

Professional Accountancy Organization Development Committee Perspectives

Middle East Region—July 2012

Background

At the February 2012 Professional Accountancy Organization (PAO) Development Committee Meeting in Dubai, UAE, discussions focused on the development of PAOs throughout the Middle East region.¹ Committee members, observers, and guests from national, regional, and global stakeholders participated in discussion sessions on the following three focus areas:

1. Encouraging government support for PAO establishment and development;
2. Achieving PAO development during periods of political and social transition; and
3. Achieving regional cohesion: enhancing regional cooperation.

Core themes resulting from these conversations may be particularly informative to individuals and organizations currently working to establish, or strengthen, PAOs throughout the Middle East. Points made during the course of the meeting have been refined into this informal high-level guidance, which is organized according to the three focus areas outlined above.

Encouraging Government Support for PAO Establishment and Development

Discussion centered on the need for, and benefit of, government support for the establishment and development of PAOs. It was generally agreed that without this support and the appropriate legislative recognition, a PAO may have difficulty fulfilling its role as a “center of excellence” for the country and contributing to national financial, economic, and social development. The establishment of connections with government and building relationships through ongoing communication, no matter how small, was felt to be essential to achieving this objective. The following question and answer summaries expand upon this perspective.

- a) *How have PAO Development Committee members overcome similar challenges in their own countries/regions?*

Examples of PAOs that had built, and now maintain, strong government support were discussed. In reflecting on these positive examples it was noted that these PAOs had overcome challenges through:

- Emphasizing awareness building

PAOs tend to focus on promoting understanding of the value of accountants to government, thus raising the profile of accountancy and of the PAO itself. They also developed and executed events to improve the public image of accountants and

¹ For the purposes of this document, the ‘Middle East’ is a region that encompasses Western Asia and parts of Northern Africa.



enhance awareness of their skills and abilities to contribute to economic growth and add value to government.

- Gaining an understanding of government needs
Some PAOs that have obtained strong government support took time to understand the agenda of government stakeholders and approach them with a development strategy aligned with their needs, in addition to the needs of the profession.
- Maintaining inclusive membership and activities
Successful PAOs tend to include government stakeholders in Council, Board and executive leadership positions and emphasized not only private sector but also public sector issues.
- Developing activities or functions valuable to government stakeholders
Some PAOs created forums for discussion of national accountancy-related topics and a means for contributing to government efforts in this regard.

b) What are some of the key success factors in gaining government support for PAOs?

Participants noted several success factors in gaining government support for PAOs. Most notably:

- Early engagement with government stakeholders
 - A relationship with government from the time of a PAO's establishment was considered essential to building reputation and facilitating the establishment of regulatory structures aligned with international best practice.
 - It was noted that approaching government with solutions to its own challenges (as opposed to requesting support for the PAO's) offered opportunities for early cooperation and future government support.
 - Finally, some participants noted that contributing volunteer experts to support government in the development of laws and policies can be a good way to engage with government stakeholders, provide value to government activities, and demonstrate the role and function of the PAO in the country.
- Identifying and working with a "champion" in government
It was generally agreed that PAOs that identified and worked with a "champion" (a person both knowledgeable in and supportive of accountancy development efforts) within government had greater success in obtaining government support.



- Enhancing awareness and including key government counterparts in PAO activities
Raising awareness among key government stakeholders (regulators, for example) of the benefits of the profession, in addition to including government representatives in technical committees, were identified as key success factors.

c) *What resources or tools may be helpful in engaging and developing dialogue with government stakeholders?*

In addition to IFAC tools, such as the *Establishing and Developing a Professional Accountancy Body* toolkit, it was agreed that case studies or dialogue between PAOs in similar environments could be invaluable, and that effective knowledge sharing in this area among PAOs should be encouraged.

d) *What are recommendations/suggestions for furthering Committee strategy and enhancing PAO development in the Middle East region?*

- Liaising with and drawing from the government relations experience of more established PAOs and/or those PAOs generally recognized as maintaining strong government support.
- Emphasizing focus on public sector accountancy development in order to meet the needs of developing and emerging national governments. This may offer a strong link between the PAO and the government and enhance support for more general PAO development.
- Looking to supra-national entities (e.g., economic unions) to obtain potential support for the development of the profession.

Achieving PAO Development during Periods of Political and Social Transition

It was agreed that accountancy is typically not the first priority following a political transition, and that it can take time for the profession to regain any authority it may have lost. However, it was noted that political and social transition within a country or region need not necessarily represent a setback for PAO development, since such periods can offer opportunity for positive change and development.

a) *What lessons can participants share from their own experiences with political/social transition that may be relevant to Middle Eastern PAO development?*

Participants with a variety of experiences highlighted the following lessons.

- Changes in the political, social, and economic situation within a country may offer opportunity for enhancing transparency and accountability and thus may provide impetus for reform and strengthening of accountancy and its related professional organizations.



- During periods of transition where legal reform has momentum, PAOs may benefit from contributing to efforts in strengthening financial sector legislation by improving outdated and/or ineffective accountancy frameworks.
- The period directly following political instability can present a unique opportunity for all parties to work together, especially in the area of promoting and educating membership and others on the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*.

b) *Key success factors in maintaining/advancing PAO relevance and role during times of social/political transition.*

It was agreed that during times of transition government support is a crucial success factor, and that fundamental elements, such as a sound and functioning banking community and legal framework, must exist before the accountancy profession and its related PAO(s) can be strengthened. It was felt that during such times, PAOs have an important role to play in advancing the profession and contributing to the shaping of both private and public sector accountancy systems to ensure progress is made.

c) *What resources or tools may be helpful in engaging with Middle Eastern PAOs as they navigate social/political transition?*

Overall it was agreed that case studies illustrating the experience of countries that have been through the process may help those PAOs at the beginning of their journey. Such guidance might be in the form of a strategic plan to guide a PAO: a “blueprint” for priorities that also acknowledges the major differences in the approach from one country to another.

d) *What are the recommendations/suggestions for furthering Committee strategy and enhancing PAO government relations and overall development throughout the Middle East region?*

Recommendations focused on the importance of having a clear and comprehensive understanding of all the stakeholder elements that influence the accountancy profession within a country in order to adequately address challenges and strengthen systems and organizations both during, and immediately following, periods of social, political, and economic transition.

Achieving Regional Cohesion: Enhancing Regional Cooperation

The historical context surrounding the development of the accountancy profession in the region was discussed. Particular emphasis was placed on the rapid pace of development during the last 30 years. One aspect highlighted was the accelerated level of financial sector development and the resulting need for ensuring that accountancy legislation is updated to reflect current market needs. Other challenges discussed were the difficulty in balancing regional and national interests, which can at times be seen as competing; the emphasis on theoretical, as opposed to practical, accountancy education in several



Middle Eastern countries; and the juxtaposition of strong capital markets alongside institutionally weak PAOs.

a) *What lessons might be relevant to regional organizations as they support PAO development in the Middle East?*

A number of lessons learned from the experience of other regions were highlighted as relevant to the Middle East regional context.

- Leveraging regional organizations to augment national-level activities
Regional organizations can have significant impact on development of the profession through a wide range of support of national-level efforts to strengthen the capacity of PAOs.
- Aligning with regional policies
Regional organizations can enhance regional cohesion through aligning activities with common economic, trade, and immigration-integration policies and related institutions, thus strengthening the incentives for regional cooperation and the development of a strong, integrated profession.
- Reinforcing key messages
Regional organizations can greatly support individual country efforts at PAO development by re-emphasizing key national-level messages regarding the importance, need, and value of PAO development and accountancy reform at the regional, and potentially global, level.

b) *What are some of the success factors in building regional identity/cohesion?*

It was unanimously agreed that raising awareness and recognition of the international and/or regional perspective among country regulators, government stakeholders, and the private sector is crucial. Additionally, participants noted the importance of taking into consideration the unique country contexts and addressing these through any regional efforts. Recognition of differences in literacy, economy, etc., was considered crucial due to the impact of such elements on national policy and regional cooperation and identity.

c) *What are some of the key success factors in encouraging national PAOs to support/participate in regional organizations?*

A number of benefits were identified, including the regional organization acting as a “resource base” to assist smaller PAOs to build their numbers and confidence—facilitating cooperation between PAOs in the region and establishing regional approaches to areas such as education to accomplish economies of scale. Regional collaboration was generally agreed to assist development by providing a wider regional and global perspective.



d) *What recommendations/suggestions could you provide to further regional strategy?*

It was agreed that an emphasis on regulation of the profession and “leveling the playing field” with respect to the market is necessary in the Middle East. Better communication networks were also considered a priority to facilitate more effective information exchange regarding accountancy development in the region as a whole.