGOs can initiate technology transfer.
10. TNCs can be subject to more stringent enforcement of regulations than local companies.

13

SDGs: where do we stand?

- The leaders of 193 countries adopted the Sustainable Development Goals on September 25, 2015 following a long spell of extensive discussions and debates. Considering their breadth and depth, the SDGs have been termed as transformational, comprehensive, bold and ambitious. As opposed to the earlier Millennium Development Goals that were implemented during 2000 - 2015, the SDGs call for eradication of poverty, abolition of hunger, elimination of all types of discrimination and establishment of equality everywhere.
- 17 SDGs goals emphasizes a holistic approach for achieving sustainable development for all. The goals are -1: No Poverty, 2: Zero Hunger, 3: Good Health and Well-being, 4: Quality Education, 5: Gender Equality, 6: Clean Water and Sanitation, 7: Affordable and Clean Energy, 8: Decent Work and Economic Growth, 9: Industry, Innovation and Infrastructure, 10: Reduced Inequality, 11: Sustainable Cities and Communities, 12: Responsible Consumption and Production, 13: Climate Action, 14: Life Below Water, 15: Life on Land, 16: Peace and Justice Strong Institutions, 17: Partnerships to achieve the Goal.

14

SDGs: where do we stand?

- Three years on, what has been the progress on the SDG front? In July 2018, 47 countries presented their voluntary national reviews to the High Level Political Forum. Such reporting indicates the enthusiasm among countries and attempts taken at the national level towards SDG implementation. This is somewhat of an indication of the momentum created at the country level, even though progress is not the same across countries. For example, poverty reduction measures are not adequate yet. And at the current rate of poverty reduction efforts, particularly in Sub-Sahara and South Asia, the world will not be able to end poverty in all its forms everywhere. Similar outcomes may be experienced in case of other goals as well. Achievement of the other SDGs is intrinsically attached to the achievement in SDG 17. At the national level, the government has to call upon the participation of all stakeholders including the private sector, non-government organizations, civil society, grassroots level organizations, various rights groups, and the media in the process of achieving the SDGs. Such a concept is new to many countries that do not believe in people's participation in the development process.

15

SDGs: where do we stand?

- The requirement for SDG implementation is enormous; it jumped from the initial billions of dollars per year to trillions. Annual investment requirement is USD 5-7 trillion for achieving the SDGs that include basic infrastructure, food security, climate change mitigation and adaptation, health, and education. According to United Nations Conference on Trade and Development, annual investment is currently only USD 1.4 trillion in developing countries. The other support is through increased cross-border trade. Foreign direct investment is another way to help the LDCs and developing countries in fulfilling their targets of SDGs. In addition to creating opportunities for employment and income, FDI can also help transfer of technology. However, various regulatory limitations in both provider and receiving countries stand in the way. In 2017 FDI to LDCs declined by 11 percent compared to 2016.

16

SDGs: where do we stand?

- During 2000-2015, the world was able to significantly reduce poverty—much of which is of course due to the reduction of poverty in China itself. Some progress was also made in case of social indicators including gender parity in education and health. However, at present the weakest link of development is the inability of countries to reduce inequality. SDG 10 on eradication of inequality is the most difficult task at a time when the world is observing higher inequality than ever before. The distribution of wealth is concentrated among only a few fortunate people. Much of such resource accumulation through unfair means is being supported by the state itself. These clear cases of weak institutions and lack of governance are linked to SDG 16 that spells out the agenda for good governance, peace, justice, etc. Indeed achievement of all the other SDGs stands on fulfillment of the targets of SDG 16. Therefore, if the business-as-usual approach continues, the hype about the SDGs will be gradually lost. Being non-binding in nature, the SDGs are in the hands of the goodwill of countries.

17

SDGs implementation in Bangladesh

- Bangladesh is now an lower middle income economy. It consistently maintained on an average above 7.0 per cent of growth over last three years. In the wake of global recession, Bangladesh economy proved to be resilient; the major economic indicators remained healthy during the period. In 2015, Bangladesh crossed the threshold of lower middle-income country status by fulfilling the income criteria set by the World Bank. Bangladesh has integrated global goals and targets into the national five year plan with an effective drive in SDG implementation by involving all the Ministries of the Government, private sector, civil society organizations, non-governmental organizations (NGOs), development partners and other stakeholders. This is called the "whole of society approach". out of 169 targets of SDGs, 41 espouse the issue of international cooperation.

18

SDGs implementation in Bangladesh

- Bangladesh to have a reasonable estimate of costing and mode of financing before jumping into the implementation of all-encompassing development agenda like SDGs. With the aim to assess the cost of implementation of SDGs, estimate goal-wise annual additional resource requirements and explore the financing strategy to bridge the resource gap, Bangladesh has done an estimate of overall additional costs as well. The "SDG Financing Strategy: Bangladesh Perspective" provides a well-defined work plan that highlights all the actions necessary to attain significant progress in the SDGs in Bangladesh. Bangladesh's SDGs financing strategy provides an estimate of the annual resource gap and an opportunity to revise the government interventions and public financing strategies accordingly. The additional amount required over the current provision of investment related to SDGs by public sectors and external sources was estimated to be USD 928.48 billion at 2015-16 constant prices. This amount, which is 19.75 per cent of the accumulated gross domestic product (GDP) of the country, would be required for SDGs implementation over the period of FY 2017-FY 2030.

19

SDGs implementation in Bangladesh

Table: Financing Strategy for Implementation of SDGs (US $ in billion)

	FY'17-FY'20	FY'21-FY'25	FY'26-FY'30	FY'17-FY'30
Total additional amount from domestic sources (85.11percent of total)	107.72	257.49	430.87	796.09
Total additional amount from external sources (14.89 percent of total)	22.07	43.15	67.17	132.39
Total additional amount from both domestic and external source (100 percent)	129.79	300.65	498.04	928.48
Annual average additional amount from domestic source	26.93	51.50	86.17	56.86
Annual average additional amount from external source	5.52	8.63	13.43	9.46
FDI	2.73	6.45	10.70	6.91
Grants and aid	2.79	2.17	2.74	2.55

Source : SDGs Financing Strategy, GED, Planning Commission 2017

20

SDGs – Sources of Financing

- Private Sector Financing : *Private sector is required to be taken on board to help developing countries plug the gaps in funding the sustainable development goals. "Partnership with the private sector is critical for financing SDGs" (Sheikh Hasina, PM Bangladesh's speech at UN Head quarter in 2017).* Private sector has share of around 42 per cent for SDGs implementation during 2017-30 period. For SDG5, SDG (7,8,9), SDG10 and SDG11, private sector has the major role.
- Public Sector Financing : For, SDGs 1-4, 14, 16 and 17, public sector has a major responsibility. On the other hand, On average, public sector would account for around 34 per cent of the financing requirement for implementation SDGs in Bangladesh.
- Public-Private Partnership(PPP) : There are few SDGs, i.e. SDG (7,8,9), SDG11 and SDG12 where Public Private Partnership is an option. The average share of PPP is 6.0 per cent.
- External Financing (foreign direct investment or FDI, Foreign Aid and Grants) : The external source has an average share of around 15 per cent, where the share of FDI is 10 per cent and foreign aid is five per cent. external sources can play important role in SDG3, SDG6, SDG (7,8,9), SDG13, SDG14, SDG15, SDG16 and SDG17.
- NGOs : the NGOs would contribute around four per cent for the same period.

21

SDGs – Challenges of Financing

- It is pertinent to shed light on the challenges related to the proper implementation of SDGs in Bangladesh. One of the main challenges in achieving SDGs is how to achieve improved implementation of projects and programmes. Delays in project implementation have deleterious impact on cost as well as on the intended benefits. It has been proposed to improve tax-effort by 9.0 percentage points over the next 13 years. New initiatives based on reforms, automation, capacity development and audit need to be undertaken to improve revenue mobilization in Bangladesh. Access to climate funds critically depends on the country's capacity to negotiate with development partners. In this context, Bangladesh has identified the areas of negotiations. The 7FYP states that the international experience with the implementation of infrastructure through PPPs suggests that this policy has worked best when the legal framework is well-thought-out and management of the initiative has competent professional staff. The legal framework needs to lay down clear rules of engagement, the incentive framework and dispute resolution mechanism that compares favorably with international good practice. Focus should be placed on these two important areas.

22

SDGs – Challenges of PPP

- Implementation of public-private partnership (PPP) remains a big challenge. The potential areas for PPP are power generation, infrastructure and urbanization. Despite positive developments, PPP is yet to emerge as a major financing avenue in Bangladesh. Three factors that can be largely ascribed to slow progress in PPP include: (i) absence of a well-thought-out legal framework; (ii) lack of internationally competent professional and skilled project management staff; and (iii) lack of PPP-related capacity in ministries. The Bangladesh government has decided that 30 per cent of development spending should come from PPP funding.

23

SDGs - Role of development partners

- Although the role of development partners in the development process has been shrinking over time, they are still considered a major player as far as socio economic development is concerned. Foreign aid is expected to contribute to five per cent of total SDG financing. It has been proposed that the development partners can:
- Continue and upgrade support to Policy and Implementation;
- Strengthen their roles in localization of SDGs while realigning their country strategies with enhanced fund provisions;
- Scale up investment in health and education sector (Supply side intervention);
- Reinforce the action for building resilience against climate change and disaster;
- Enhance support to capacity building and sustainability;
- Promote actions that have lasting impact on the societal progress-particularly human development;

24

SDGs - ROLE OF NGOs

- NGOs can play a significant role in implementing SDGs at the grass root levels by operating in the remote areas and helping people combat the adverse effects of climate change. It has been estimated that around five percent (on average) of the total additional resource requirement may be contributed by the NGOs by shifting focus on activities. In addition to micro-finance services, NGOs can be concentrated in the following sectors related to human development:

  (1) Health, Nutrition and Population; (2) Education; (3) Water, Sanitation and Hygiene; (4) Skills Development; (5) Disaster, Environment and Climate Change; (6) Rural Development; (7) Urban Development; (8) Agriculture and Food Security; (9) Migration; (10) Gender Justice and Women Empowerment; and (11) Poverty eradication

25

Transparent and accountable institutions

- Transparent and accountable institutions are must for timely implementation of SDGs. Participation of the private sector could bring more accountability to development activities. Private sectors works for a return on investment so they are more efficient and vigilant about resources than government. Technology will bring transparency as well as help reducing inequality (SDG10). Technological companies create more opportunities for people and provide access to information through digital services to face the new realities of the market. Private sector participation in policy framing & consistent policies will able to attract more investment for job creation. Perennial crisis of power & gas in the industrial units are one of the challenges for achieving the SDGs. Diversification of export, products & markets is another key challenge. Our economy success is dependent on increased export and remittance. Skills development for migrant workers for increased inward remittance & to reduce the dependence of the export sector on the foreign experts will have multiplier effect on achieving SDGs.

26

More resource for creating skills

- We need to allocate more resource for creating skills that are needed for our industries & migrant workers. To reduce the Dhaka's centric urbanization and to keep it a livable one, a plan to built mega towns based on the growth centers across the countries is also necessary. Land use should be in a planned way and land zoning can play an important role in this regard. Encouraging the private sectors for producing biodegradable items & recycling of synthetic products will save the environment and augment the implementation of the SDGs.
- The participation of the private sector & common understanding between private sector & the government is must for reducing inequalities & regional disparity and for implementation of the SDGs. The whole of Bangladesh is not progressing at a same pace. The balanced development hinges on the efforts to setting up industries by the private sectors across the country and creation of more jobs for the people living in the least developed areas.

27

Prior & effective consultation with Private Sector

- To ensure good regulatory design and to ensure effective enforcement, government usually takes inputs from the private sector. But rules and regulations of the government are sometimes prepared without prior knowledge of the private sector and sometimes businesses are overburdened by enforcement of such rules and regulations. To reduce the regulatory unpredictability & compliance cost, private sectors expect prior & effective consultation while framing the laws & rules.
- Considering sustainability issues, enterprises are a bit concerned to integrate social, environmental and ethical aspects with their production process. International brands are now targeting 100 per cent compliance, and a Climate Neutral Supply Chain by 2030. In order to promote its businesses with the brands, private sector needs to educate itself, establish and maintain partnership, adapt cleaner production strategies, ensure efficient use of resources, etc. Private sector is the main source of innovations. It has to do business taking care of the environment and human rights and also making efficient use of resources.

28

Improving Data Management

- SDGs demand concerted and collective efforts with strong political commitment at all levels. Bangladesh has incorporated priorities of SDGs in all her development policies. The Government has adopted an inclusive approach to development so that the poorest and the most vulnerable section of the country can be integrated into its national development efforts. As the country moves ahead, challenges in several areas, including in resource mobilization and data management, will have to be addressed. Traditional sources of funding are not going to be sufficient to implement the SDGs. We need to find innovative ways of financing from both the public and the private sectors, development partners and ensure effective and efficient ways for utilization. Bangladesh has data for 70 indicators and partially available for 108 indicators but need to devise mechanism for data mining for the remaining 63 indicators. [*Source : Bangladesh planning commission*]

29

SDGs through the IR

- Companies that use the Integrated Reporting (IR) Framework have reported improvements in their processes of identifying risk and opportunity and the breadth of issues considered to impact on long-term value creation through the multiple capitals approach. This paper harnesses these benefits to demonstrate how IR can be used to embed the SDGs in organizations' thinking and reporting. This framework is aligned with the multi-capital International IR Framework issued by the International Integrated Reporting Council (IIRC, 2013).

The framework for contributing to the SDGs through the IR value creation process involves a five step process:
1. Understand sustainable development issues relevant to the organization's external environment;
2. Identify material sustainable development issues that influence value creation;
3. Develop strategy to contribute to the SDGs through the business model;
4. Develop integrated thinking, connectivity and governance;
5. Prepare the integrated report.

30

IR Framework for communicating about value creation

- The IR Framework is a mainstream reporting development for communicating about value creation and the value creation process over time. It considers:
- benefits to stakeholders
- both preservation and diminution of value
- the role of social and environmental externalities in increasing or decreasing the value created by organizations
- the availability and stewardship of multiple capitals
- trade-offs in relation to use of the capitals
- the implications of evolving societal expectations and resource shortages as planetary limits are approached, and
- the need to articulate how the continued availability, quality and affordability of significant capitals contribute to the organization's ability to achieve its strategic objectives in the future and create value.

This is consistent with a focus on sustainable development.

31

Six Capitals : SDG relation

Financial
Financial capital may be related to fourteen of the goals

Intellectual
Intellectual capital may be related to nine of the goals

Social and relationship
Social and relationship capital may be related to all seventeen of the goals

Manufactured
Manufactured capital may be related to ten of the goals

Human
Human capital may be related to twelve of the goals

Natural
Natural capital may be related to nine of the goals

The Capitals Background Paper, published by the IIRC (Adams et al, 2013), discusses how the capitals are interrelated and how outcomes for the capitals might be realized. Transformation of the capitals will often relate to one or more SDG. For example, increased reliance on renewable energy sources and improving diversity in the work force enhance natural and human capital and may contribute to the achievement of SDGs 5, 7, 10 and 13

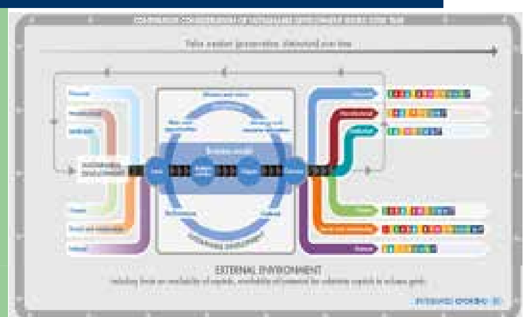
32

Inputs and outcomes of Six capital

Capitals	Definition	Inputs	Outcomes
Financial	Economic resources to fund the business	• Equity funding • Debt funding • Retained earnings	• Revenue generation • Project funding • Shareholder returns
Manufactured	Infrastructure that generates income	• Port, terminals and interlinking infrastructure • Road-transportation fleet • Shipping fleet	• Seamless logistics chains, including the capacity to grow exports and provide logistics solutions across the African continent
Intellectual	The knowledge and intellectual property people use to gain a competitive advantage and grow the business	• Globally respected brand • Sound knowledge base • Specialised skills • Proven systems and structures	• Innovative, bespoke offerings to clients • Governed business management
Human	The knowledge, skills, talents, experience, judgement and wisdom of people that determines the capacity of an organisation to accomplish goals	• Skilled employees • Skills and development training	• Employee safety and well-being • Personal and professional growth • Indirect support of employee dependents
Social and relationship	The value an organisation builds through engagement and information-sharing with stakeholders to achieve mutual well-being	• Host communities • Engagement structures • Strategic relationships	• Mutually beneficial stakeholder involvement • Engaged workforce • Improved community sustainability
Natural	The world's stocks natural ecosystems and assets including geology, soil, air, water and all forms of life	• Natural resources	• Mitigation of adverse environmental impacts

33

Continuous consideration of sustainable development issues over time and the value creation



34

Conceptualization of the corporate value creation process

ESG - Environmental, Social and Governance

35

Five steps for contributing to the SDGs through the IR value creation process

36

Aligning the SDGs with corporate strategy for value creation

- The following companies have reviewed the SDGs against their strategy in order to prioritise their efforts at contributing to them:
- AkzoNobel : AkzoNobel's 2016 Annual Report37 provides a visual with coloured dots categorizing the relevance of the SDGs to 'Supply Chain and Operations', 'Products' and Human Cities' as main, intermediate or minor.
- British Telecommunications Plc : BT have taken a novel approach38 in considering where the ICT industry as whole can contribute to achievement of the SDGs and have also explored "…the potential impacts on our business, if the Global Goals are not achieved by 2030 in the markets where we operate".
- TSKB : TSKB is a Turkish Bank. Its Integrated Report 201642 demonstrates that sustainable development is central to its strategy and critical to the value creation process by making it central to the materiality analysis for their integrated report.

37

Aligning the SDGs with the six capitals

- The following companies have linked their contribution to the SDGs with outcomes for the six capitals of IR:
- ArcelorMittal : Arcelor Mittal's United Stated Integrated Report 2016 demonstrates how the six capitals are integrated into strategy, identifies ten sustainable development outcomes connected to their strategy and considers its integrated report as a key governance initiative of its Sustainable Development Committee.
- City Developments Limited (CDL): City Developments Limited (CDL)'s 'Integrated Sustainability Report'2016 links the SDGs to the six capitals showing how their sustainability objectives & outcomes for the six capitals contribute to specified SDGs.
- Itau Unibanco Holdings SA: Itau's Integrated Report 2016 reports extensively on the multiple capitals and identifies material themes, the 'capitals most exposed to each theme', the stakeholders most affected and the SDGs to which they contribute for each theme.

38

Factors influencing FDI flows

- Global FDI flows are projected to increase marginally, by about 5 per cent in 2018, to $1.5 trillion. The fragile growth of FDI flows expected for 2018 reflects an upswing in the global economy, strong aggregate demand, an acceleration in world trade and strong MNE profits (total profits, which may not reflect the profitability of overseas operations). The improving macroeconomic outlook has a direct positive effect on the capacity of MNEs to invest; business survey data indicates optimism about short-term FDI prospects. However, the expectation of an increase in global FDI is tempered by a series of risk factors. Geopolitical risks, growing trade tensions and concerns about a shift toward protectionist policies could have a negative impact on FDI in 2018. In addition, tax reforms in the United States are likely to significantly affect investment decisions by United States MNEs in 2018, with consequences for global investment patterns. Moreover, longer-term forecasts for macroeconomic variables contain important downsides, including the prospect of interest rate rises in developed economies with potentially serious implications for emerging market currencies and economic stability (IMF, 2018).

39

Factors influencing FDI flows

- FDI inflows to *Africa are forecast to increase by about 20 per cent in 2018, to $50 billion.* FDI inflows to *developing Asia are expected to remain stagnant, at about $470* billion. A positive short-term global macroeconomic outlook underpins an expected recovery of FDI in 2018, although growth will be fragile. GDP is expected to grow in all developed economies and in leading emerging economies. Commodity exporters will also experience a modest upswing following stronger export prices. Gross fixed capital investment is expected to pick up significantly in emerging and developing economies, but also in developed economies. And more buoyant economic activity will help lift world trade, which is already estimated to have expanded by 3.8 per cent in 2017, compared with just 2.3 per cent in 2016.
- Jurisdictions which would apply IR framework as a integral part of corporate reporting might have to compete with those jurisdictions where IR is optional. Therefore IR framework needs to be globally accepted and practiced with same degree of enforcement as IFRSs are being done.

40

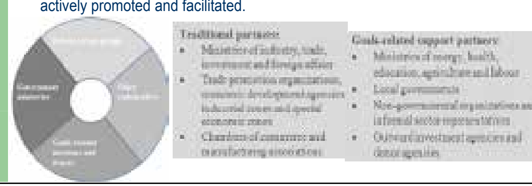
SDGs: Annual investment needs and potential for private sector contributions

- The 2030 Agenda for Sustainable Development aims to address social, economic and environmental challenges and requires considerable investments to do so. UNCTAD estimates that current Goals-related investments in developing countries by the public and private sector combined are in the order of $1.4 trillion, and total annual investment needs to accomplish the Goals by 2030 are around $3.9 trillion. This leaves an annual gap of $2.5 trillion. These estimates were calculated for 10 of the 17 Goals. Actual investment needs for the Goals are therefore expected to be even higher. The public sector may be unable to fill this gap, in particular in low-income countries, and private sector investment, including foreign direct investment, should be mobilized for Goals-related projects in areas such as power generation and electricity supply, infrastructure and water and sanitation, as well as food security, climate change mitigation and adaptation, health and education. UNCTAD, 2014, *World Investment Report 2014: Investing in the [Sustainable Development Goals] – An Action Plan (United Nations publication, Sales No. E.14.II.D.1, New York and Geneva).*

41

SDGs : Investment chain and key actors

- There are many institutions and actors involved in mobilizing capital for investment in the Goals, including owners of capital, financial intermediaries and advisers. Sources of investment in the Goals may be banks, pension funds, insurance companies, multinational enterprises and sovereign wealth funds.3 Multinational enterprises have an estimated $5 trillion in cash holdings and have already invested $9 trillion in developing economies. Investment in Goals-related projects by international firms is not automatic, and should be actively promoted and facilitated.



42

FDI is one of important sources of SDGs Financing

- Foreign direct investment is the largest source of external finance for developing countries. It is also a significant source of finance in the least developed countries, along with official development assistance and remittances. Potential benefits of foreign direct investment include the creation of higher skilled jobs, the introduction of technology and innovation and improved excess to international markets.
- To steer foreign direct investment towards the achievement of the Goals, Governments should create a favorable and enabling investment environment and, where possible and relevant, provide appropriate levels of access to Goals-related sectors for private investors, including foreign investors. In some sectors that are not yet open to foreign investment, a gradual opening could be achieved through, for example, services contracts and public–private partnerships.

43

Policy interventions for private investment

- Public finance has been the main source of investment in Goals-related sectors guaranteeing the accessibility and affordability of basic public services. In securing the additional investment required to achieve the Goals, policymakers should seek the right balance between creating a climate conducive to investment and protecting public interests, and should seek mechanisms for providing sufficiently attractive returns to private investors while ensuring the universal accessibility of services. At the same time, the push for greater private investment should complement a parallel drive for additional public investment. However, the private sector requires attractive risk–return rates, which are not inherent in many Goals-related projects. This necessitates targeted policy interventions, Goals-related project promotion and greater transparency in the investment environment and with regard to potential project risks. Based on private sector involvement in Goals-related sectors in developed countries, infrastructure projects in power and renewable energy, transport and water and sanitation have a higher potential for private sector participation than projects in health care and education.

44

Promoting Green FDI

- Along with government policies to allow and incentivize investment in Goals-related sectors, the targeted promotion and facilitation of such projects requires a strategic approach and specialized public or semi-public institutions with a mandate and capacity to attract and support foreign direct investment in the projects. Many countries have investment promotion agencies established to attract foreign investment, target investors and support such projects through facilitation, aftercare services and policy advocacy. Many such agencies, in particular in developing countries, face difficulties in performing related functions due to resource constraints. In addition, to date, such agencies have mostly been engaged in the promotion of more traditional investment projects, prioritized based on the scale of investment or the potential impact, for example, the number of jobs created. Social and environmental development factors have not usually been included in the setting of priorities, and Goals-related projects have therefore not often been pursued.

45

Regional Cooperation for promoting low carbon & green investment

- Sharing experiences in structural transformation and job-creating growth
- Sharing experiences in social protection.
- Regional trade liberalization and facilitation for addressing short-term demand-supply mismatches
- Sharing of high-end health care facilities, liberalization of trade in health services
- Regional cooperation in higher education and training to harness the youth bulge in South Asia, Expansion of scholarships to enhance intra-regional mobility of students, Liberalization of trade in higher education services
- Sharing good practices in enhancing women's share in property ownership, in political and corporate leadership and for fostering women entrepreneurship
- Regional cooperation for energy security, development of hydro power resources, electricity trade, trade in refined petroleum products, Regional grids and pipelines for transportation of electricity, gas & crude and in renewable energy (solar and wind) given huge economies of scale.

46

Regional Cooperation for promoting low carbon & green investment

- Job-creating structural transformation critical for South Asia –build productive capacities through a regionally coordinated industrial development strategy to foster regional value chains
- South Asia is unable to leverage the geographical contiguity due to poorly developed transport connectivity and facilitation. Cost of trade in South Asia is higher than that applicable to trade with other continents such as North America and Europe affecting the competitiveness. Potential of regional value chains is not harnessed
- Sharing of experiences in progressive taxation and social protection policies to address the widening inequalities.
- Cross-border environmental externalities are well recognized such as air pollution in one country spilling over to the neighboring country. Climate change affecting agriculture across countries. Climate induced disasters also have cross-border incidence. Regional cooperation to develop low carbon, energy efficient pathways for development through pooling of resources. Sharing of good practices in waste recycling, oceans and circular economy

47

Regional Cooperation for promoting low carbon & green investment

- Cross-border dimensions of illicit financial flows, crime, drugs smuggling, terrorism. Regional cooperation for addressing the challenge. Sharing good practices in electoral processes, rule of law and administration of justice, strengthening of democratic institutions, e-governance reforms and people-participation in governance.
- Finance – Development partnership and intraregional FDI. Cross-listing of securities through creation of South Asia Depositary Receipts. Reform of SAARC Development Fund to catalyze the large regional infrastructure projects. Strengthening the Asian Clearing Union to enhance local currency trade.
- Technology – Access to technology a major concern for implementing SDGs in the context of high concentration of technology generation activity. The pattern of concentration has changed only slightly over the past three decades. Access to environmentally sensitive technologies will be critical for implementing SDGs in South Asia.
- Data, monitoring and accountability - Regional cooperation important for evolving common standards and perspectives for methodologies and reporting

48

SDGs - Moving forward

- The Economic and Social Commission for Asia and the Pacific (UNESCAP) estimated in 2016 that initiating a social investment package will cost by 2030, 10 per cent of GDP in India, 50 per cent of GDP in Nepal and 20 per cent of GDP in Bangladesh. South Asian countries require greater resources to meet the infrastructure gap. Larger domestic and external resources can be stimulated through the following strategies: (i) Domestic Resource Mobilization: Improving the tax base and reinforcing tax administration and compliance can boost domestic resources. (ii) Harnessing private investments and public-private partnerships for sustainable development: PPPs have shown considerable success in addressing specific urban infrastructure needs. Countries have also stimulated private sector which in turn contributed to corporate social responsibility to help human resource development. (iii) Promoting low carbon & green FDI to transfer technologies & implement better environment management programme. (iv) Regional and international cooperation for sustainable financing: SAARC Development Fund, South Asian Development Bank, etc can all contribute to raising capital.

49

Brief Profile of Speaker

CA. Nanda Charanjot Singh, FCA
Council Member, ICA India

CA. Charanjot Singh Nanda is a Central Council Member for 2019-22 at the Institute of Chartered Accountants of India. He is performing his responsibility as a Chairman of Internal Audit Standards Board, Vice Chairman of Banking, Financial Services and Insurance Committee of ICAI. He is nominated on the IRDA's Steering Committee for Implementation of Risk Based Capital (RBC) Regime. He was the Member of Quality Review Board set up by the Government of India, Chairman of Committee on Internal Audit, Chairman of Committee for Members in Industry, Chairman of Women Members Empowerment Committee of ICAI, Vice Chairman of Committee on Public Finance & Government Accounting, Member of SAFA (Southern Asian Federation of Accountants) Committee on Improvement in Transparency, Accountability & Governance, Chairman of Professional Education Committee and the Research Committee, Chairman of Professional Development Committee, Chairman of Committee for Co-operatives & NPO Sectors, Vice Chairman of Research Committee, Chairman of Committee on Banking, Insurance and Pensions, Chairman of Committee on Financial Markets & Investors' Protection, Member of SEBI Advisory Committee on Primary Market (2007-2010),Member of SEBI Advisory Committee on Mutual Funds (2007-2010), Convener of the Expert Group Constituted by the Ministry of Corporate Affairs, Government of India on Investor Protection, Member of the Southern Asian Federation of Accountants Committee on Professional Accountants in Business (PAIB), Chairman of the Continuing Professional Education Committee, Public Relations Committee and Committee on Internal Audit of the Institute of Chartered Accountants of India, member of Northern India Regional Council of ICAI for two terms, (1998-2001) and (2001-2004), Chairman of Northern India Regional Council of The Institute of Chartered Accountants of India, (2002-2003), Treasurer, Northern India Regional Council of The Institute of Chartered Accountants of India, (1998-1999), (1999-2000) and (2001-2002). He served the Standing and Non Standing Committee. He has presented working papers in different workshops and seminars in various topics.

He is interested in the fields of Capital Market, Banking, Human Relation Management, Corporate Laws, Taxation, Audit and Management Consultancy

Foreign Direct Investment & Sustainable Development

A presentation by
CA. Charanjot Singh Nanda,
Central Council Member
The Institute of Chartered Accountants of India

Foreign Direct Investment and Sustainable Development

The Presentation would broadly cover the following areas:-

- History of FDI in SAARC Countries
- Current Trends of FDI in SAARC Countries
- Attracting Quality FDI in SAARC Countries
- FDI- India's perspective
- Conclusion

Importance of FDI

FDI plays an important role in the economic development of a country. **FDIs bridges the gap between the available resources or funds and the required resources or funds in a developing economies**

FDIs also:-

- Augments domestic capital
- Enhances productivity through technology and management spillover
- Improves infrastructure
- Creates a competitive business environment
- Impacts transfer of new technology and innovative ideas
- Creates more employment opportunity
- Acts as a catalyst for domestic industrial development
- Helps in speeding up economic activities

Thus, FDI has made it an indispensable tool for initiating economic growth for countries.

Status of FDI in SAARC Countries

Following the export-oriented growth argument, and the success of East Asian countries with higher exports and economic growth during the period from the early seventies to mid nineties, most of the South Asian countries started opening up their economies from the early eighties. These countries undertook reform processes and opened up their economies after having experienced sluggish growth rates throughout the seventies and eighties.

Over the last two decades, market reforms, trade liberalization as well as more intense competition for FDI have led to reduced restrictions on foreign investment and expanded the scope for FDI in most sectors. However, the South Asian countries have been largely unsuccessful in attracting FDI. These countries, jointly and also individually, receive low FDI compared to PRC, Brazil, Singapore and other East/Southeast Asian countries.

South Asia received the smallest FDI flows among developing Asian countries, accounting for around 3 percent of the total FDI inflows to developing countries in the region. However now there is a positive change in the FDI inflows. ***India today has one of the most attractive FDI policies in the South Asian region.***

Attracting Quality FDI in SAARC Countries

Though the South Asian countries have lagged behind in attracting FDI compared to their counterparts in East and Southeast Asia, in recent years, the South Asian countries have been making consistent efforts to attract more FDI by liberalizing their FDI policy frameworks to compete with other countries in the region. They have managed to consistently step up their FDI inflows mostly from the developed countries by leveraging on the following advantages exclusive to South Asian countries:

- **high and steady economic growth,**
- **single-digit inflation,**
- **vast domestic markets,**
- **a growing number of skilled personnel,**
- **an increasing entrepreneurial class,**
- **constantly improving financial systems, and**
- **expanding capital markets.**

Attracting Quality FDI in SAARC Countries

- Overall, there has been a positive change in policies with regard to FDI in all the South Asian Countries. These countries have realised that FDI is not only good debt, but also has a major role in enhancing economic development. Stepping up the economic reform process and making their economies politically stable and free from internal conflict and over protective labour laws would go a long way toward making South Asia an attractive destination for FDI.

- Ongoing initiatives such as the further simplification of rules and regulations and improvements in infrastructure are expected to provide the necessary impetus to increase FDI inflows in the future.

- FDI is certainly the key to economic prosperity in the region, and trends clearly reflect the increasing potential of South Asia to play an important role in the greater Asian dream of an Asian Economic Union.

Collaboration of SAARC Countries for boost in economic development- A proposal

SAARC is the home of 21% (1.7 billion) world's population with 9.12 % of global wealth. Combined SAARC is the third largest economy of the world. But a significant number of world's poor people are living in this region. With its diverse landscape and variety of natural resources SAARC has every potential for economic development and poverty alleviation within shortest possible time. To achieve this objective SAARC leaders has to be committed for further economic integration under this common platform. Integrated efforts to increase FDI may be an effective tool to combat problem of poverty and unemployment in the SAARC Countries.

Proposed ways to boost FDI in SAARC Countries- Integrated Efforts

- Intra SAARC Investment may be promoted
- SAARC Agreement on Promotion and Protection of Investment may be entered into force
- Central institution may be established to promote FDI into the SAARC countries as per respective competitiveness, raw materials, skilled manpower etc. availability. This agreement may consider to establish a body for united effort to attract foreign direct investment (FDI) into the SAARC states based on respective competitive advantages of different member countries.
- Extra SAARC investment promotion package could be offered to attract new investment & FDI to promote employment generation and poverty alleviation of each of the member state.

Challenges and Constraints for integrating efforts of SAARC Countries for enhancing FDI

- Political Instability
- Restriction on investing abroad
- Complex visa regime
- Connectivity and Transportation
- Increasing number of non-tariff measures
- Emergence of New Regional / Bilateral Free Trade Agreement
- Lack of proper infrastructure
- Limited export processing zones
- High corporate tax rates

FDI- India's Experience

- Economic reforms started in the early eighties, but a comprehensive liberalisation and privatization process started in July 1991 in the backdrop of the balance of payment crisis and foreign exchange liquidity crisis faced by the economy. Since then, there have been attempts to integrate the Indian economy with the rest of the world in a variety of ways, i.e., the removal of quantitative restrictions, reducing tariffs and exchange rate flexibility.
- India launched its second-generation reforms in 2002, with a focus on reducing the fiscal deficit, improving infrastructure, reforming labor laws and energizing the states to participate actively in stepping up the pace of reforms. India raised its FDI limits in many important sectors including telecommunication, banking and insurance and civil aviation.

FDI- India's Experience

- Over the decade, India not only permitted foreign investment in almost all sectors of the economy (barring retail trading, real estate, atomic energy, lottery and gambling), but also allowed foreign portfolio investment - thus practically divorcing foreign investment from the erstwhile technology acquisition effort. Further, laws were changed to provide foreign firms the same standing as the domestic ones.
- The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

FDI- India's Experience

- According to Department for Promotion of Industry and Internal Trade (DPIIT), the total FDI investments in India April-December 2018 stood at US$ 33.49 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.
- India emerged as the top recipient of greenfield FDI Inflows from the Commonwealth, as per a trade review released by The Commonwealth in 2018.
- In India, FDI is considered as a developmental tool, which helps in achieving self-reliance in various sectors and in overall development of the economy.

FDI- India's Experience

- Further, consistent policies on opening up the economy to FDI has resulted that ***for the first time in two decades, India has been getting more foreign investment than its neighbour China.***
- In 2018, India saw more than $38 billion of inbound deals compared with China's $32 billion.
- India's foreign direct investment (FDI) was the highest ever with 235 deals amounting to $37.76 billion this calendar year, according to data from Dealogic, a global M&A and capital markets data provider, beating China, which has historically been the favourite for emerging market bets.

FDI- India's Experience

- As of February 2019, the Government of India is working on a road map to achieve its goal of US$ 100 billion worth of FDI inflows.
- In February 2019, the Government of India released the Draft National e-Commerce Policy which encourages FDI in the marketplace model of e-commerce. Further, it states that the FDI policy for e-commerce sector has been developed to ensure a level playing field for all participants.
- Government of India is planning to consider 100 per cent FDI in Insurance intermediaries in India to give a boost to the sector and attracting more funds.
- India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

Conclusion

- India's strengths as an investment destination rest on strong fundamentals including the following:-
- a large and growing market;
- world-class scientific, technical and managerial manpower,
- cost-effective and highly quality and skilled labor,
- an abundance of natural resources,
- a large English-speaking population,
- sound economic policy and
- an independent judiciary.

Conclusion

- Thus, Foreign Direct Investment (FDI) is often seen as important catalysts for economic growth in the developing countries like India. FDI affects the economic growth by stimulating domestic investment, increasing human capital formation and by facilitating the technology transfer in the host countries.
- A booming foreign direct investment in post-reform India is widely believed to promote economic growth.

Conclusion

- Rapid growth is the key weapon in any country's resource for fighting poverty.
- On the one hand, it creates well-paid jobs that empower households by giving them necessary purchasing power to access food, clothing, housing, education and health. On the other, it places ever-rising revenues in the hands of the Government to finance social spending.

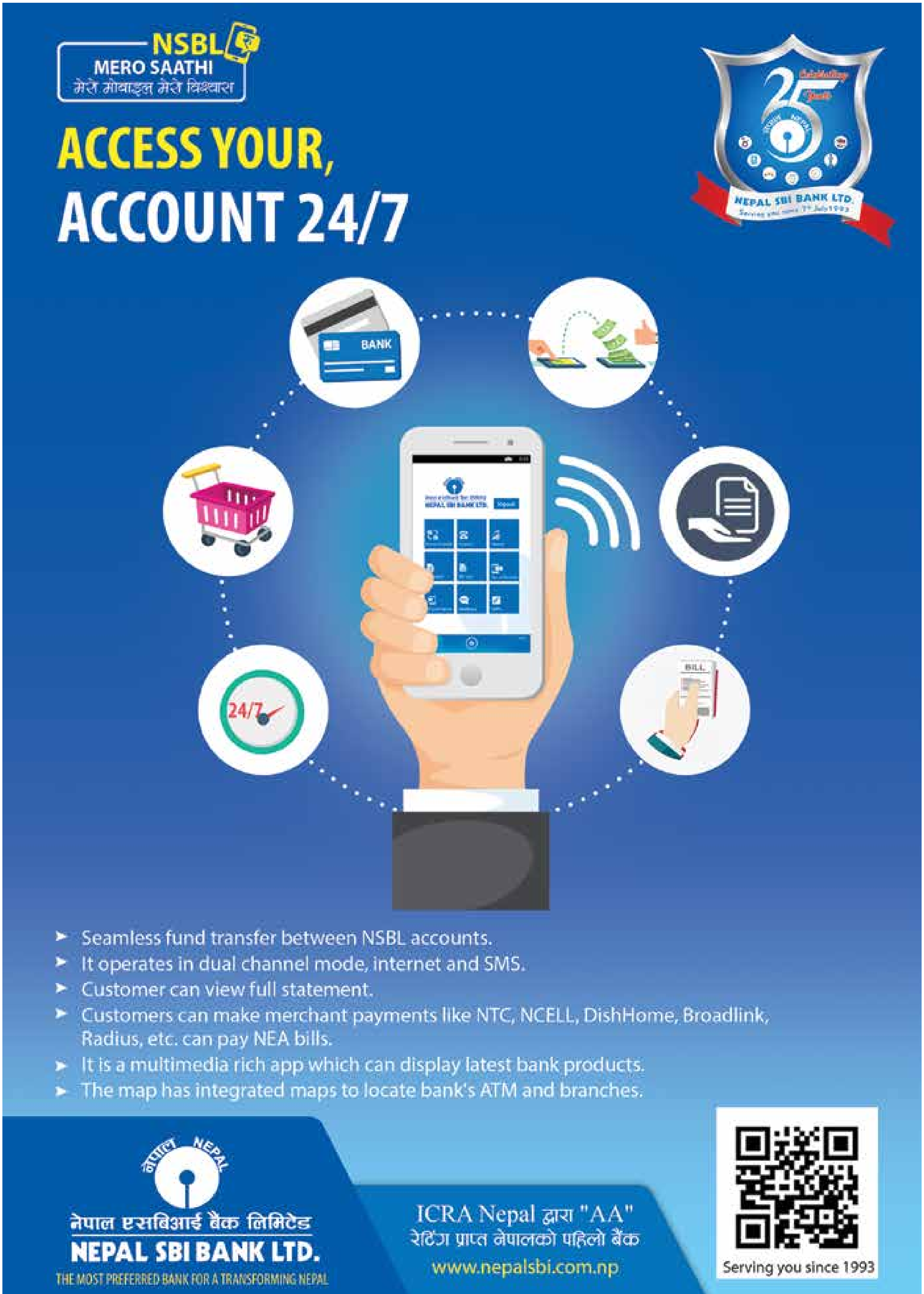
India has continued to open up through FDIs to achieve the sustained rapid growth. The result has been that, today, India is the fastest growing large economy in the world. It grew 7.9 per cent during fiscal year 2015-16 ; 7.1 per cent during 2016-17 ; 6.7% during 2017-18. India's GDP is expected to grow at 7.3 per cent in the fiscal year 2018-19, and 7.5 per cent in the following two years as per the forecast of the World Bank. Growth has brought increased volume of revenues, which have permitted the Government to sustain a high-level of social spending that directly targets poverty.

Thank you ! ! !

Brief Profile of **Commentator**

CA. Maha Prasad Adhikari
CEO, Investment Board of Nepal

Mr. Maha Prasad Adhikari has held the position of Chief Executive Officer of the Office of the Investment Board, Nepal since June 2016. Prior to this, he was the Deputy Governor of Nepal Rastra Bank, the Central bank of Nepal. Mr. Adhikari, a career central banker for over three decades, has a profound experience in core central bank activities, including banking regulations, supervision and international finance. He has published several articles on banking regulations and on the implementation of capital framework in Nepali Banking industry. He has also served as the Director in the Boards of large public sector enterprises, such as Butwal Power Company, Hydroelectricity Investment and development Company Limited, Udayapur Cement Nepal, and Nepal Clearing House Limited. He was a Council Member of 4th Council of The Institute of Chartered Accountants of Nepal (ICAN). Mr. Adhikari graduated from Tribhuvan University in 1989 with a Bachelor's of Commerce. He is also a chartered accountant qualified in 1993 from The Institute of Chartered accountants of India.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Role of Accounting Profession in Enabling Business Environment for Economic Development

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Abstract

The preamble of Nepal Chartered Accountants Act, 1997 clearly states importance of accounting profession towards economic and social development of country and thereby, need of establishment of the Institute of Chartered Accountants of Nepal (ICAN) to regulate the accounting profession. Accounting profession may include diverse services that professional accountants provide to their clients. The fundamental question here is that whatever the form of services professional accountants provide to their clients that should be in greater interest of the society and towards economic development of country resulting in the improvement in the lives of the people. This write up will discuss on, in subsequent sections, what economic development means to the citizen, what are enabling factors for economic development and how the accounting profession can contribute towards creating enabling business environment for economic development and which will result in prosperity and happiness in society at the level of individual citizen.

1. Economic Development

Economic development can be defined as efforts that seek to improve the economic well-being and quality of life of citizens through employment and improved incomes. Key characteristics of economic development are broad-based growth at all three main sectors of economy; public, private and cooperative sector. Such a broad-based growth is possible only through effective mobilization and utilization of domestic resources and international development assistance and foreign direct investments. Effective mobilization and utilization largely depends on strategic intent of leadership backed by honest behavior with highest level of integrity together with enhanced transparency and improved accountability.

The term "economic development" typically refers to the improvement of various indicators such as: poverty rate, literacy rate and life expectancy etc. The development of any country depends on the economic growth the country achieves over a period of time. Economic growth deals with the investment, production and the extent of Gross Domestic Product (GDP) of a country.

Without economic development, no country can fulfill its real responsibilities; political, economic, social and many others, towards its citizens. Economic development can only help government to distribute fruits of democracy to the hands of its citizens.

2. Enabling Environment for Economic Development

The enabling environment for economic development includes laws, regulations, policies, international trade agreements, public infrastructure and norms and customs that facilitate for growth of economic activities in the country. There are different tools available to analyze enabling environment for economic development.

Tools available for analyzing Enabling Environment

- *Doing Business Report being published by the World Bank annually focuses on regulations affecting 11 areas of the life of a business covering the issues of starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.*
- *The USAID's Competitiveness Impacts of Business Environment Reforms (CIBER) tool aims to engage value chain actors in a participatory assessment process to identify high-priority reforms and develop a plan of action.*
- *The Climate, Legal, and Institutional Reform (CLIR) tools offer a data-rich assessment of a country's business environment to help governments and donors gain a comprehensive understanding of the barriers to economic growth.*
- *The International Finance Corporation's Business Enabling Environment Toolkits provide step-by-step guides to both diagnosing and facilitating business environment reforms.*
- *The Investing Across Borders (IAB) indicators measure FDI regulation in 4 specific policy areas. They aim to complement existing measures of the quality of business environments.*

Whatever the tool, basic focus is on transparent policies and laws outlining the expressive procedures required for business processes. This ranges from feasibility study of business, getting business licenses, acquiring utility services, incorporation of business to ensuring that returns reach to the hand of investors without any hindrances. International ranking and benchmarking reports are often a good starting point for obtaining a snapshot or overview of a country's business climate.

3. The Accounting Profession and its Role

Professional Accounting Organizations (PAOs) play vital role in producing competent accountants and constantly monitoring their works to ensure that services provided by the professional members are of appropriate quality and in public interest complying with the applicable ethical requirements through systematic regulations. When PAOs function effectively, they enhance the quality of financial management and reporting in the country, which in turn, attracts foreign direct investment, promotes growth and development of the all large and small-and medium sized entities, enhances transparency and accountability in the use of resources, improves the design and delivery of vital public services, enhances the efficiency and effectiveness of development assistance. Accounting profession plays an essential role in economic development. High-quality corporate reporting is a key to improving transparency, facilitating and attracting the mobilization of domestic and international investment, creating a sound investment environment and fostering investor confidence, thus promoting financial stability.

PAOs should build a solid foundation to address the issues relating to performance of the members. This shall be based on appropriate legal foundations, governance structure, and operational capacity. It must be relevant and responding to the needs of broader society across the private and public sectors. The standards being promulgated by the PAOs for financial reporting standards and auditing standards contribute for economic development in different ways. Some of them may include as below.

- Financial Reporting Standards make the financial reports understandable to users and give assurance of reliability
- Use of globally accepted reporting standards help domestic economy to have better

connectivity with global economies attracting the international investors

- Globally compatible financial reporting standards enhance comparability, credibility, and consistency of financial reports
- Professionals can play important role in adopting converged standards to achieve economic development coupled with international best practices
- Measurement of efficiency in accounting terms to have comparability
- Transparent reporting to have best utilization of resources
- Issue of prioritization of resources
- Availability of resources for replacement of assets
- True and fair view of financial health of the reporting entity
- Better financial management
- Recommendation to the government to have Accrual Accounting in Government Sector coupled with outcome budgeting

The IFAC study concludes that where the governance architecture is stronger, the role played by professional accountants in tackling corruption is amplified; professional accountants are playing a major, positive role in tackling corruption, along with other key actors in the global economy and professional ethics, education, and oversight are keys to the positive role played in tackling corruption.

4. Role of Professional Accountants

Professional accountant is an individual who is a member of an IFAC member body. Professional accountant describes a person who has expertise in the field of accountancy, achieved through formal education and practical experience, and who demonstrates and maintains competence, complies with a code of ethics, is held to a high professional standard and, is subject to enforcement by a professional accountancy organization or other regulatory mechanism. Professional accountants play important role as value creator contributing towards transparency, accountability and integrity.

Clients and stakeholders of professional accountants can get benefit from work of professional accountant that are based on minimum level of requirement, and consistency over time set out in the standards which are developed following a rigorous, participatory and broad consultation processes by the PAOs. In addition, all work is done within a particular ethical framework; code of ethics.

It is a well known fact that economic development and growth will not be achieved if finances are not well managed. Professional Accountants render financial services to business owners and the community at large. Since businesses are the main actor of every economy and accounting is the language of businesses, accountants have a major role to play in ensuring that the language of business is understood by all in uniform manner.

The professional accountants provide services to the economic entities. These entities contribute to the national economy through generating employment opportunities, supplying essential goods and services for the people, paying taxes to the national exchequer and more.

Accounting professionals plays an essential role in economic development. High-quality reporting may it be public sector, corporate or not-for-profit; is the key to improve transparency, creating a sound investment environment and fostering investors' confidence, thus promoting financial stability.

A strong and internationally comparable reporting system facilitates international flows of financial resources and helps in reducing corruption and mismanagement of resources. It strengthens international competitiveness and taking advantage of international market opportunities.

IFAC's study reveals that professional accountants in business serve at various capacities which includes, not limited to, external/ internal auditors, consultants, advisors, chief executive officer, independent directors, other directors, educators etc. At various capacities, they contribute for disciplined financial management contributing towards economic and social development of the country benefiting to the citizen at large.

Accountants have many roles to play in development of every economy. The growth and development of every economy depends on how resources are judiciously managed and multiplied. Accounting is all about better management of resources with a perspective of economy, efficiency and effectiveness. Therefore, services provided by the professional accountants have always been considered and remained as the back bone for economic development and growth of any country.

Some of the roles of accountants in economic development are listed below:

4.1 As Preparer of Financial Statements (Chief Finance Officers/ Accountants) - The basic purpose of financial statements is to provide financial information to the users of financial statements. The economic decision of users of financial statement depends on information available in financial statements. Therefore, such financial information should be prepared in accordance with acceptable financial reporting framework which considers financial information need of the users. These financial statements are prepared by the accountants having professional qualifications. Financial Statements prepared by the professional accountants get more credibility to the users. As head of finance department at respective entity, professional accountants, further, contribute to develop financial strategies to achieve organizational objective including the maximum returns to the investors.

4.2 As Internal Auditors - professional accountants provide independent assurance and consulting services to management that the organizations' risk management, governance and internal control process are being operated effectively. This service adds value in improvement of operation of the organization in hand.

4.3 As External Auditors - professional accountants provide independent assurance services to the stakeholders enabling their confidence on financial information reported by the entity. Auditor's opinion on financial statements enhances confidence of users in making their economic decisions.

4.4 Fighting against Corruption - Corruption is a highly complex phenomenon. Among different measures to fight against corruption, role of professional accountants involved as a preparer and presenter of financial statements or as an internal auditor or as an external auditor is crucial in fighting against corruption. They can play significant role in combating corruption as they can use their professional knowledge, skill and experience in finding fraudulent financial reporting and misappropriation of assets.

4.5 Support to Anti-money Laundering - Money-laundering is a global issue in any national economic development. As per IMF estimate 2 to 5 percent of Global GDP is laundered every year. Anti-money laundering law of Nepal has categorized professional accountants as informer. When professional accountants come to know about suspicious and threshold transaction while performing services, they are required to inform competent authority responsible for anti-money laundering. By providing this information professional accountants contribute to the national economic development.

4.6 Investigation of Financial Crimes - Due to expert knowledge and skill of professional accountants, they can help in the work of investigation and probe panel to be formed by the government time to time. Especially in misappropriation of public funds or corruption cases, services of professional accountants can contribute effectively.

4.7 Support to improve Public Financial Management - Any governments around the globe, in general, operate under austerity and thereby are forced to do more with fewer resources. Professional accountants as financial expert can contribute the nation by suggesting various economic and financial measures to uplift the national economy in such situation. Whether it is related to budget forecasting, developing tax policies, preparation of books of accounts, capital budgeting, public-private financing or any other activity, the role of professional accountants becomes crucial. They shall suggest how governments can do more with fewer resources. Alternatively, professional accountants shall suggest the government how the government can raise more finances and spend them wisely.

Professional accountants are considered as expert in taxation, so they can contribute in tax reform agenda of the government. They can suggest tax authorities the measures to improve tax system whereby government can raise required finances following the acceptable canon of taxation. Professional accountants can also support tax authorities in tax compliance and in examining, following risk-based approach, the tax returns submitted by the tax payers. Professional accountants' knowledge and skills can be utilized to address issues of tax evasion and tax planning. This will ultimately help government in mobilize resources in effective manner. Professional accountants may also be employed as tax officers; where they can perform duties of tax assessment in competent manner provides departments with practicable recommendation to improve systemic issues. They may have been employed as accountants or as internal and external auditors; where, they can support treasury operations and control, provide internal audit services and external audits in effective manner respectively. In Nepal, the government of Nepal has adopted Nepal Public Sector Accounting standards (NPSAS-Cash Based) in September 2009. This NPSAS is based on International Public Sector Accounting standards (IPSAS-Cash based). To implement NPSAS-cash based in all three tiers of government, there is greater role of professional accountants. Further, to migrate from cash based NPSAS to accrual based NPSAS, there is immense need of professional accountants' services in public sector.

4.8 Support to implement SDGs - SDG 16 emphasizes on strong, responsive, accountable and effective public institutions for peace, justice and prosperous nations. The professional accountants, whether in business or in public sector, can play effective role in strengthening the institutions; public or private, contributing to the enhanced transparency, accountability and highest level of integrity in financial management.

4.9 As Consultants/ Advisors (taxation, corporate affairs) - Professional accountants provide expert opinion on financial/ investment proposals, taxation issues etc. Professional accountants have comprehensive knowledge of various important aspects of corporate affairs, risk management and investment requirements which is important in formulation of corporate laws. So, knowledge of professional accountants can be utilized in making laws relating to commerce, taxation or any other industrial fields. Professional accountants can contribute significantly in attracting the foreign direct investment. They also provide services relating to foreign exchange risk management; forward contracts, SWAP, options, hedging, future contracts etc.

4.10 Investment Appraisal Function - Without investments, the economy will not develop and grow. Investment appraisal is the process of evaluating an investment opportunity in the face of both financial and other non-financial factors in order to determine the worthiness of the investment opportunity. Professional accountants are among the few professionals that can effectively perform this function with minimal resources being expended.

4.11 Other Services - Professional accountants may serve business as board of directors or other directors as independent members of the board and audit committees representing the interest of the owners of the company. They may also serve as chief executive officer where they manage overall operations of the entity with sound perspective of financial management. Professional accountants serving in corporate and public sector may assist in developing corporate strategy, provide advice and help businesses to reduce costs, improve their top line and mitigate risks. These roles of professional accountants, in one or another way, ensures barrier to fraudulent misrepresentation, strengthen the risk management and promote corporate governance.

5. Way Forward

There is clear realization that accounting profession can contribute economic development of any country in various ways. To materialize this realization in practice accounting profession shall also be equipped with required knowledge, skill and more importantly with ethical and professional behavior. To gain confidence of the society and stakeholders on accounting profession, regulators of the profession shall enforce stringent regulation. This may include highest quality code of ethics outlining strict provisions on ethical requirements to be observed by the professional accountants along with statement of members' obligation through various standards and other guidance documents. This may include issues such as ensuring independence required in providing services, professionalism, integrity and conflict of interest. The regulator needs to have robust system of monitoring the members' performances and to have a well defined and cable mechanism for sanction therein if anyone found guilty of professional misconduct. This will require that there should be good quality management policies and procedures in place to ensure that profession is capable enough to discharge their roles as expected by the regulating laws and to meet expectations largely by the society for the benefit of public interests thereby uplifting the lives of citizen at large.

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Nepalese Financial Sector Problems and Prospects

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It is important to remember that reforms were, and are, not instituted in a vacuum but are very clearly linked to certain economic conditions and plans. We should establish the background by asking a few question- What? Who? Why? The answers will enable us to gain some insight into the entire question of financial reforms.

The first question: What are financial reforms and what are we reforming? One could broadly say that financial reforms deal with changes in the structures and operations of money, capital and exchange market and institutions operating in the market. The reforms are intended to relax administrative control and move towards more market oriented systems that are relatively more efficient and yield better utilization of scares resources. Generally, reform in emerging market relate to banking reforms, deregulation of interest rates, removal of ceiling on credit, sectoral direction of credit, and the development of government securities market and private debts market. However, it must be very clearly understood at the outset, that the financial reform or deregulation does not imply the elimination of all regulations. This would lead to market anarchy. Adequate regulation, to ensure systemic stability, is vital if the reform process is to be successful.

The second question- 'Who' reforms? yields surprising answers. We the public are responsible for reforms. We should understand that reforms are not limited to the financial sector and are not a one-off act, but a continuing process.

We now come to the crucial question of 'why' reforms are needed. The financial reform is expected to enhance the efficiency of resources allocation and promote growth. While this has perhaps been the most important reason for financial reforms in most countries, in practice several additional reasons have also been identified by many economists. A few that immediately come to mind are the desire to encourage the development of financial sector and the need to conform to external requirements as a response to financial crisis. For example, it is generally felt that in the cases of Singapore and Hong Kong, which have virtually no natural resources, financial liberalization was intended to build on their comparative advantage and create a vibrant banking sector.

1. Rising Interest Rates

Interest rates play a crucial role in the efficient allocation of resources aimed at facilitating the growth and development of an economy and as a demand management technique for achieving both internal and external balance with specific attention for deposit mobilization and credit creation for enhanced economic development. During the past many years, even though many expansionary fiscal policies have been implemented, due to tight monetary policy adopted by Nepal Rastra Bank, the inflationary pressure has not increased. As a result, the interest rate raised became controversial. However, Nepalese financial sector is facing acute liquidity problem due to over optimism of Banking sector and assets liability mismatched.

The interest rate is expected to have either a positive or negative impact on the economic growth. Thus decreasing the interest rate due to expansionary monetary policy may stimulate the economy because of increased economic activities. On the other hand, slow economic growth which may be due to a tight monetary policy via a relatively high interest rate regime can lead to a fall in the economic growth.

In the present economic situation and the future outlook of Nepal, considering huge expenditure requirement of government vis-à-vis revenue centric policies of government of Nepal and heavy reliance remittance to finance imports and limited flow of foreign currencies reserve (declining remittance and low FDI penetration) many analyst agree that Nepalese business sector may witness an increase in interest rates and inflation in years to come. Therefore, serious thought should be placed to answer the following questions:-

- What will happen when interest rates rise beyond current all-time high?
- Will central bankers be able to control market interest rate or will inflation follow, creating unanticipated upward pressure on rates?
- Is Government prepared to service its highly leveraged economies amid higher interest rates? If they are not, what would be the implications on the financial sector?
- Will inflation become a serious issue?
- What about the prospects for a slow recovery?
- Will the industry as a whole win or lose?
- Why interest rate war is unfolding?
- Whether growth of banking sector correspond with micro economic situation?
- Whether Non Preforming Assets reported in BFIs balance sheet are reflected in the economy?

Further to that, we need to analyze whether the current policy and regulation can cope with the growing credit demands of the society. To do so we must analyze the following:

- What are the negative effect of interest rate on economic growth and liquidity situation?
- How investment and saving are correlated to the interest rate?
- Is the effect of investment on economic growth significant?

Interest rate played an important role in every economy. The use of interest rate as an instrument of monetary policy was based on main assumptions interest rate regulation; more so that, interest rate has since remained one of the instruments of managing the Monetary Policy. Nepal Rastra Bank (NRB) for last many years has used tight monetary policy. The major objective to keep the supply of money just within the required level needed for the target economic growth rate in a particular year.

After the deregulation of interest rate Nepalese financial sector has witness major and minor economic shock. Government has to inject huge amount of capital to rescue two state owned banks. Regulation is the most important factor shaping banks and the financial markets today. What if the regulatory burden on the financial sector becomes so great that it is no longer possible for the financial system to function efficiently and effectively? What if the current rule set constrains, the supply of credit and risk management tools significantly damage the real economy? Do we begin to pull out of international agreements such as Basel III and 'go it alone' for economic survival, so we are losing the constraints and gaining short-term economic advantage? Are we simply beginning the process of creating the next financial crisis?

Moreover, Nepalese economy had to survive great earthquake and six months long trade embargo. During the period, GDP suffer a lot with near zero growth but rebounded within a year at 7%. The proper and timely response from NRB, Banking sector survive against all odd. NPA level stood at record low level. Despite of resilience of our economy, our economy is suffering from acute Liquidity Crisis and non-availability of adequate flow of credit at reasonable rate is major huddle of economic development.

The resources mismstch had put pressure on Banks to increase deposit interest rate to all time high. Deposit rates on savings and time deposit account at commercial banks increased from an average of 3 percent to 14 percent in December 2018. The increase in the cost of liability side of Banks had been translated to rise in lending rate reducing compatibility of Nepalese Industry, in the import driven economy. This has directly reduced the productivity of investment and increase unemployment.

2. Interest rate and factors affecting Liquidity

According to Fisher, individuals may either consume or save their incomes. Individuals save when they consider future consumption as preferable to current consumption, they consume less now to be able to consume more lately. The factors that influence saving decisions differ between individuals. First affecting factor is income. With higher income individual may save more, though the decision to save is determined not only by the level of income, but also by expectations about future income, marginal propensities to consume and save preferences to interchange consumption and saving between time periods.

Moreover, these preferences may change after change in the level of income. Another factor affecting the level of savings is compensation obtained by individual for lending his saving to another individual, who needs additional funds and ready to pay for their use. This compensation or payment for use of funds is interest rate. The more the interest rate, the more individual's opportunity costs of consumption, and the more he will save. The total savings in the economy is a sum of all individual savings. Interest rate is positive if there is demand for the savings from the side of borrowers. Borrowers are willing to pay for saving if there are profitable opportunities to invest. The cost of funds for borrowers is interest rate. The more interest rate, the fewer borrowers will invest, so investments are a negative function of interest rate. Borrowers will be willing to invest as long as marginal benefit from investments equals marginal cost, or interest rate. Total demand for investment in the economy is determined as the sum of individual demands. Interest rate is cost of borrowing for one individual and payment for lending for others. The equilibrium interest rate equates total amounts of savings demanded and supplied.

The Nepalese authorities should set interest rate policies that will boost the economic growth. Therefore, proper measure should be taken in order to have a more rapid economic growth. The interest rate should be properly monitored.

3. Recommendation regarding Interest rate and liquidity

The following are recommendations:

- The Nepalese authorities should carry out reforms that would enhance the role of interest rate in order to mobilize funds for investment purpose.
- In order to have a more rapid economic growth, the Nepalese authorities should lower the interest rate so that the investment will increase.
- The policy direction of interest rate, investment must be seen, not only in the context of price and financial stability but also in improving development in Nepal.
- The policy direction of liquidity must focus to meet rising demand for credit to productive sectors as well as the demand raised by rise of middle class.
- NRB should review current prudential norm of liquidity management. The Assets of BFIs are backed with real estate collateral effective liquidity requirement should be reduce from current 23-25% to 15-17%.
- Policy should be introduce to check unwarranted rise in interest rate and avoid interest rate war in future.

- Consolidate Banks to reduce the operation cost and unhealthy competition and restructure A, B and C class institutions as there is thin line of differentiation.
- Encourage Bank to mobilize long-term resources and introduce effective monitoring Assets and Liabilities Mismatch.
- Base rate mechanism, Spread Rate calculation method should be reviewed and Negative carrying of SLR and CRR require proper treatment BFIs cost calculation.
- Foreign Institutional Investors (FII) should be allowed to operate and investment in Nepal.
- Foreign Direct Investment (FDI) should be encouraged by reducing administrative process by implementing effective and transparent tax administration system.

The Nepalese authorities should formulate and implement policies that would lead to economic growth. The authorities should devise policy to lower the interest rate so that the investment will increase which in turn will lead to economic growth. Finally, the investment influences growth. Therefore, proper attention should be placed to enhance economic growth.

4. Capital Market Problem and Prospects

Globally, the concern about interaction between monetary policy and asset price volatility has been increasing since the collapse of major stock market bubbles in 2000 and 2007.

- Is monetary policy responsible for stock market bubbles?
- Should monetary policy actively seek to stabilize the stock market?

These classic questions have been put back on the table through experiences gained over the past two decades. Monetary policy is likely to influence stock market prices through four mechanisms: First, changes in the money supply may be related to unanticipated increases in inflation and future inflation uncertainty and hence negatively related to the share price.

Second, changes in the money supply may positively influence the share price through its impact on economic activity. Third, portfolio theory suggests a positive relationship; an increase in the money supply is likely to shift the portfolio from non-interest bearing money to financial assets, including equities. Finally, changes in the money supply may positively influence the share price by raising the expected inflation and expected price of shares, hence raising the present demand for purchasing shares and present share prices.

There are other channels related to the transmission of monetary policies to the capital market, which are the interest rate channel, exchange rate channel, and inflation channel. Channels of interest rate transmission could be completely described by classical monetarism, as well as in modern literature such as the Keynesian IS–LM (investment saving–liquidity preference money supply) model. Easing interest rates increase the demand for credit and increase aggregate demand, including the demand for investing in the capital market. Keynes (1936) examined the effects of lowering interest rates on aggregate demand.

Expansionary monetary policy reduces the interest rate. When the interest rate is lower than the marginal productivity of capital, it broadens investment demand until the marginal productivity of capital is equalized to the lower interest rate. The expansion of investment creates an accelerator–multiplier effect, causing aggregate demand to expand. The expanded aggregate demand also reflects in stock market. This expansion of demand for stock market shares puts pressure on prices. In the end, this process leads to increased stock market prices. In other words, lower interest rates will make borrowing cheaper, and this will push up the demand and prices.

There are abundant economic factors that can influence stock markets. One way of linking macroeconomic variables and stock market returns is through Arbitrage Pricing Theory (APT), which uses multiple risk factors to explain asset returns. Another approach is the discounted present value (DPV). This approach relates the stock price to future expected cash flows. Therefore, the DPV can be used to focus on the long-run relationship between the stock market and macroeconomic variables. Moreover, we can explain some economic variable effects on the stock market based on portfolio theory, where assets are substituted for each other and every change in one asset price has a direct and indirect impact on other assets.

In addition to the above, there are also other approaches for modeling the stock prices, such as the capital Asset Pricing Model (CAPM), which is a mean–variance model of portfolio choice. Or Keynes' "beauty contest" effect model, whose name comes from Keynes' famous metaphor, in which he suggests that, in order to form their demand for an asset, investors not only forecast the future payouts but also try to guess other market participants' forecasts and others' forecasts of others' forecasts, etc. In this situation, investors are said to have "higher order beliefs."

Nepalese Capital Market

As the Nepalese stock market has recently shown boom and bust, investor in the market are confused. Due to various reason (Due to adoption of inappropriate policies including fiscal and monetary and introduction of various stringent policies related to capital market) Stock prices had very often hit new highs and new low. However, recent past Nepalese investors had lost almost 45% of their wealth. Many lost their confidence in the market leading to agitation in various form. In the history of Nepalese capital Market the trading in Stock Market had been halted for two days in a row.

If the economic activity shows a good performance, it has a positive impact on the stock price. However, it is possible that even during a recession, or in a no-growth era, stock markets experience growth in their price levels. Which has been evidence by the stock market movement during the year of earthquake and trade embargo. This happens because the expectations are positive; investors expect the general price level to increase or the economic activity to improve in future, this would impact the present stock prices. And at the same time there is regulatory requirement to increase capital base of BFIs. Few years later, i.e. at present time due to various reason, investors are nervous and in general confidence level is very low. During this period many changes have been noticed in capital markets largely a result of rise of middle class and regulatory compliances.

The vitality of capital markets is critical if Nepal is to return to an environment of sustainable economic growth. Moreover, effective capital markets are crucial to the efficient allocation of credit and investment. To be most beneficial, capital markets must be able to function freely, rewarding strong performers and penalizing those who are unable to deploy capital effectively. Looking forward to 2019/20, capital markets should play an increasingly important role in providing everything from financing to the Nepal's most innovative companies to generating the investment returns needed to support an ageing population in the country.

Nepalese capital market is at very primitive stage. However, many changes have been noticed in capital markets over the last five years or so were largely a result of rise of middle class and regulatory changes. Despite of changes Nepalese stock market is trading place simple shares of company. Bond market is not effective and index does not have any other derivatives to support future growth. Therefore, before issuing any regulation on capital market regulators must have insights understanding into the future of this market, which either as a 'participant' in or a 'user' of capital markets, is critical to regulators to initiate actions today and actions that required for the future.

As a capital markets participant, understanding the future is imperative. Otherwise, how can regulator best determine whether to regulate in a certain area, allow growth or reduce regulator's footprint, or launch or discontinue a particular product, business or strategy? As a user of capital markets regulators need to develop a view of the types of products and financing options that will be available to support capital market. To make these decisions one have to consider various scenarios and possibilities.

- Where will the leading financial markets be in 2022 and beyond?
- How will regulation shape capital markets in the future?
- How will megatrends such as urbanisation translate into opportunities for capital markets and financial institutions to fund infrastructure and trade?
- What will be the revenue drivers moving forward?
- Do we need to consider different business models going forward?
- Will new players disintermediate existing financial institutions or provide for innovation and partnership opportunities?
- Is Technology – an enabler of change?
- Is war for resources – the widening of the gaps?
- How are the capital market authorities responding to the market developments?
- Is the market fundamentally moving in the right direction?

Those are all critical questions to consider when formulating strategy to regulate the market and design more tactical action plans going forward.

5. Recommendation to Improve Capital Market

The ad hoc approach to regulation is a major issue in Nepalese capital market. Investment in the capital market is one of the key factors in the long run fora country to attain higher rates of industrialization. An efficient and sound capital market plays an important role in terms of mobilizing increased capital flow and maintaining the stability of the financial system.

For capital markets participants and users, the regulatory landscape is ever more complex and more difficult to navigate. Under normal circumstances, the appropriate response to regulatory change would be to wait until the rules are finalized and where appropriate, to ask for clarifications from regulators and key stakeholders.

Adding to the complexity of compliance, there are now more stakeholders involved; many are finding themselves regulated by new supervisors to whom they have not previously had to report. Therefore, capital markets participants and users have been working on regulatory compliance early – before all of the regulation has been written – basing their plans on assumptions and expectations.

Following are the recommendations to improve capital market

- Credit given by the banks to the capital market instrument seems to be negligible compared to market capitalization or even to daily transactions, therefore restriction is not required.
- Revise loan to value ratio for margin type lending and risk weight assigned to such credit.
- NRB should analyze their policies and formulate a long-term policy framework for banks involvement in the capital.
- The recent crash in the stock market in Nepal is also associated with monetary

policy and fiscal policy. Therefore regulator should analyze:-

- Whether the monetary and fiscal policy response was appropriate in past,
- Whether the behavior of financial institutions was optimal to the policy response.
- Develop proper data management system to identify exposure to the capital market.
- Revisit of capital gains tax and replace current system by introducing capital gain tax on realized capital gains from the sale of shares. Avoid using irrational methods taxing capital gain tax.
- To improve confidence Ministry of Finance should pronounce strongly urging common people participate in the stock market and to treat it as alternative instrument.
- Educate Investors to analyze risk associate with the market with a view to reducing the investors' risk in capital market. Investment instruments like derivative products should be introduced as alternative instruments in the capital market.
- Redefine price discovery mechanisms.
- Analyze and disclose information properly.
- Design strategy, while bringing new companies into the market taking into account supply of stocks.
- Remove all logistic barrier which are witnessed in capital market operation.
- Improve online system of trading.

The recent records of share price indices, daily turnover and market capitalization and its ratio to the GDP in capital market, show that market is becoming bigger. Nevertheless, it is a matter of worry that many people who have invested in the market had lost major part of their wealth. In order to protect the market from free fall, Authorities need to protect the investors by implementing proper policy responses.

About 'what' next we foresee a continuation of reform process. In essence, we learnt three things. Firstly, reforms are beneficial, but must be handled carefully, as there can be pitfalls. Secondly, we cannot progress or compete with the rest of the world without engaging in reform. Finally, reforms are a continuing process, not something that is a one-off deal.

If these prospects are realized, the challenging dream of "Empowering Nepal" could become a "shining reality"!

Foreign Investment Bill 2019: Initiative to Kick Off Investment Barricade

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Unless the governmental authority and their officials demonstrates their efficiency and responsiveness visibly and practicably any legislative reforms or governmental commitment or investment summits will not be significant to meet the aspiration of constitutional dream of economic development by means of foreign capital.

Background:

Nepal is located between two large and rapidly growing economies i.e. China and India and are surrounded by other big foreign investment host nations including Bangladesh, Pakistan, Myanmar, Afghanistan and Iran. Nepal has been pursuing a liberal foreign investment policy and been striving to create an investment friendly environment to attract foreign investment into the country by making investors crossing over these jurisdictions. Nepal is providing multiple investment opportunities to the foreign investors in various sectors including hydroelectricity, transportation, infrastructure, agriculture, tourism and aviation etc.

This all development has become possible after adaptation of open and liberal policy to build a path for the economic development of the country. Nepal has always realized the importance of foreign investment to stimulant for economic development of the nation. The laws and policies relating to foreign investments have given several commitments for protection of foreign investment and creation of an investor friendly environment. The Constitution of Nepal 2015 has also realized the importance of foreign capital for the economic development of the country and has given a commitment for the protection of foreign investments. The Directive Principles, Policies and Obligations of the State has recognized the importance of foreign capital and has given the commitment of attracting foreign investment and technology by framing various policies, directives and undertaking as states responsibilities.[1] Since, foreign direct investment has become a vital source of capital formation, engendering advanced technology and managerial capacities, Nepal has been developing legal and institutional infrastructure since very long time with an objective of attracting foreign investment. For this reason, the National Assembly has passed the 'Foreign Investment and Technology Transfer Bill, 2019 (hereinafter FDI Bill 2019). The Bill intends to reform the existing legal framework of foreign investment in Nepal and bring economic reform by inviting foreign capital by means of foreign investments upon replacing the existing Foreign Investment and Technology Transfer Act 1992. The FDI Bill 2019 thus endeavors to provide attractive investment incentives and facilities through the investment friendly and liberal provisions in order to invite and encourage more foreign investments in Nepal.

Likewise, the Government of Nepal has organized the Nepal Investment Summit 2019 with an objective to encourage investment in Nepal and to ensure foreign investor that Nepal has favorable environment and has been the investment destination for the investors around the world. The Summit is also expected to guide the foreign investors to have better understanding of investment environment and opportunities in Nepal. However, despite of various commitment, legislative reforms and Summits, the doubt is still there is that unless we are not able to convince foreign investors by means of our attitude and responsiveness and efficiency work and procedure, Nepal may not get the investors other than investors of C grade. In this reference, this article analyses the salient features of the FDI Bill 2019, identifies significant limitations that may stand as investment barricade and suggest the points of reform as well.

Wider Scope of Foreign Investment and Technology Transfer:

The new FDI Bill 2019 allows foreign institutional investors, foreign individual investors, Non-Resident Nepali (NRN) including foreign government or international institution or other similar corporate institution to make foreign investment.[2] The FDI Bill 2019 has provisioned various forms of foreign investment which includes investment in share (equity), reinvestment of the earnings derived from the investment in share and loan investment. In addition, lease financing provided by foreign investor in the form of equipment tools, machines etc., investment in the capital investment fund are also included. The FDI Bill 2019 also includes the investment in the listed securities in the secondary market made by foreign institutional investors. The investment made from the sale of share or property of the company incorporated in Nepal or from the issuance of securities in foreign capital market through banking system by the company or industry incorporated in Nepal, investment made through technology transfer or through the establishment or expansion of an industry in Nepal are some other forms of foreign investment covered by the FDI Bill 2019.[3]

Additionally, the FDI Bill 2019 has provisioned about the technology transfer. The Bill confirms that even in the area where foreign investment is not allowed, technology transfer is possible. The Bill recognizes various forms of technology transfer such as use of patent, design, trademark, goodwill, technical specialization, formula, process, acquiring of any foreign technical consultancy, management and marketing service or any other technical skill or knowledge. In addition to this, user's license, technical know-how sharing and franchising are also listed as technology transfer.[4] With this content, the FDIA Bill 2019 has made the wider scope of the investment modules and technology spillover in Nepal in various forms which is more sider than the existing laws.

Foreign Investment Mode:

The FDI Bill 2019 has introduced different provisions to promote foreign investment in Nepal. A foreign investor can invest in any industry and can obtain benefit from such investment. However, the industry operated through foreign investment can make no profits or earnings or foreign investment in any manner in the industries or sector mentioned in the Schedule of FDIA Bill 2019 which is also termed as Negative List. Similarly, a foreign investor can make investment solely or in a joint venture or in the industry established in Nepal or in the joint venture with the Nepali citizen can establish an industry from such foreign investment.[5] Likewise, by establishing venture capital fund,[6] purchasing assets or shares are additional modes. Further, lease financing provided by foreign investor in the form of equipment tools, machines etc also included in the list of investment mode introduced first time.

The Bill has also made possible to make investment by incorporating a company and raise the Venture Capital Fund on the approval of Securities Board and also by establishing branch office.[7] According to the FDIA Bill 2019, any public company incorporated in Nepal or corporate institution having authority to issue securities may obtain funding or borrow on foreign currency by issuing bonds, debentures and other securities in the capital market of foreign country after getting approval from the Nepal Rastra bank (NRB) and the Securities Board of Nepal. Similarly, any company incorporated in Nepal with foreign investment is permissible to issue securities in the domestic market for borrowing purpose. However, such borrowing either in foreign currency or local currency after issuing bonds, debentures or any other type of securities must be invested in Nepal. The FDIA Bill 2019 also proposed a new provision to allow any industry in Nepal which is established with foreign investment to obtain project loan or project financing from foreign government or banking institution in the recommendation of Ministry and on the approval of the NRB.

No Approval; No Investment:

Obtaining approval by the foreign investors to invest in the land of Nepal is subject to approval by the governmental authority.[8] According to the proposed FDI Bill 2019, any foreign investor desirous to make foreign investment has to submit an application to the agency authorized to make approval for the foreign investment with the details mentioning the time schedule to make entry of the foreign investment in Nepal and also the details mentioning the action plan of investment to be made in an industry. For most of the investment industry Department of Industry is the first point of entry and approval. The approval time is limited to 15 days of the receipt of the application subject to submission of required documents along with submission of declaration that the investment amount is an outcome of legitimate source. Declaration of legitimate source is the new provision and it appears this provision intends to avoid any investment made by the money launderer. The investment should be injected in the form of convertible foreign currency made through banking system. Nevertheless, the Indian investor can make investment in Indian currencies through banking system.

Likewise, Department of Industry or concerned authority may also impose conditions to be followed by the foreign investors while giving approval for foreign investment. However, no approval is required for re-investment from the profit earned by such industry in the same industry or any other industry except mentioned in the Negative list of the FDI Bill 2019.

Repatriation of Investment Earnings:

The proposed FDI Bill 2019 has included various provision regarding repatriation. As per the Bill, repatriation can be done when all taxes are fully paid and all necessary legal obligations have been met. Likewise, the foreign investor who is desirous to repatriate the profit or earnings from investment shall submit an application to the agency authorized to make the approval of foreign investment in order to obtain an approval. The FDI Bill 2019 has ensured the repatriation of principal, profits, interests, technology transfer fee, royalty to foreign investor. In addition to this, the bill also allows foreign investor to receive lease rent under lease investment, reparation or compensation amount from final disposition of the case, arbitration or from any other legal process that has been entertained in Nepal.[9] Likewise, while repatriating the amount in convertible foreign currency, it is required to repatriate upon making exchange of the amount at the prevailing exchangeable rate as provisioned in the FDI Bill 2019.

Confirmation of National Treatment:

The FDIA Bill 2019 has borrowed the principle of national treatment from the World Trade Organization founding principles.[10] The principle of national treatment confirms to give others the same treatment as one's nationals. For foreign investment case the FDI Bill 2019 confirms that it shall give equal treatment to the foreign investors as if the investment is made by the local investors. This national treatment is in terms of industrial facilities, protection of intellectual property rights, imports and exports and for services. The national treatment henceforth confirms that the foreign investors shall not be treated differently until Nepal retains their investment except to certain ground such as any exception or differential treatment given to the non profit items, any financial schemes or incentives provided by the Government of Nepal, any special privileges Nepal is obliged to provide based on bilateral agreement and any conditions special determined incase of repatriation of profits, payments, service fees or royalties.[11] Apart from this the FDI Bill 2019 confirms no differential treatment. As the repatriation falls within the scope of differential treatment, the provision may not be much welcome to the investors in this case as investors concern is more on the repatriation patters than injecting investment capital.

Investment Services via Single Point Service Centre:

The FDI Bill 2019 clearly stipulates its commitment of setting Single Point Service Centre for the foreign investors so that they should not take recourse to various governmental agencies in the investment matters that includes application, approval, banking and foreign exchange matters, visa and work permit, taxation, company registration, facilities and incentives and likewise.[12] The objective of this center is to provide adequate information and efficient services. Though the term One Window is familiar, however it never worked out as it was only recognized in the policies. Legislative commitment of this center will create obligation to the Government to ensure investors do not go through administrative and departmental hassles and get all the services from this point.

Settlement of Investment Dispute:

The FDI Bill 2019 has provisioned about the settlement of investment disputes between foreign investor and national investor through mutual consultations in the presence of the Department. However, in the failure of the same, it shall be settled in a manner mentioned in the joint venture agreement/ dispute settlement agreement so concluded by the parties within 45 days of the occurrence of the disputes. The concerned parties to inform the agency authorized for approving the foreign investment within 15 days of such settlement.[13]

Likewise, the dispute could be settled through arbitration in accordance with the prevailing Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) where the arbitration has to be held in Kathmandu with the application of laws of Nepal in the arbitration however, in the presence of agreement, it shall be as per as agreement.[14] Likewise, if no agreement has been concluded or even if concluded, it deems to be inappropriate, the concerned parties can enter into an agreement for the settlement of the disputes even after the dispute arises. However, it is necessary to inform the authority registering the industry. In this way, the law of arbitration of Nepal ensures that foreign arbitral awards are recognized and enforced in Nepal, provided that such awards are in conformity with Nepalese laws.

Limiting Factors of Foreign Investment:

Though the FDI Bill 2019 intends to reform various investment constraints witnessed as of now, however the Bill is not free from flaws. Instead of minimizing the concerned authority where the investors are required to take recourse, it appears now that Nepal Rastra Bank is another important agency that retains investment control and surveillances. The Bill is not able to present the clarity regarding new avenues of investment modes and their compliances such as lease finance, trade in stock, project loan and financing etc. Repatriation provision is made more tedious and appears it is provisioned based on the issues faced by leading offshore deal. The provision regarding incentives, facilities and concessions need to be clarified along with repatriation procedure. The proposed procedures and compliances for repatriation appears more hectic and procedural hassles then existing one. The notification regarding change in the ownership is not clear and clearance from all concerned agency for repatriation appears as if the authority does not allow investor to repatriate their earnings. The Single Point Service Centre would surely facilitate investors however, a clear guidelines and coordination among governmental agencies is must. The role of the Department of Industry seems more intervening than managing in investment matters and disputes based on the ability of human resources available in the Department as witnessed as of now. The industrial security provisioned in the FDI Bill 2019 is affirmative by the nature of security and protection against expropriation should be clarified more in the law than confirming via policies. The commitment to facilitate for the land procurement is notable but it does not mention the compensatory mechanism in case the investors losses due to the breach of governmental commitment that made investor to inject money in Nepal but is unable to operate the industry. The cancellation of the approval for failing to comply conditions appears dominating to the investors as the laws and policies are not much clear about the scope and the practice of limiting the scope even for corporate functioning allows discretionary power to the Department to use their authority to suppress investors. The dispute settlement provision is repetition but enforcement mechanism is unless convincing, dispute settlement by local arbitrator may not be worthy.

Conclusion: Points of Reform

The neighboring countries are hosting foreign investment in large scale not because of their size and resources, rather the opportunities and investment attitudes they have been maintaining all around are key factors. They are continuously working to invite foreign investment to improve the competitiveness of the country's industries and services and to prove that investing in their country is their right judgement. Historically, they had restrictive investment laws however after the influencing role of market economy as part of liberalization, privatization and globalization initiatives they revised their investment laws and policies to make foreign investment friendly environment and they got success in this term. Referring to Nepal, attracting foreign investment in Nepal is very challenging. Despite of liberal and open policy offering attractive incentives and facilities, foreign investment is not notable. The commitments promised from the governmental side and legislative frameworks are not convincing when they come to the implementation. Apart from legislative commitment, the major factors to attract foreign investment is the procedural hassles and responsiveness of governmental officials. Their attitude has been distracting investors. It is therefore governmental authorities requires to demonstrate their positive attitude and responsible behavior including administrative reform and structural competence, transparent procedure along with an investment aptitude, responsiveness and humility towards foreign investors and maintains ethical and moral character. *Unless governmental authority and their officials demonstrates their efficiency and responsiveness visibly and practicably any legislative reforms or governmental commitment or investment summits will not be significant to meet the aspiration of constitutional dream of economic development by means of foreign capital.*

At the end, changes and reforms in the foreign investment law is affirmative step to impress foreign investors and hope the Nepal Investment Summit is concluded to convince investors by means of commitment and the legislative frameworks of the FDI Bill 2019.

Endnotes

1. Part 4 of the Constitution 2015
2. Foreign Investment and Technology Transfer Bill 2019 Section 2(K)
3. Foreign Investment and Technology Transfer Bill 2019 Section 2(J)
4. Foreign Investment and Technology Transfer Bill 2019 Section 2(F)
5. Foreign Investment and Technology Transfer Bill 2019 Section 4
6. Foreign Investment and Technology Transfer Bill 2019 Section 9
7. Foreign Investment and Technology Transfer Bill 2019 Section 9 & 10
8. Foreign Investment and Technology Transfer Bill 2019 Section 15
9. Foreign Investment and Technology Transfer Bill 2019 Section 20
10. See https://www.wto.org/english/thewto_e/glossary_e/national_treatment_e.htm
11. Foreign Investment and Technology Transfer Bill 2019 Section 32
12. Foreign Investment and Technology Transfer Bill 2019 Section 23
13. Foreign Investment and Technology Transfer Bill 2019 Section 40
14. Ibid

Unrevealing the Mystery and Assessing Impact on Adopting Service Concession Arrangements: A Nepal Case Study

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Background

In **many** countries, infrastructure for public services such as roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, energy supply and telecommunication networks has traditionally been constructed, operated and maintained by the public sector and financed through public budget appropriation. In **some** countries, governments have introduced contractual service concession arrangements to attract private sector participation in the development, financing, operation and maintenance of such infrastructure.

Currently Nepal's Geopolitical and Eco-political environment is more stable. We have organized, much talked about "Nepal Investment Summit" and showcased 75 Mega project of national interest. Many of the project presented should be constructed by Government of Nepal in such a model that will eventually give us the ownership of the Project (like 3P, BOOT etc.). There are mainly two reason for this. One, the foreign or local investor will get security cushion with presence of stable Government as a partner and second, the Government can achieve its slogan of **"Prosperous Nepal, Happy Nepali"** for growth without facing the Funding Gap and Budgetary Pressure.

How BOOT model operates?

Service concession arrangements are arrangements whereby a government or other body ('the grantor') grants contracts for the supply of public services, such as roads, energy distribution, prisons, or hospitals, to a private sector entity ('the operator'). This is often referred to as a 'public-to-private' arrangement, PPP model (3P model), Built-Operate-Transfer (BOT) or Built-Own-Operate-Transfer (BOOT). The Grantor and operator are bound with an agreement called Service Concession Arrangements and such termed is used in International Financial Reporting Interpretation Committee (IFRIC) – 12, which basically used the terms as follows:

Who	What it does	How	Example
Grantor: Public sector entity	Sign Agreement with and pays to Operator; take ownership and possession of project at the end of the period agreement.	• The grantor: • Controls or regulates **WHAT SERVICES** the operator must provide with the infrastructure, **TO WHOM** it must provide the services, and **AT WHAT PRICE**. • Controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement	For Hydropower operator by private sector, it will be handed to any of government authorities like, Nepal Electricity Authority (NEA), or Department of Energy Development (DOED).
Operator: Private sector (Listed, Private company both)	**Responsible** for at least some of the **management** of the **infrastructure and related services.**	If the operator **CONSTRUCTS**, **UPGRADE** and **OPERATES** the Project to provide the services as mentioned in Service concession arrangement.	Any private sector hydro companies where Government has no Control over ownership has role constructing hydropower, operating it and selling the products to Government agencies (NEA) at predetermined price mentioned in agreements (PPA). Any Hydro companies where Government has control in ownership is not the operator as per IFRC -12.

What does Service Concession Arrangements contract covers?

Among other things, Service Concession Arrangements contract covers the following:

- The **contract sets the initial prices** to be levied by the operator and **regulates price revisions** over the period of the service arrangement.
- The operator is **obliged to hand over the infrastructure to the grantor** in a specified condition at the end of the period of the arrangement.

Relationship of Grantor and Operator

How the Right of the Operator shall be treated to use the infrastructure?

Infrastructure or any project within the scope of IFRIC 12, **SHALL NOT** be recognized as **PROPERTY, PLANT AND EQUIPMENT** of the **OPERATOR** because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

What should be done to the PROPERTY, PLANT AND EQUIPMENT then?

PROPERTY, PLANT AND EQUIPMENT used to construct the project under the service concession arrangements shall be treated as any of the following:

Operator's rights	Classification	Examples
Unconditional, contractual right to receive cash or other financial asset from or at the direction of the grantor.	Financial asset	Operator receives a **fixed** amount from the grantor over the term of arrangement. *Example: Hydropower receiving guaranteed (or determinable) amount of consideration from NEA.*
Amounts to be received are contingent on the extent that the public **uses** the service	Intangible asset	• Operator has a right to charge users over the term of the arrangement. • Operator has a right to charge the grantor in proportion to usage of the services over the term of the arrangement. *Example: Hydropower receiving consideration based on variable units supplied to NEA.*
Consideration received **partly** in the form of a **financial asset** and partly in the form of an **intangible asset**	Bifurcated model	• Operator receives a fixed amount from the grantor and a right to charge users over the term of the arrangement • Operator has a right to charge users over term of arrangement, but any shortfall between amounts received from users and a specified or determinable amount will be reimbursed by the grantor *Example: Hydropower receiving consideration based on guaranteed (or determinable) and variable units supplied to NEA.*

Example: Financial Assets - Payments for determinable capacity or produced units

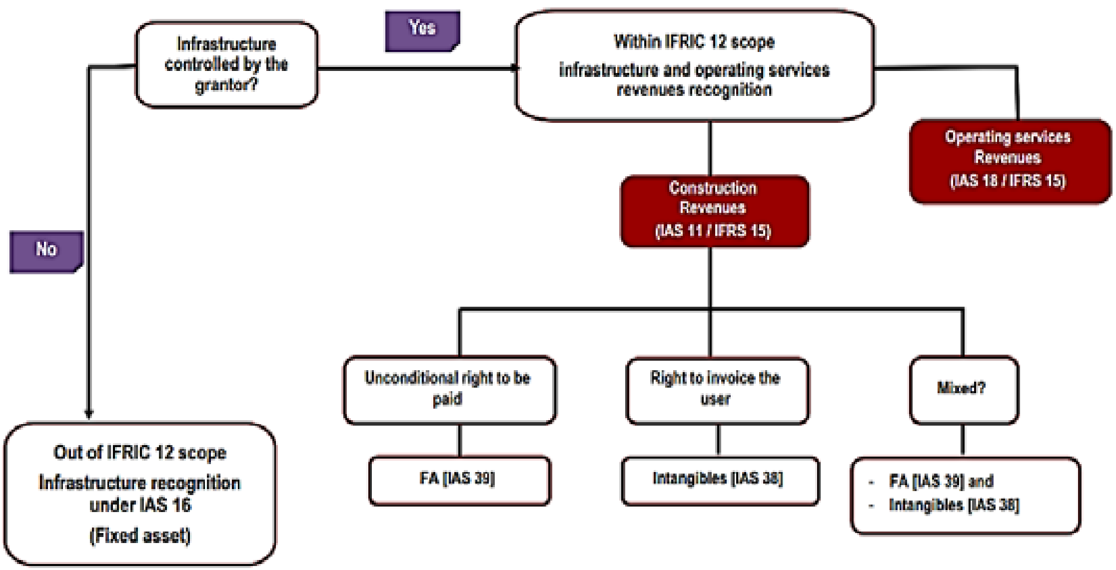
Company A is granted a concession arrangement for the construction and operation of a Hydropower for 30 years. This arrangement stipulates that A will be paid a specified amount that will enable it to recover the investment made provided that it has a pre-determined minimum units it produces (to say, 20,000units @ Rs. 8 per month).

IFRIC 12:16 states that the operator has an unconditional right to receive cash if the grantor contractually guarantees to pay the operator specified or determinable amounts. Therefore, in this example, Company A should apply the financial asset model.

Example: Intangible Assets - Payments for use of variable capacity or produced units

Company A is granted a concession arrangement for the construction and operation of a Hydropower for 30 years. This arrangement stipulates that A will not be paid by the government but can collect the consideration from general public calculated using the variable number of units consumed by General public consumes.

IFRIC 12:16 states that the operator shall recognize an intangible asset to the extent that it receives a right (a license) to charge users of the public service. A right to charge users of the public service is **NOT AN UNCONDITIONAL** right to receive cash because the amounts are contingent to the extent that the public uses the service.



Applicability flowchart of IFRIC 12

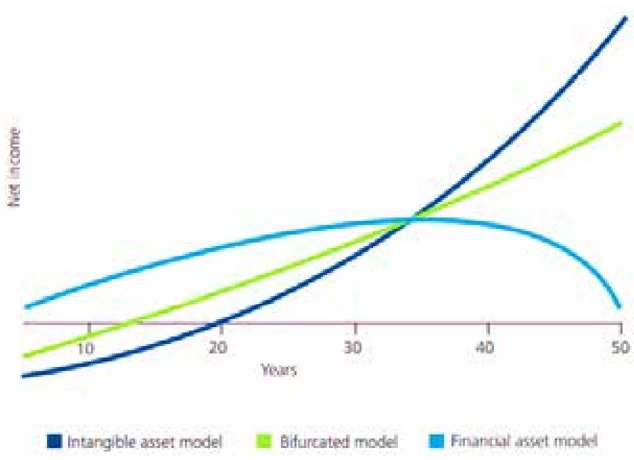
How to Account for Revenue under Service Concession Arrangements?

Revenues and costs of the operator relating to the construction or upgrade services phase of the contract are accounted for in accordance with NAS 11 Construction Contracts [IFRIC 12:14] and the revenue and costs relating to the operating phase are accounted for in accordance with NAS 18 Revenue. Where the operator performs more than one service under a single contract or arrangement, the consideration received or receivable is allocated by reference to the relative fair value of services delivered, when the amounts are separately identifiable. [IFRIC 12:13]

Example: Recognition of a profit margin on construction work – Infrastructure constructed by the operator

Company A has been granted a concession arrangement for the construction and operation of a Hydropower project to be handed over to Government after using certain years. Company A will be responsible for the construction of the infrastructure.

IFRIC 12:14 states that an operator must account for revenue and costs relating to the construction phase of a concession arrangement in accordance with NAS 11. Consequently, if this is a construction contract as specified in NAS 11, Construction Contract, a profit margin on the construction work will be included in A's financial statements by reference to the stage of completion. This margin arises because Company A has received an intangible asset or a financial asset as consideration for the construction of the Hydro Project, which constitutes consideration in the form of an asset that differs in nature from the asset delivered and, in accordance with IFRIC 12:15, the consideration received or receivable is recognized at its fair value.



Distribution of net income over concession period

How to account for subsequent maintenance/ major repair obligations of Project under Service Arrangements?

A service concession arrangement may require an operator to:

- Maintain the infrastructure to a specified level of serviceability; and/or
- Restore the infrastructure to a specified condition at the end of the arrangement before it is handed over to the grantor.

For example, an operator of a toll road may be required to resurface a road to ensure that it does not deteriorate below a specified condition.

IFRIC 12:21 states that such contractual obligations to maintain or restore the infrastructure should be recognized and measured in accordance with NAS 37 Provisions, Contingent Liabilities and Contingent Assets. Therefore, an estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period needs to be made and recognized as a provision.

How to account for Borrowing costs (Interest Expenses) incurred on financing the Project under Service Arrangements?

Borrowing costs attributable to a concession arrangement should be capitalized during the construction phase, in accordance with NAS 23. However, if the Service Arrangements gives rise to financial asset, borrowing costs are recognized as an expense at the time they are incurred. And if the Service Arrangements gives rise to Intangible asset, borrowing costs can be capitalized during the construction phase of the project.

Is there any difference between Lease elements and Service concession elements that exists in Agreements?

When assessing the contractual terms of some arrangements, it is possible that they could fall within the scope of both IFRIC 4 *Determining whether an Arrangement contains a Lease,* and *IFRIC 12.* To eliminate any inconsistencies between the accounting treatments for contracts which have similar economic effects, with the issuance of IFRIC 12, the IFRIC also amended IFRIC 4 to specify that if a contract appears to fall within the scope of both Interpretations then the requirements of IFRIC 12 prevail. [IFRIC 4:4(b)]

Example: Contradiction between Lease element and service concession elements

Government of Nepal holds majority shares of Company A. Company A operates a hydropower and has to hand-over the same to the government after 30 years.

IFRIC 12 is the arrangement between Grantor and Operator. In the given example, government holding majority shares of Company A, makes Company A itself a part of Governmental bodies. IFRIC 12 scopes out the arrangement between Government and Government agencies as both are Grantor.

Determining whether such an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether [IFRIC 4]:

- Fulfilment of the arrangement is dependent on the use of a specific asset or assets
- The arrangement conveys a right to use the asset.

Therefore there is lease elements in the arrangements as it allows Company A to use the specified assets and accordingly be dealt as per IFRIC 4, and NAS 17.

Nepalese Perspective

"We welcome you *(the investors)* for becoming our partner *(may be any business model ranging from 100% FDI to BOOT)* to achieve the goals of shared prosperity" quotes Dr. Yuba Raj Khatiwada, Honorable Minister for Finance in the opening session of the Nepal Investment Summit 2019. The statements of Honorable Minister is pretty much clear, that there will be more companies formed under BOOT model.

Until now, Nepal has already constructed, upgraded and operated several hydro projects be it by Governmental bodies or by private sector under BOOT model. However, with the applicability of new reporting standards, namely, Nepal Financial Reporting Standards (NFRS), have we assessed what accounting and reporting requirements does our BOOT business model need? Shall we question IFRIC 12 and/or IRIC 4? Have we implemented our Hydropower companies using IFRIC 12 or IFRIC 4? Or have we messed up by filling old wines in a new bottle? The answer is obvious, "NO". We have observed many diverse reporting practices.

What should be done?

This Interpretation was extensively debated in international arena and was finally published on 30 November 2006 with the objective of decreasing the diversity of existing accounting practice for service concession arrangements. In fact, no specific IFRS recognition and measurement guidance previously existed for these types of arrangement.

IFRIC12 focuses on arrangements in which the operator incurs expenditure in the early years of the arrangement as it constructs or upgrades public service infrastructure. Typically the operator receives cash, either from the grantor or users, only once the infrastructure is available for use. IFRIC 12 does not seek to address all forms of infrastructure service arrangements. It limits its scope to public-to-private service concession arrangements in which the public sector controls or regulates the services provided with the infrastructure and their prices, and controls any significant residual interest in the infrastructure.

Control and Risk and Reward Approach for determining the ownership of Infrastructure

Let us assume a simple example that Mr. A investing in two companies, one a Bank and another in a hydropower company. In worst case scenario, the bank's shareholder can realized the amount by selling all assets of the bank. However, the hydropower's shareholder cannot sale the Project to realize the amount. Here the issue is control over the assets.

The control requirement is determinative irrespective of the extent to which the operator bears the risks and rewards of ownership of the infrastructure. The operator does not control the public service infrastructure. Thus such assets of the hydropower companies are not Property, Plant and Equipment but possess risk and rewards thus are assets of different nature.

Technology 2020 and beyond in the Banking Sector

Mr. Mooja Manandhar
ICAN passed out (Dec 2018)

The Nepalese banking sector has come a long way since the days of manual banking systems to the current online real-time updating centralized banking practices.

Briefly looking at the Nepalese banking scenario from the point of view of tech, we can see the first Centralized Banking System was used by Machhapuchchhre Bank, which was the GLOBUS system, 2002 saw the introduction of internet banking by Kumari Bank whereas, Laxmi bank introduced SMS banking in 2004. In more recent times, we have seen the launch of digital wallet services such as e-sewa by F1 Soft and others such as khalti.com.

Perception of technology by the general public

When approaching technology and using them or getting some kind of job done during our professional or personal circumstances, there are mainly two ways by which people/users approach technology.

The first is what we can call as black box approach, where the user does not concern him/herself by the processes that are going on within the tech, how the input is being translated into the output and the potential processes where errors might occur. The user is simply taught by a more experienced/tech savvy person about the exact steps that s/he needs to take, in order to achieve the required goal. Even though this approach can be useful at times when we need instant results, this isn't deemed the best way to approach technology, as it tries to avoid technology rather than learning and adapting with it.

The second is what we can call as white box approach, where the user obtains a detail understanding of the processes being executed and how input is processed to get the desired output, which process occurs after which one, and the potential processes where errors might occur. This is a better way to approach technology as it provides the user with an in-depth knowledge on how to use similar tech to solve problems that s/he may face in the future, and is a proactive way to approach technological advancements.

Tech to look out for by the banking sector

Moving ahead to the year 2020 and beyond, there are certain emerging tech that can provide significant avenues and opportunities as well as concerns that the banking sector needs to look out for. Some of them being:

1. Blockchain 2.Customer Intelligence
3. Cybersecurity Concerns

1. Blockchain

Blockchain has been quite the buzzword in the recent times, not only in the IT sector but in other sectors as well. Simply put, blockchain is the system of storing records in a decentralized network that relates each record of data with another. The main features of blockchain are those of non-dependability in a central entity (central server), proof of work required to add records, immutability of data and distributed record keeping.

Use of blockchain in banking

Blockchain can contribute to the banking sector by providing security, transparency, efficiency in transactions, redundancy in storage, and many more. Due to the security measures of blockchain such as decentralized record storage, consensus; integrity of data can be maintained in a level that is very high than those provided by the conventional methods. Through the execution of smart contracts transactions can be executed more efficiently and settlement failures can be avoided. By the use of distributed ledgers, transparency of data can be maintained. All of these features along with many more can help to modernize the Nepalese banking sector and keep it up with the technological advancements in the IT sector.

2. Customer Intelligence

Where previously people had to rely on the word of mouth in order to review products (both goods and services), reviews of products including description of schemes of banks, their interest rates are now readily available through a simple internet search. On the flipside, data with relation to consumers and customers, which were not available before, such as customer preferences, customer behaviors are now available for banks to go through and apply analytic procedures in order to determine with a relative degree of certainty where the preference of the customer lies, in order to develop tailor made products to meet those preferences.

3. Cybersecurity concerns

With the widespread use of networks and mobile computing devices the threat of cybersecurity has been rising. Although, we do have more dedicated and competent manpower working to counteract these concerns.

In a not so long-ago scenario, when the first computers were being developed and their use wasn't as widespread, the risk was virtually non-existent. However, as we started to connect computers into networks, people began to find ways to exploit vulnerabilities in them. With the introduction of personal computers, and specially the introduction of wi-fi, the number of computers connected with each other has grown exponentially, providing an exponentially greater points of entry into networks. With the smart phone era, the number of connected devices has grown even further providing even more points of access.

Cybersecurity is a major concern to banks as they need to maintain utmost security, confidentiality, and genuineness of data with the lowest margin for possible error. Banks require measures for preventing as well as efficient Disaster Recovery Plans in order to ensure that they can recover in an event of a cyber-attack. Banks that can maintain the integrity of data, and can provide a level of assurance to their customers about their data safety, confidentiality will have an inherent advantage and will be able to sustain their operations and maintain customer loyalty in the future.

Leading the market

In order to lead the market, we should not only limit to the use of best practices of the Nepalese banks, but extend our view to the international markets as well, see what the banks in US are doing, what the banks in UK are doing, and what those in other countries are doing and adopt those best practices, only then can we become market leaders of Nepal. And, when we have become market leaders of Nepal and have implemented best practices from around the world, then we can look forward into innovation in order to become not only Market Leaders but World Leaders. Although going into innovations does involve a certain degree of calculated risks, these risks become minimized when we have a team of competent, knowledgeable and experienced manpower.

In-house V Outsourcing

One of the major questions for banks when it comes to tech is to whether outsource or create in-house the manpower as well as to some extent the software that they operate. The most appropriate approach would be, to outsource or outright purchase in case of widely used software and their maintenance, as for example it would not make much sense, where in a market where proven, refined and widely used software like Microsoft Word, Excel exists; for any bank or financial institutions to in-house sources and invest in developing a different word or spreadsheet processing software, unless there are significant proprietary, operational, economic benefits of doing so.

However, for efforts that require a degree of confidentiality, such as R&D, innovating a new product/ tech measures, in-housing is the way to go. Similarly, for issues such as cybersecurity, where immediate actions can be required, if banks are able to hire competent and experienced IT security teams, they may find beneficial to in-house those as well.

Conclusion

Although the Nepalese banking in terms of tech has come a long way, there are still tech that need to be researched upon and adopted. Since banking is a major pillar of the country's economy, rather than having the approach of hopping on the bandwagon, we need to get an in-depth knowledge about these technologies, whether they carry a genuine utility or are just fads. Of course, adoption of tech needs to provide return that makes them attractive, whether they be in term of profits, ease of use to us or the consumers, or any other kind of considerations. More research and development are needed, simulations to be carried out in order to see how the consumers and the market in general reacts to these new measures, and to reap the benefits of being the early adopters and become market leaders.

Staff Members of ICAN

ICAN News / Events

22nd ICAN Anniversary Celebrated

The Institute celebrated its 22nd anniversary programme coinciding with a full-day conference on "Accounting Profession & Way Forward" on 31 January, 2019 (17 Magh 2075) at Hotel Radisson, Kathmandu, Nepal. The program was inaugurated by Chief Guest of the program Honorable Finance Minister Dr. Yuba Raj Khatiwada.

Similarly, Governor of Nepal Rastra Bank Dr. Chiranjibi Nepal and Mr. Ishwor Nepal, Deputy Auditor General were the Guest of Honor and Special Guest of the program, respectively. ICAN Council Members, Past Presidents, Government Officials from the office of Auditor General, Financial Comptroller General Office (FCGO), Public Expenditure And Financial Accountability (PEFA) Secretariat, various ministries, representatives from different corporate organizations, Nepal Rastra Bank, ICAN Members, Students and Staffs participated in the meeting.

On this auspicious occasion, President CA. Jagannath Upadhyay (Niraula) welcomed entire guests in the program. The President of ICAN presented Annual Report of fiscal year 2017/18 (2074–75). The ICAN President briefed about milestones achieved by the Institute during the period and future strategy of the Institute during his address.

Addressing the program, Chief Guest Dr. Yuba Raj Khatiwada congratulated the Institute on completion of 22 years journey and urged Institute and Institute members to partner in achieving economic growth of the Nation. Similarly, Guest of Honor, Special Guest and first president of ICAN CA. Komal Bahadur Chitracar also addressed the addressed the meeting and were presented with token of love by ICAN President.

Certificates and medals were distributed to Merit Holder Students of Chartered Accountancy Examinations conducted in December, 2017 and June, 2018. Winners of ICAN Quiz and Elocution Contest, 2018 and ICAN Commerce Olympiad, 2018 were also felicitated with certificates and prizes.

The Institute also felicitated its best employees Ms. Sweta Chitrakar and Mr. Umesh Regmi in recognition of their untiring performance and contribution to the Institute.

Similarly, CA (Dr.) Suvod Kumar Karn, CA. Sunir Kumar Dhungel and CA. Sudarshan Raj Pandey were felicitated for their invaluable service to the Institute as Presidents during the tenure of fifth council (2009-2012).

Vice President, CA. Krishna Prasad Acharya concluded the ceremony with vote of thanks to all participants.

Conference on Accounting Profession and Way Forward

Coinciding with Institute's 22nd anniversary, the Institute organized a conference on "Accounting Profession and Way Forward" on 31st January, 2019 at Hotel Radisson, Kathmandu, Nepal. The program started with the inauguration by ICAN President CA. Jagannath Upadhyay (NIruala) followed by his welcome remarks.

The conference comprised of four technical sessions. A glimpse of the session can be depicted in the following table.

Sessions	Topic of the Session	Chairperson	Paper Presenter
1	Enhancing Quality of the Audit to Meet the Expectation of Stakeholders	CA. Jagannath Upadhayay (Niraula), ICAN President	CA. Nanda Kishor Sharma, Former Chairman, Auditing Standards Board Nepal (AuSB Nepal)
2	How Blockchain is Revolutionizing Banking and Financial Market Financial Markets	CA. Mahesh Sharma Dhakal, Council Member and Acting Chief Executive Officer of Global IME Bank Ltd	Mr. Binod Nirvan, IT Expert

Sessions	Topic of the Session	Chairperson	Paper Presenter
3	Corporate Governance Reporting and Role of Professional Accountant	Prof. Dr. Pushkar Bajracharya	CA. Krishna Prasad Acharya, Vice President, ICAN
4	Experience Sharing on Implementation of NFRS (Especially in Banking and Insurance Sector	CA. Madan K. Sharma, ICAN council member	**Panelists** CA. Gyanendra Dhungana, President of Nepal Bankers Association, CA. Vijay Bahadur Shah, President of Association of Insurers and Reinsurers of Developing Countries (AIRDC) and .Chief Executive Officer of Nepal Insurance Company Limited, and CA. Sashi Satyal, a Practicing Chartered Accountant CA. Maheswor Lal Shrestha, Executive Director, Nepal Rastra Bank

The first three technical sessions focused in latest development in profession, corporate governance and information technology that have a bearing on our profession. Whereas in the last session, deliberation were made on effective implementation of NFRS and problems faced on implementation of NFRS.

These technical sessions were followed by open floor discussions where queries of participants were addressed by respective session chairman and paper presenter/panelists. Altogether, 176 participants attended the program.

Discussion at Nepal Law Commission

The Institute had a meeting with Nepal Law Commission on January 17, 2019 at International Convention Center, New Baneswor Kathmandu, Nepal. During the Meeting, ICAN President CA. Jagannath Upadhyay (Niraula) suggested the Commission to incorporate some amendments on proposed bill.

Major suggestions provided by the President during the meeting were related to impact of audit opinion on dividend distribution, transactions of company and holding of company's share while granting exemption on audit to companies, accounting framework for the companies, some additional matters to be reported in report under section 78 of Companies Act, disqualification of Auditor etc.

Chairman of Nepal Law Commission Mr. Madhav Poudel, Vice – President of Nepal Law Commision Mr. Bhesh Raj Sharma, Under Secretary Mr. Rajendra Thapa represented the Commission in the meeting.

Result of ICAN Quiz and Elocution Contest

ICAN announced the result of ICAN Quiz and Elocution Contest held for CAP III level students conducted on 10 and 11 January, 2019.

Mr. Bijay Singh Parajuli, Ms. Muna Kumar Shah and Mr. Bhim Bahadur Kunwar have bagged first, second and third position, respectively, in the ICAN Quiz Contest. Likewise, Ms. Suchana Kafle, Ms. Kumudini Rai and Ms. Prakriti Aryal bagged first, second and third position, respectively, in Elocution Contest.

Refresher Course on Data Analytics

The Institute of Chartered Accountants of Nepal organized a refresher course on Data Analytics on 22 Magh 2075 at ICAN Premises Satdobato, Lalitpur. The course aimed to refresh the participants on Data Analytics. The participants learnt about the use of Excel and Data tools while practicing in audit. Altogether 33 participants participated actively in the refresher training. The training was conducted by CA. Mukund Pokharel.

Nepal Bags First Position in SAFA Best Presented Annual Report Awards at Pune, India

Radisson Hotel Kathmandu bagged first position in SAFA Best Presented Annual Report Awards for annual report 2016/17 in Service Sector jointly with the Nuwara Eliya Hotels Co PLC- Sri Lanka.

Similarly, Citizen Bank International Ltd, bagged merit award, under banking category, in the SAFA BPA program organized in Pune, India.

SAFA quiz and Elocution Contest

Four CAP III level students of ICAN participated in the SAFA Quiz and Elocution Contest held in Pune, India.

Students of SAFA member bodies Bangladesh, India, Nepal and Sri Lanka participated in the event. Suchana Kafle bagged 2nd runner up position in the Elocution contest.

Meeting with DFID Representatives

The Institute had a meeting with the UK Department for International Development (DFID) representatives on 14 February, 2019 at ICAN building, ICAN Marg, Satdobato. The meeting was focused on discussing overall state of Public Financial Management (PFM) in Nepal and initiatives of ICAN to strengthen PFM in Nepal. President CA. Jagannath Upadhyay (Niraula), Vice President CA. Krishna Prasad Acharya, Acting Director Mr. Binod Prasad Neupane and Deputy Director CA. Ghanashyam Kafle represented ICAN at the meeting. Whereas, Mr. Alan Whitworth, Senior Economic Adviser, Public Finance Group and Mr. Mirza Jahani, Senior Governance Advisor, Public Finance and Tax Department represented DFID. A presentation was made to DFID representatives regarding the ICAN's initiatives to help strengthen PFM that included Memorandum of Understanding (MoU) with Chartered Institute of Public Finance and Accountancy (CIPFA), ICAN Strategic Plan to support Government, introducing post qualification course on PFM etc.

Integrated Public Financial Management Project Review Workshop

The Institute participated in Integrated Public Financial Management Reform Project (IPFMRP) review workshop organized on February 19, 2019 at Hotel Royal Singhi, Lal Durbar, Kathmandu. The workshop was organized by Public Expenditure and Financial Accountability Secretariat (PEFA Secretariat) and was attended by the representatives from various implementing agencies of the project including ICAN and the World Bank. Executive Director CA. Sanjay Kumar Sinha briefed about the progress made by the Institute in implementation of the project.

Participation in Program organized by Nepal Electricity Authority

President CA. Jagannath Upadhyay (Niraula) participated in a program organized by Nepal Electricity Authority (NEA) in Hotel Radisson. A presentation regarding preparation of financial statements of the NEA by adopting Nepal Financial Reporting Standards (NFRS) from F.Y 2075/76 was made by the consultant of NEA in the presence of Managing Director of NEA Mr. Kul Man Singh Ghising, Senior Officials of the NEA and Auditors appointed by the Office of the Auditor General.

Participation in Meeting Organized by Nepal Rastra Bank

President CA. Jagannath Upadhayay (Niraula) participated in a meeting organized by Nepal Rastra Bank, which focused on facilitating the implementation of NFRS in quarterly financial statements of Bank and Financial Institutions (BFIs). Representatives of Accounting Standards Board of Nepal and Nepal Bankers Association also participated the meeting.

Meeting at Department of Money Laundering Investigation

A meeting was organized by the Department of Money Laundering Investigation where Executive Director CA. Sanjay Kumar Sinha represented the Institute. The meeting was designed to foster cooperation between the regulatory bodies to combat money laundering and terrorist financing activities. Representatives from various regulatory bodies having stake in anti-money laundering and combating terrorist financing were the participants of the meeting.

Member Affair

Registration of New Chartered Accountant

The Institute of Chartered Accountants of Nepal registered new chartered accountant from January 2019 to March 2019 in pursuant to the Nepal Chartered Accountants Act, 1997, under the provision of Section 16(2).

The List of newly registered 7 chartered accountants is as given below.

Name	Name
Ashik Acharya	Pandav Padyotee
SantoshPrasad Paudyal	Manoj Adhikari
Sujan Thapaliya	Manoj Chhetri
Krishna Nepal	

CPE Training

The Institute and other outsourcing units organized three days Continuing Professional Education (CPE) training in different places within the country. The training was attended by more than 1000 members of the Institute. The major topics covered during the 3 days training were various Auditing Standards, Public Procurement Act and Regulation, Quality Assurance Review, Anti Money Laundering and Combating Terrorist Financing, Contract Laws, Overview of NFRS and NFRS for SMEs, Accounting Standards, Auditing of Educational Institutions, Cooperative and Non-Government Organizations (NGOs), Recent Circulars and Decision of the Institute, Quality Assurance Review etc.

Students Affair

CA Examination and Membership Examination Result Published

The Institute published results of CAP – I, CAP – II, CAP – III and Membership Examination conducted in December 2018.

629 students cleared CAP I Level and 123 students cleared CAP II Level. Similarly, 33 students passed CAP III level and 16 students passed Membership exams. Summary of appeared and passed outs are as follows:

S. N.	Level	Description	Both Group	First Group	Second Group
1	CAP I	Total Appeared	1078		
		Pass in Exam	629		
2	CAP II	Total Appeared	874	308	228
		Pass in Exam	61	50	84
3	CAP III	Total Appeared	174	214	180
		Pass in Exam	6	25	24
4	Membership	Total Appeared	187		
		Pass in Exam	16		

15th Batch GMCS Training Organized

The Institute organized 15th batch of General Management and Communication Skills (GMCS) training for the newly passed out final level students from 28 February to 15 March 2019.

In the inauguration session, President, Vice-President, Council Member and Executive Director congratulated all the successful candidates and extended wishes for their bright future.

The training was designed to equip the entrants in the profession with interpersonal and leadership skills and to provide exposure of the contemporary issues in the ever changing socio-economic scenario and professional arenas. Altogether, 37students attended the training. Among them 33 are from Professional Chartered Accountancy course and 4 from Accounting Technician Course.

ISA Assessment Test Result Published

The Institute has published result of Information System Audit (ISA) assessment test held in December 22, 2018. As per the result, 2 candidates have successfully passed ISA assessment test.

One year Internship for Foreign CA Degree Holders

Pursuant to Nepal Chartered Accountants Regulation, 2061, Rules 41(KA) of its 5th amendment, The Institute of Chartered Accountants of Nepal has made mandatory provision of one year internship to the foreign CA degree holders for getting Membership and Certificate of Practice. During the period of January 2019 to March 2019, total number of 34 chartered accountants member from ICAI have joined one year internship.

Student Registration

Chartered accountancy course is being attraction to the student interested to make their career in accounting and auditing profession. From January 2019 to March 2019, 795 new students enrolled in different level of chartered accountancy course and accounting technician course. Details are as follows:

S. No	Level	No of Student Registration
1	CAP I	5
2	CAP II	662
3	CAP III	108
4	AT	20

Career Counseling

The Institute is using Career Counseling mechanism as an effective tool to attract the new students in chartered accountancy education. Approximately 500 students in outside the valley actively participated in the counseling program during the period of January 2019 to March 2019.

International Relation

Participation in ICAI - CAPA Roundtable Stakeholder's Meeting

The Institute of Chartered Accountants of India (ICAI) jointly with Confederation of Asian and Pacific Accountants (CAPA) organized 'ICAI – CAPA Joint Roundtable Stakeholder's Meeting on Public Sector Financial Management (PSFM)' on 11 March 2019 in New Delhi, India. The objective of the meeting was to sensitize the relevant stakeholders of public sector for moving towards more improved financial reporting. The discussion at the meeting was aimed at role of accountancy profession in improving financial management in public sector. Executive Director CA. Sanjay Kumar Sinha represented the Institute in the meeting.

Similarly, during their visit to India, the Executive Director and Assistant Director Mr. Himal Sapkota had a meeting with Council Members and Executive Director of ICAI to expedite the ongoing technical collaboration dialogue between the two Institutes.

Participation in 33rd International CA Students' Conference

CAP III students of the Institute, Ms. Prakriti Aryal and Mr. Aakash Shrestha participated in 33rd International CA Students' Conference, which was organized by Chartered Accountants Student Society (CASS), Sri Lanka, on 12 March, 2019. The theme of the conference was "Generation Y: Realizing the Potential". Students representing SAFA member's bodies participated in the conference.

Others

Blood Donation Programme

Blood donation programme was organized by the Institute jointly with ICAN Employees Union and Nepal Chartered Accountants Students' Association (NCASA) on 25 January 2019 Friday, at ICAN Building, Satdobato, Lalitpur.

Altogether 103 pints of blood was collected during the program. It may be noted that ICAN has been organizing blood donation programme every year.

ICAN Signs MoU with IRD

The Institute has signed a Memorandum of Understanding (MoU) with the Inland Revenue Department (IRD) on 28 March 2019 to reach at a conclusion to allow uninterrupted access and exchange relevant information of both the organizations through online data interface mechanism. With this initiative the IRD will now accept financial statements audited by a person having a valid and duly renewed Certificate of Practice (COP) issued by the Institute. The Institute believes to further strengthen its regulatory function and particularly identify and curb instances of malpractices as well as to support IRD in its objectives. The Institute and IRD have also agreed to develop and enforce various formats relating to tax auditing through mutual cooperation. For more details, please refer the press release issued by the Institute.

The MoU was signed and exchanged between ICAN President CA. Jagannath Upadhyay (Niraula) and Director General of IRD, Mr. Bishnu Prasad Nepal on a special ceremony held at Inland Revenue Department, Lazimpat, Kathmandu. Besides President of the Institute, Executive Director and Assistant Director – IT have attended the signing ceremony whereas from IRD high ranking officials of IRD were present in the ceremony.

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