

An exclusive interview with
Mr. Muhammad Abdul Aleem
Secretary General
Overseas Investors Chamber of
Commerce & Industry (OICCI)

As the chief spokesman of the large foreign investors in Pakistan, what role the Overseas Investors Chamber of Commerce plays in the economic development of the country?

Indeed OICCI and its members have a significant role in the economic development of Pakistan. Before I elaborate it further, let me introduce OICCI which is the premier body of large multinationals operating in Pakistan. It is a 153 year old organization and represents the collective voice of top 190 foreign companies belonging to 33 countries and operating in 14 key sectors of the Pakistan's economy. Our members are serious players and annually contribute roughly 30 % of the tax collection in the country, provide employment to about one million people and are key players in the CSR field. In view of all these facts, OICCI has a significant role in the economic development of Pakistan. We work as a catalyst in attracting quality FDI in the country. We help facilitate the inflow of FDI through sharing of a balanced picture on the incentives available in Pakistan and experience of those foreign investors who have been operating in Pakistan for many years, which is by and large, quite positive. Simultaneously we also share with key Government authorities the important irritants in the smooth operation of large foreign investors in Pakistan. One of our important objective is to raise the profile of Pakistan with the key stakeholders so that the country develops on a fast track with the help of foreign investment despite constraints of security, law and order and energy etc.

Being a qualified member of ICMA Pakistan, how you feel about your association with the Institute and what role you would like to play to promote the profession of management accounting profession in the multinational companies operating in Pakistan?

Well I am a proud member of the ICMAP for over thirty five years. I am also a Fellow Member of ICAP. Most of my working experience of forty years has been with multinationals where not only through my work but through induction, training and development of professionals like ICMA and ICAP members, I have been able to promote the benefits of management accounting at the highest level in the MNC's and government owned Corporations. In today's highly challenging business environment where survival and growth is dependent on successfully managing competitive pressures for marketing and



Mr. Abdul Aleem is a Fellow Chartered Accountant (Gold Medalist); Fellow Cost and Management Accountant. He enjoys over 30 years of work experience with two leading multinationals, including the last ten years in CEO role overseas. Since 2004, Abdul Aleem has worked for very large Government of Pakistan (GoP)-owned corporations. His last government assignment was as Managing Director, Pakistan State Oil, a post that he left in October 2008.

margin, the role of management accounting professionals is already well defined. All good multinationals and leading national organization that interacts with me are already well aware of the critical importance of managing accounting profession in promoting their business. However, the more important role that people like me can play, and am already playing on a limited basis, is to groom the professionals coming out of ICMA etc. is to change their mind set from being an accountant to a forward looking business professional who is sought after by management. I sit on the Board of few leading companies and give the same message to younger managers, which is to think differently, think ahead and manage the environment better than the competition to succeed.

Pakistan is presently passing through a very difficult and challenging phase of history with host of economic and political issues confronting

the nation? Would you like to share your thoughts on this:

Pakistan indeed is going through a very difficult time especially in economic terms. After the financial meltdown of 2008, many countries in Asia have recovered but Pakistan has continued to slide down in terms of economic growth and in attracting Foreign Direct Investment (FDI). May be our leadership, Parliament and other key stakeholders were too busy focusing on politics and did not pay required attention to the economic growth of the country. We are pleased that the democratic process has progressed well and we now have a new team with a business friendly agenda. It is too early to make any comment on the new Government's economic performance, but the expectations are high. There is hope that we will soon see better governance, better economic management and some bold decision to challenge the sacred cows with politically difficult decisions to boost the economic resources of the country, accelerate economic growth and promote an equitable economic system. We believe in Pakistan and are confident that provided the quality leadership the country can outperform the comparable economies, attract large FDI and achieve the full potential of the country.

What, in your opinion, are the main economic issues of Pakistan today? Do you think that the new government that has taken charge of the country will be able to tackle these issues prudently?

Pakistan has many economic challenges including those of widening energy supply gap and high cost of utilities, serious security, law and order concerns in economically sensitive areas, poor policy implementation, high cost of doing business, ballooning circular debt, very low tax to GDP ratio and high fiscal deficit with insignificant investment in the infrastructure and growth oriented development projects. The foreign investment, because of above reasons, have been at one of the lowest levels in the past few years. Having said this, I believe most of these problems are manageable provided the new government shows the commitment to lead the country through good governance, transparency and with determination to take bold but politically risky decision in the interest of the country. I am optimistic that given time, the new Government will be able to show noticeable improvement in the situation.

The foreign direct investment (FDI) into Pakistan has fallen considerably in view of the alarming security situation. Do you think that there are other impediments as well which are hampering the foreign entrepreneurs to invest in Pakistan.

In the annual World Bank study on ease of doing business, Pakistan has declined sharply from being 74 out of 185 countries in 2007 to 107 in 2013. This is disgusting and not at all reflective of the potential of this country. I give below the chart showing the causes of concern identified by the survey. While

Energy concern is well known, the other two major concerns identified in this research identify, i) Paying Taxes, and ii) enforcement of contracts as the top three issues which is well within our means and is an indication of poor coordination and lack of governance in our system. Another OICCI research with foreign investors in Pakistan also identifies the top five concerns affecting FDI are law and order situation, Energy supply, political stability, Inflation and policy implementation, high cost of doing business and lack of good governance in the system. We believe that all of these issues are within our reach to resolve provided the Government and other stakeholders including leading business and trade associations and the public in large show commitment to uplift the country. We do not need foreign assistance to improve our taxation system or policy implementation or in implementing contracts once we have signed it or in eliminating corruption in our system. Look how many years it has taken to auction the 3G Telecom license in Pakistan or import LNG in Pakistan, it has been over four years that we have been talking about these matters, promising the nation that it will be done soon, and we are still talking about it.



The government has set a target of US\$ 5 billion for the year 2013. Do you think that this target is achievable in view of past performance

Yes Pakistan has the potential to attract annual FDI of 5-6 billion dollars annually. We have done this in 2007-08 and can easily do it. We have many sunrise industries and infrastructure projects which can attract large FDI.

It is a general perception that Pakistan has failed to penetrate into the international export market despite its immense potential and quality products. Where we are lacking and what has been the role of government export facilitation organizations in this regard?

Frankly speaking this is not my area of expertise. But as a responsible business person, all I can say is that with high cost of doing business and lack of energy and poor support structure, it is not easy for our exporters to make a mark in the international market. Moreover, the image of the country and lack of innovative approach by our exporters are also not helpful in promoting exports.

Would you like to apprise us as to what CSR activities and other community development programs are being undertaken by OICCI member companies in Pakistan? Do you think that a lot more is to be done by the corporate sector in Pakistan in this area.

Thanks for asking this question. OICCI members are leaders in doing CSR activities in and around their operating areas. OICCI has a full-fledged CSR subcommittee to share the best CSR practices of member companies. Based on our information, the socially conscious corporate sector in Pakistan is doing its honest bid to participate in the community development through innovative schemes and initiatives. Contribution in the area of education and social uplift in the neighborhood are also part of their plan. A full-fledged report on CSR activities of our members will soon be available to public.

The OICCI had submitted its recommendation to the Government for Federal Budget 2013-14. How far these recommendations have been incorporated and what are the views of OICCI on the budget announced by the Finance Minister?

Overall, we think that the 2013-14 Budget was an improvement over the past and some effort is certainly visible in broadening the tax base in the country. We also understand that the government had very little time to present the budget so it has relied on officials who have restricted the ability of the new Government to do what it had promised. We see that many of our recommendations like reduction in corporate tax rate, Reduction In Tax Rates For Corporate Sector, Advance Tax On Distributors, Withholding Income Tax Rates On Import Of Raw Materials & Capital Goods, Tariff/ Non Tariff Area, Return Of Income - [Section 114], Unexplained Income Or Assets - [Section 111], Wealth Statement - [Section 116], Other Tax Broadening Measures have been incorporated. However, we are disappointed that the Government has focused on taxing the already the taxed one like the increase in Sales Tax, increase in turnover tax and very major increase in the salary tax, the levy of wealth tax on movable assets etc. The agriculture income and many of the exempted income remained outside the net. We have raised our concern with the Finance Minister and will continue to engage with the Government to bring equity and rationale in the whole taxation system.

There is a general reservation of the industrial sector that the cost of doing business in Pakistan is very high as compared to other countries. To what extent this reservation is true and what are the main reasons for this high cost of business?

Yes the cost of doing business in Pakistan is quite high. Besides very high energy cost, the additional cost of security and inequity in the system add substantial cost to operators in Pakistan. The taxation and local levies of various forms affect ethical operators which add to the cost of doing business in

Pakistan. While the interest cost has reduced only in the past 12-18 months, otherwise it also had a big impact on the overall cost.

Pakistan has one of the lowest tax to GDP ratio in the world. Would you like to elaborate on this and how could the tax base could be broaden.

Yes the low tax to GDP ratio is a serious concern. We have thought through very seriously on this subject and have given many practical proposals on the subject to the Government which you can see on our website www.oicci.org under Research and Publications.

What economic scenario you foresee in Pakistan after five years. Would there be any improvement or our economy is sliding down?

Well, we cannot afford to be as bad as we were in the past five years. But the whole community including the powerful media is responsible for what we got, whether it was massive corruption or destruction of institutions, bleeding of PSE, total lack of governance. We did not focus on economics and business and remained hung up on politics only. So with hope of good governance and some efforts by the new Government and the business community we are somewhat positive of better times ahead.

What role do you think the Management Accountants, qualifying from ICMA Pakistan, can play in the economic development of Pakistan.

The qualified Management Accountant have to move on with time, continuously developing themselves and be ready to play a leading role in the development of the country. There will be more and more opportunities for the competent people who are not only technically qualified but also have strong communication, presentation and managerial skills. These skills can be learnt and the young accountants must always be focused on self-development as well.

What message would like to give to the Management Accountants

I have already given my message in the above comments. What I want to emphasize is that think ahead, do not look in the past, use your technical skill and experience to develop yourself, always learn new things, increase your network, read new literature on business and technical matters, stay tune to the changing challenges and you will be successful . You will be in demand and approached by the headhunters and prospective large corporates before you think of applying there. There is always opportunity waiting for the smart professionals. The more challenging the time, the more opportunity for management accountants.

Best of luck to you all.

The interview ended with a vote of thanks to Mr. Muhammad Abdul Aleem, Secretary General, Overseas Investors Chamber of Commerce & Industry (OICCI) a distinguished professional who spared his valuable time and gave his candid views exclusively for this journal. – Editor