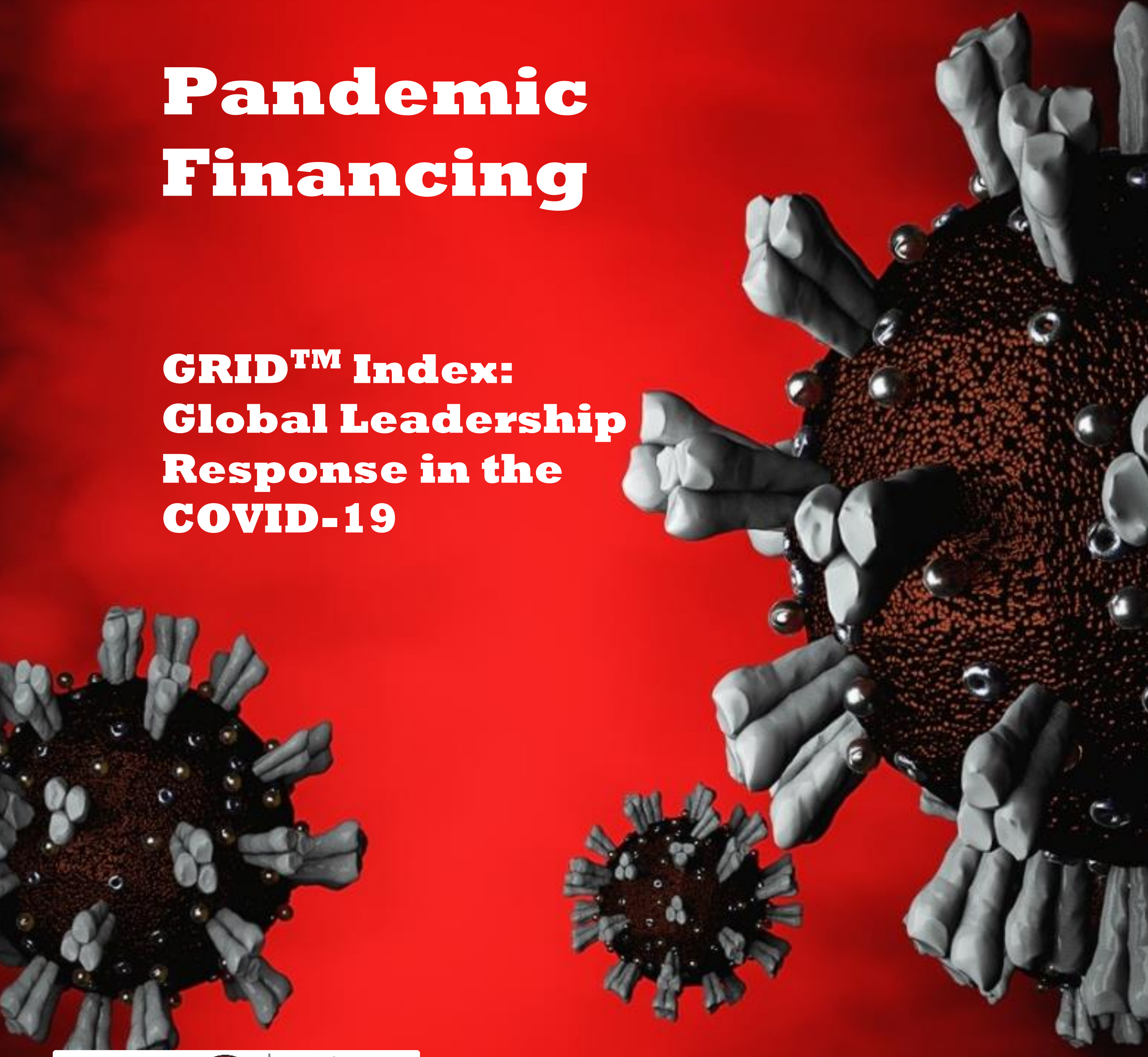
ON TARGET

e-Mag of the Institute of Certified Management Accountants
March April 2020 Vol 24, No.2

STRATEGY » FINANCE » MANAGEMENT

Pandemic Financing

GRID™ Index: Global Leadership Response in the COVID-19



CMA AUSTRALIA Certified Management Accountants

Education Advisory Board

The Institute's Education Advisory Board provides expert advice on the Professional Education; Continuing Education and Academic Education for Students and members of the ICMA.

Members of the Education Advisory Board are as follows:	
Convenor:	
Prof. Janek Ratnatunga	ICMA
Australian Members:	
Prof. Garry Marchant	Charles Sturt University
Prof. Stewart Jones	University of Sydney
Prof. Vincent Chong	University of Western Australia
Prof. Nava Subramanium	Deakin University
Prof. Lisa McMannus	Charles Darwin University
Prof Carol Tilt	University of Sounth Australia
Dr. Gregory Laing	University of the Sunshine Coast
International Members:	
Dr Mohd Nor Ismail	Multimedia University, Malaysia
Prof. Allen Wong	Peking University, China
Dr Thaddeus Kambani	Institute of Finance and Management PNG
Dr. Paulina Permatasari	Parahyangan Catholic University, Indonesia
Prof Zhijun Lin	Macau University of Science and Technology
Dr Bas Basuki	Airlangga University, Indonesia
Dr Nalaka Godahewa	Academy of Finance, Sri Lanka

Membership Advisory Board

The Institute's Membership Advisory Board provides expert advice on the minimum experience requirements requires for entry to the: (1) MAA, CAT, RCA, RBA, GMA, AMA, CMA, FCMA membership certifications; (2) the CGBA and CIPA professional designations; and (3) the Certificates of Proficiency programs. The Membership Advisory Board also provides expert advice on: (1) membership services; (2) industry and government engagement; and (3) the development of Ethical standards.

Members of the Membership Advisory Board are as follows:	
Convenor:	
Mr. John Donald	
Australian Members:	
Ms. Anna Stamatelatos	
Mr. Darrel Drieberg	
Mr. John Stanhope	
Associate Professor Prem Yapa	
International Members:	
Mr. Fawaz Hamidi	Lebanon
Mr. Christos Ioannou	Cyprus
Mr. Alireza Najjar Sarraf	Iran
Mr. Jacob Montross	Cambodia
Dr. Dennis Tam	Hong Kong
Professor Bambang Tjahjadi	Indonesia
Dr. Joselito Diga	Philippines
Mr. M. V. Jayafar	UAE
Mr. Asite Talwatte	Sri Lanka
Dr. Ridzwan Bakar	Malaysia
Dr. Simon Mhpeo	Papua New Guinea

Certified Management Accountants

Contents

PANDEMIC FINANCING – STEALING BILLIONS FROM FUTURE GENERATIONS

Key Takeaways

- **Governments borrow money to finance crises by selling government 'bonds'; which are 'promises' to repay borrowed money, plus interest to those who buy them.**
- **However, these bond issues will be less in demand if traditional investors in bonds find that investing in new equity offerings and/or buying existing shares has a better risk-return in a highly depressed share market.**
- **When demand in bonds fall, central banks boost demand by buying the bonds themselves.**
- **This is called Quantitative Easing (QE), or colloquially 'money printing'.**
- **QE keeps interest rate down in the bond market.**
- **In Australia, as the government bond interest rates are low, the interest bill on the additional $213 billion of pandemic crisis borrowings will be just $1.6 billion a year, which will be added to the net-debt of the country.**
- **Repaying this net-debt will be the responsibility of future generations; which will take a long, long time, if ever.**
- **To reduce the burden on future generations, countries responsible for the COVID-19 pandemic could, under international law, be asked to pay reparations; i.e. compensation for damages or economic loss; but such actions may lead to tensions between nations, potentially war, and perhaps exacerbate the current trade wars.**
- **Protecting future generations from debt shock through increased economic activity seems to be the only workable solution in the short to medium term.**
- **However, governments should be wary that such increased activity, if not controlled, could result in an inhospitable climate for the future generations.**

Prof. Janek Ratnatunga, CEO, ICMA Australia

In normal times the governments like to 'balance the budget', i.e. balance incoming money from tax collections and other government revenue streams with outgoing spending on welfare, health services, education, security, etc.

When government spends more money than it raises in a year it is called a 'deficit budget', and conversely, a 'surplus budget' means the annual budget has surpluses of estimated collections vs. estimated expenditures. Government debt is incurred and accumulated when there are deficits; whilst surpluses are used to partially reduce accumulated debt. With enough annual surpluses, the debt can be eliminated altogether.

But a global pandemic is not normal times.

In a recent article, Irvine (2020) gives an excellent overview of where will all the money come from to fund the stimulus packages such as offered by countries such as USA, UK and Australia.[i] Whilst none of these countries have come even close to eliminating the national debt accumulated in previous downturns and crises – especially during the global financial crisis (GFC) – their economic growth has been so rapid since the GFC as to dwarf the size of their debt relative to their national income.

For example, prior to the pandemic, the Australian government net debt was, in dollar terms, higher than at any other time in its history; but as a percentage of its economy, however, the net debt was about 19.2 per cent of gross domestic product; i.e. the same as it was in the mid-1990s, in the aftermath of the early '90s recession (Irvine, 2020).

Now, however, the Australia net debt can be expected to top half a trillion dollars, as the Federal government needs to borrow money to finance the various stimulus packages it is offering for its population to practice 'social distancing'.

How the Government Gets the Money

Governments borrow money in various ways. It sells 'Australian Government Bonds'. These are 'government promises' to repay borrowed money, plus interest, to those who buy them. There are two types of Bonds available: *Treasury Bonds* which provide fixed interest payments; and *Treasury Indexed Bonds* which provide interest payments linked to inflation. As one can see, as more and more bonds are issued and the level of outstanding government debt rises, and so too will the total interest bill that must be paid out to those investing in the bonds. The Australian government paid $14 billion in net interest payments on its borrowings in the last financial year.

Who invests in these bonds? Irvine (2020) states that according to the *Australian*

Office of Financial Management (AOFM), just over half of Australian government bonds are held by non-residents. These include foreign banks, central banks and investors, including big global pension funds. The remainder is held by Australian entities, including banks, super funds and other institutional investors.

Although Australian government bonds have tended to be oversubscribed in the past, it is still to be seen if regular investors in such bonds will have the cash to invest in such an unprecedented global pandemic. Their behaviour in past crisis situations indicate that they would. Even during the global GFC, as big pension funds still continued to receive a steady stream of contributions from the employed workers; they purchased bonds as they needed somewhere to park the money.

However, today we are in a situation where a much larger percentage of the workers are 'unemployed' and not making any pension fund contributions.[ii] These pension funds may need the cash to continue to pay the retired members their 'pensions'. Many governments are also passing legislation for cash-strapped workers to access their fund balances.

Further, if the (risk-free) return offered in the government bonds is extremely low; potential investors may decide that snapping-up blue-chip shares (equity) at depressed prices provides the potential of a much better future return than the very low interest rates offered in the government bond market. Of course, the share market has a risk attached to it, but if the expected risk premium (i.e. the difference between the expected market return and the risk-free rate) is large enough, the risk-return trade-off may tilt the investors away from the bond market.

Also, we have seen companies making very successful private equity capital raisings (new shares).

The Role of Private Equity

Private equity is raised by companies, not governments. Cash going into private equity is cash lost to government bonds.

Companies issue *new shares*, called 'equity placements' when they want to raise cash. In a pandemic crisis, cash is needed fast to keep operations going. However, there are rules in new equity capital raisings which take time to adhere to; and companies, especially mid-sized companies, do not have the luxury of time.

In the last 3 days of March 2020, in response to the COVID-19 pandemic, some of these 'Rules' were eased in Australia. The Australian Federal Government and the Australian Securities Exchange (ASX) made some unprecedented and significant (although temporary) changes to the regulatory landscape with respect to equity capital raisings in Australia.

Prior to these changes, in simple terms, a foreign non-government investor could buy Australian securities without restrictions if the total ownership did not exceed a 20% threshold. A foreign investor could still exceed 20% if the total investment was ***under*** a monetary threshold of $275 million for business acquisitions (except media) and for of $60 million for agribusiness acquisitions.

Under the temporary changes to Australia's foreign investment laws, the monetary thresholds have been reduced to nil. This means that any investment ***over*** 20% must seek government approval. There appears to be no changes to the rules for investments under the 20% ownership threshold – these can still go ahead.

Although the impact of the changes in the foreign investment law on capital raisings by Australian listed entities is expected to be limited; the sudden tightening of the regime may still dampen appetite from *offshore investors*, who are a key element of Australia's capital markets.[iii]

The Australian Stock Exchange (ASX) also announced temporary emergency capital raising pertaining to placements, share purchase plans and entitlement offers. One of the concerns that existing shareholders will have is the temporary increase of the annual limit on shares which can be placed with non-shareholders *without* shareholder approval in any 12-month period. This was lifted from 15% to 25%. Further, the old requirement that you cannot do a pro-rata share issue greater than a 1-for-1 without shareholder approval has now been changed to a 2-for-1. This allows for a larger number of discounted placements to strategic or institutional shareholders, boards and their advisers; and will inevitably dilute retail investors (Chanticleer, 2020).[iv].

As a result of these changes, there has been a spate of equity capital raisings in Australia. Most of the companies lining up for capital to date can be placed in the 'emergency cash injection' category such as tourism operators such as *Flight Centre* ($700 million) and *Webjet* ($246 million). But eyebrows have been raised about the private equity placement of *Cochlear*, a large company with good post-coronavirus prospects – albeit one with an expensive $700 million legal settlement hanging over its head. Eyebrows were further raised when it was found that Cochlear is chaired by Mr. Rick Holliday-Smith, who is also the chairman of ASX (that relaxed the rules); and the shares of Cochlear issued at $140 per share were trading at $191 a week later. Thus, those lucky enough to get a big chunk of the new shares, in particular UK fund manager *Veritas* which picked up about one third of the placement, have made a killing (Knight, 2020).[v]

The big winners were Australia's investment banks, which collected hefty fees for such placements. The losers were the retail investors, whose shares have been significantly diluted.

The point is, there will be more equity placements to come, sucking money away from bond market.

Quantitative Easing

In such an environment where the risk-return trade-off is favourable to snapping-up *existing shares* in a depressed stock market; and in which the rules for equity capital raisings of *new shares* is relaxed; investors may turn away from bidding for Treasury bonds. If there is less demand for the bonds, traditional economics says that the interest rates need to increase to make the bonds attractive.

If the objective is to keep interest rates low, central banks will need to get much more involved in the market for bonds. They would need to add to the demand for such bonds by purchasing Treasury bonds themselves. When central banks get more involved in buying bonds and other debt securities, it is called 'Quantitative Easing'.

Quantitative easing (QE) is a monetary policy whereby a central bank uses its cash reserves to purchase *existing* government bonds in secondary markets. Colloquially, QE is known as *'money printing'*, even though it is done by electronically crediting bank accounts and it does not involve actual printing. QE happens when a countries central bank pumps money **directly** into the economy by buying specified amounts of financial assets from commercial banks and other financial institutions; thus, raising the prices of those financial assets and lowering their interest rate, while simultaneously increasing the money supply.

For example, in the current crisis, it is expected that the Australian Reserve Bank (Australia's central bank) will need to purchase Australian government bonds in order to increase the demand for such bonds; and consequently, become a bigger owner of Australian government bonds than it has held in the past.

QE differs from the more usual policy of buying or selling government bonds to keep interbank interest rates at a specified target value. QE is a more recent (and unconventional) form of monetary policy, and is usually used when inflation is very low or negative, and standard expansionary monetary policy has become ineffective. Whist one can make a distinction between *quantitative easing* and *credit easing*, economists and the media have largely disregarded this by dubbing any effort by a central bank to purchase assets and inflate its balance sheet as quantitative easing.

Printing more money does not increase economic output – it only increases the amount of cash circulating in the economy. If more money is printed, consumers are able to demand more goods, but if firms have still the same amount of goods, they will respond by putting up prices. Thus, in a classical economic supply-demand model, 'printing money' should cause rampant inflation. However, this did not happen in the USA.

Between March 2008 and December 2019, the US Federal Reserve (the Fed)'s balance sheet in terms of its total assets, ballooned from US$900 billion to US$4.5 trillion. This was reduced somewhat to US$3 trillion by August 2019. In Sept 2019, the Fed pumped US$75 Billion into the banking system to ease a liquidity shortage; and by March 31, 2020, after the US$2 trillion Coronavirus relief package was added, the Fed's total assets stood at 5.8 trillion. This is almost double what it was just 7-months ago.

Many investors feared QE would cause runaway prices, but inflation has remained stubbornly low in the USA and around the world. In fact, in places such as Denmark, Japan and Sweden, negative cash rates – and the consequent release of the first -0.5% ten-year fixed rate mortgages – had highlighted a global need to stimulate consumer spending, even before the pandemic crisis.

After the pandemic crisis, many central banks reduced their overnight interbank lending rates. The US Fed reduced the rate to 0.250%; i.e. almost zero. If banks were to reduce their interest rates to below zero, the world of finance as we know it*, would flip upside down.* Time will have no money value. Savers would pay the banks to hold their money, and borrowers would essentially earn money on the loans they took out.

Protecting Future Generations from Debt Shock

Are future generations paying the price of financing this pandemic crisis? The short answer is "Yes, definitely".

Whilst it is not 'impossible' that net-debt in countries can be significantly reduced or even brought down to zero; it will still take a very, very long time. The government has essentially 'borrowed' money from future generations; but as the interest rates are historically low, the annual interest payments will be relatively small. In Australia, the interest bill on the additional $213 billion of crisis borrowings will be just $1.6 billion a year. In the case of any bonds purchased using QE, the government will be paying interest to itself.

One way to reduce the net debt at a faster rate is via reparations.

'Reparation' is the act or process of making amends for a wrong. Something done or money paid to make amends or compensate for a wrong. Reparations compensation is paid for damages or economic loss, required from a nation responsible for that damage or loss. After World War II, both West Germany and East Germany were obliged to pay war reparations to the Allied governments, which they paid for by ceding land to Poland and the Soviet Union.

Some organisations such as the *Henry Jackson Society*, a conservative London think tank, have argued that based on their interpretation of international law, China has breached the *International Health Regulations* amongst other laws; and therefore should pay compensation due to allegations of their slowness in reacting to and disclosing the virus to other parties (Bourke, 2020).[vi]

The theory of international law states that compliance comes about when there are rational, self-interested sovereign states. International law can affect state behaviour because states are concerned about the reputational and direct sanctions that follow its violation. A failure to honour an international law commitment hurts a state's reputation because it signals that it is prepared to breach its obligations.

The problem with the actual implementation of international law is that it is more likely to have an impact on events when the stakes are relatively modest. The implication is that many of the issues that receive the most attention in international law – i.e. the laws of war, territorial limits, arms agreements, and so on – are *unlikely* to be affected by the application of international law should such issues eventuate. On the other hand, issues such as international economic matters, environmental issues, and so on, can more easily be affected by international law (Guzman, 2002).[vii]

Therefore, it would be difficult and controversial to attempt to prosecute China on these allegations and would lead to prolonged court proceedings that would be unlikely to result in them accepting to pay compensation.

It may lead to tensions between nations, potentially war, and perhaps exacerbate the current trade war. For that reason, countries cannot rely on any such a fiscal boost to their financial position and should instead focus on other ways to improve their fiscal position through the tax system and getting the economy back and moving again.

Protecting the Environment of Future Generations

Protecting future generations from debt shock through increased economic activity seems to be the only workable solution in the short to medium term. Such a solution has been successfully implemented before.

After WWII the USA provided more than $15 billion to help finance rebuilding efforts on the European continent under the *Marshall Plan*. But with the COVID-19 pandemic, with the whole world's economies, including that of the USA's, being significantly affected, there appears to be no 'lender of last resort'. Countries have to rebuild their economies by themselves.

In Australia, prior to the global financial crisis, the Howard government had managed to reduce Australia's net debt to effectively zero, thanks to the mining boom (Irvin, 2020). Australia was also significantly protected by its mining and resources industry to weather the GFC. Since that time, Australia has relied heavily on the export of its resources. As such, if economic activity surges post-pandemic to meet pent-up demand of a global lockdown, there will be pressure on the Australian government to increase its output and export of its resources, especially coal.

Such boosts in economic activity and in the export of resources may reduce the debt-burden of future generations; but it will come at a significant cost to the environment that these future generations will inherit. The one lesson that COVID-19 has taught us is that we do not need to be a slave to rampant economic growth and excessive consumerism. The 'lockdown' is just a precursor to what we will have to go through continuously if a climate disaster eventuates.

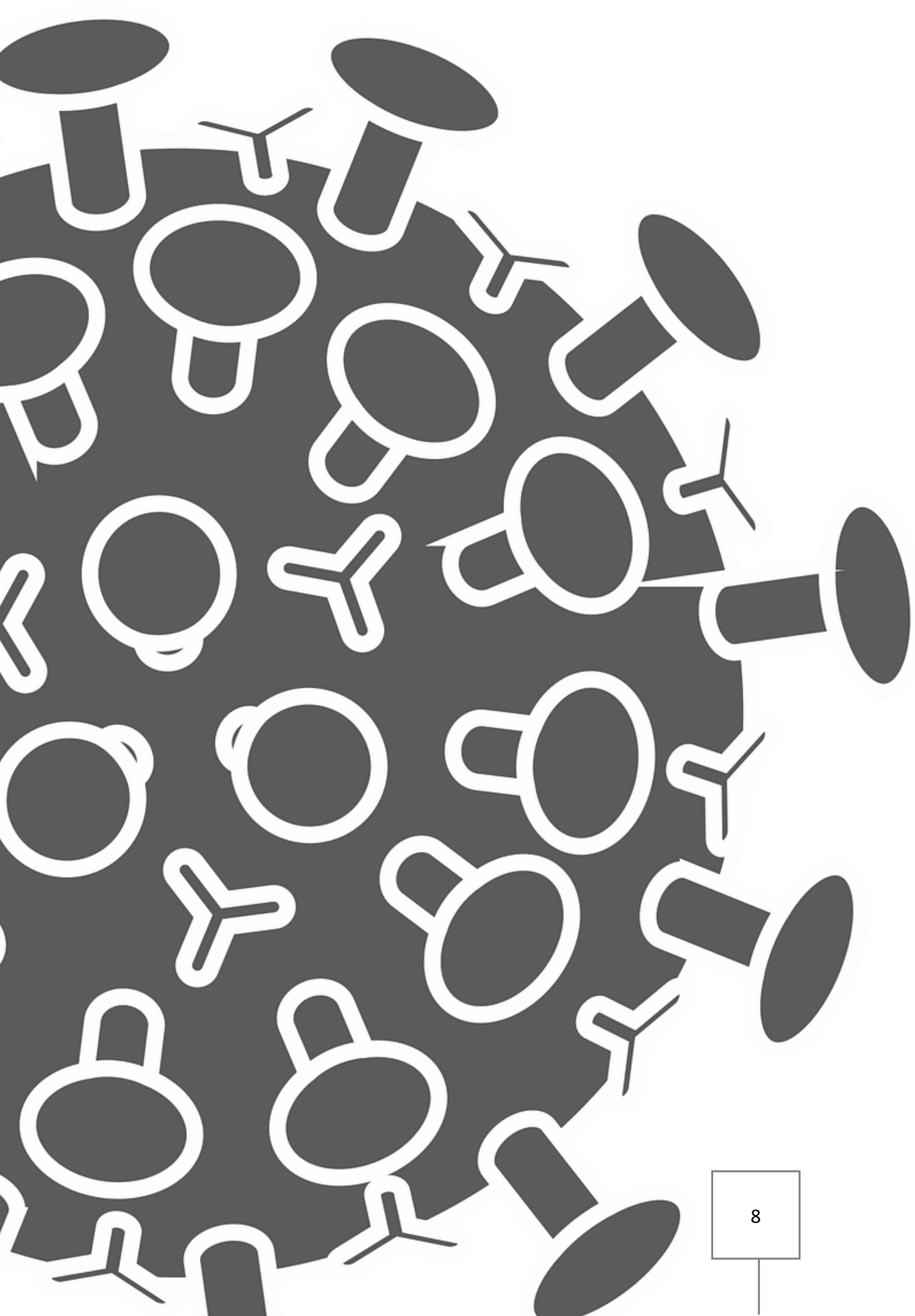
In freeing future generations from debt; we should not leave them with a bigger disaster, an inhospitable climate.

Regards,

Professor Janek Ratnatunga, CMA, CGBA

CEO, ICMA Australia

The opinions in this article reflect those of the author and not necessarily that of the organisation or its executive



References

[i] Jessica Irvine (2020), "Where will all the money come from to fund the stimulus?", *The Sunday Age*, Extra, April 5, p.26.

[ii] More than 10 million people applied for unemployment benefits in the last two weeks of March after being thrown out of work by the business shutdowns due the coronavirus pandemic. And the numbers are expecting to keep surging, with some economists predicting the loss of 20 million jobs in the USA alone.

[iii] Baker McKenzie (2020), "Australian Equity Capital Raisings in light of COVID-19", 01 April,

https://www.bakermckenzie.com/en/insight/publications/2020/04/australian-equity-capital-raisings-covid19

[iv] Chanticleer (2020), "What the ASX's emergency changes mean", Australian Financial Review, April 1, https://www.afr.com/chanticleer/sensible-cap-raise-changes-bring-pain-for-retail-investors-20200331-p54frf

[v] Elizabeth Knight (2020), "Beware the rescue trap for small shareholders", *The Age,* Opinion, April 7, p.25. https://www.smh.com.au/business/companies/beware-the-rescue-trap-for-small-shareholders-20200406-p54hjh.html

[vi] Latika Bourke (2020), China should be sued for $6.5 trillion for coronavirus damages says top UK think tank' *The Age*, April 6, p.10. https://www.smh.com.au/world/europe/china-should-be-sued-for-6-5-trillion-for-coronavirus-damages-says-top-uk-think-tank-20200405-p54h5b.html

[vii] Andrew T. Guzman (2002), "A Compliance-Based Theory of International Law", *California Law Review*, December, Vol. 90, No. 6, pp. 1823-1887.

GRID™ INDEX: TRACKING THE GLOBAL LEADERSHIP RESPONSE IN THE COVID-19 CRISIS

Dr Chris D'Souza
CFO & COO (Int), CMA Australia

"Leadership is a responsibility. It's not about being in charge. It's about taking care of those in your charge." -Simon Sinek

Never has good leadership been more critical and relevant in our lifetime than today as countries around the world struggle to fight the COVID-19 crisis. In times of crisis, good leaders rally to nurture and protect their flock. Great Leaders with vision go beyond their own national boundaries and unite the world fostering global partnerships to work towards the common good. However, as we struggle against an unprecedented pandemic sweeping through our world, our leaders are tackling this global crisis in very different and often controversial ways. The nature of this crisis demands global cooperation but requires action differing from nation to nation. Each country battling this crisis has very unique political, cultural, geographical and social dimensions. The COVID-19 pandemic has impacted each country in a different manner and consequently the measures taken by leaders of different countries have varied. However, it is said that difficult times bring out the best in great leaders and arguably shine the spotlight on deficiencies and shortcomings of other leaders. Inevitably among other things the success of a nation's leader's during this pandemic will be judged by how well they have cared for those in their charge.

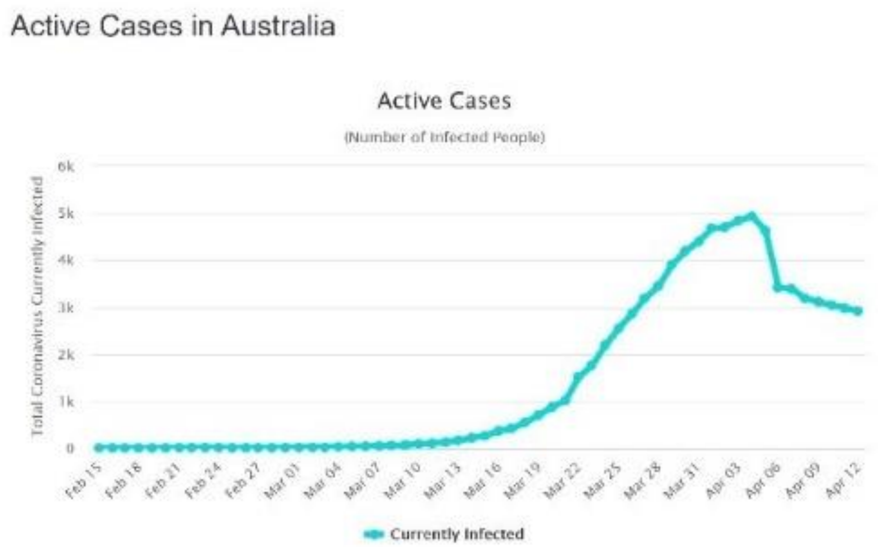
The Institute of Certified Management Accountants (Australia) commissioned a research study to evaluate the response and leadership shown in each country and to develop a ***Global Response to Infectious Diseases (GRID™)*** index to indicate how efficient and effective the leadership of the country and the preparedness of its health system were in tackling this pandemic. The ICMA was of the view that a country's ranking on the index could be a motivator to a country in terms of being prepared for the next global pandemic or crisis.

The results of individual country's performance on the GRID™ index will be presented later in the article. First let us present an overview of the performance within specific countries and regions.

The ANZAC Response – Exceptional leadership by Scott Morrison and Jacinta Arden

First, let us look at the leadership in the ICMA's home country of Australia. Prime Minister Scott Morrison has emerged as a very capable leader and displayed remarkable leadership qualities in this crisis. The year 2020 had not begun well for Australia with horrific bushfires and our national leadership (particularly the Prime Minister) coming under severe criticism. Just one month later, in a dramatic turnaround, much to his credit, the very same Prime Minister Scott Morrison significantly picked up his game and upped the ante showing outstanding leadership during the COVID-19 crisis. To start with, he created a national cabinet as a unique decision-making authority bringing together State Premiers of different political persuasions to work together on a common goal to overcome the crisis. He has also successfully overcome ideological differences with his opponents (in stark contrast to President Trump in USA); earning him the admiration of supporters and opponents alike. The result of this coordinated and carefully planned response to the pandemic is a dramatic downward trend in the number of new cases as well as active cases as illustrated in the attached diagrams from 'worldometers'– Similar diagrams for every country are available and regularly updated on the 'worldometers' website.[1]

Besides the Australian Prime Minister, the Premier of Victoria, Daniel Andrews has also emerged as a great leader. He led the state admirably during the bushfires and now the Pandemic. Other State Premiers have also cooperated well with the Federal government while taking appropriate statewide action. Maybe there is a lesson for the USA to learn from here? A lesson



that political differences need to be set aside and cooperation at all levels, State as well as Federal, together with a well thought-out and executed strategy, is the key to effective control of the Pandemic and any future crisis – global or national.

Before we go across the Pacific and look at leadership in America, we will look at countries closer to home. Across the Tasman, New Zealand is fortunate to have Prime Minister Jacinta Arden. Her leadership in the aftermath of the Christchurch massacre catapulted her into the international limelight; and now under her leadership in the pandemic, New Zealand seems to have achieved success like Australia in flattening the curve. Like Australia the opposition in New Zealand has cooperated with the ruling party to unite the country.

Connecting the Transparency Index with the Global COVID-19 Response

Questions have been raised as to the reliability of the data on each country with regards to its reporting of tests, cases and deaths relating to COVID-19. Some countries have been accused of underreporting the actual impact for various reasons: economic, religious, scientific, national security, lack of transparency and sheer negligence, amongst others. Some leaders have tried to shift the blame and even conveyed misinformation to their citizens. Misinformation is some countries rises to the level of *Information warfare* tactics with characteristics of psychological operations (PSYOPS) to build morale among their citizens and image projection to the world at large.

As such, in developing the GRID™ index, it was important to ascertain if there was a relationship between the level of COVID-19 information coming from a country and the transparency of the country providing the information. A country's ranking on the *Corruption Perception Index 2019 (CP Index)* published by *Transparency International*[2] was used as a surrogate for the level of information transparency in each country. Countries high on the list are perceived as being less corrupt and more transparent, and thus the COVID-19 information from them could be assumed to be more reliable.

It is interesting to note that the ANZAC countries are ranked high on the *CP Index 2019*; with New Zealand 1st and Australia 12th out of 180 countries. Three other countries in the Asia Pacific region that seem to be managing the crisis very well are Japan (20th on the CPI), South Korea (39th on the CPI) and Singapore (4th on the CPI). These countries are comparatively higher on the *CP Index* than most of their Asian counterparts. These higher ranked Asian countries have leadership styles that are very different to that of the ANZACs. However, if you accept the fact that success in controlling the virus as measured by flattening the curve is a good barometer of leadership, then it can be accepted that these countries have demonstrated good leadership. Among countries ranked high on the CP Index is Hong Kong (16th on the CPI) – however; the level of independence of its leadership from China has been questioned by some, and a factor in the infamous HK riots of 2019. The Chinese response and leadership during the crisis seems to have worked for its citizens; with reports coming out of China that it has successfully contained the outbreak. There have been doubts raised in the Western media, however, on the reliability of the data coming out of China (China is ranked a lowly 80th jointly with 5 others including India, on the CP Index).

It is hard to commend or compare the success of leadership of countries that lack transparency. This is largely because there is not enough testing done in these countries, and also because in many cases the quality of the data coming out of these countries is in serious doubt. This includes some countries in the Middle-East, which though ranked higher on the transparency index due to perceived low corruption, are perceived to have unreliable data to evaluate effectiveness.[3] However, the leadership in most of these countries have locked down their citizens and are in a position to impose restrictions on their residents at will.

South Asia

India has a very strong central Government with the ruling party having a large majority in their parliament which has allowed Prime Minister Modi to enforce a 21-day complete lockdown. The success of this lockdown which has now been extended till the end of April 2020, will be evaluated in the weeks to come but yielded disturbing chaotic scenes of migrant workers fleeing the major cities en masse as their livelihoods disappeared. These scenes call into question how well the lockdown was planned and executed by India's leadership.

Individual state leaders in India will also be judged for their leadership skills. In Mumbai, the commercial capital of India, the Chief Minister of Maharashtra, Udhav Thackrey, has emerged as a decisive leader acclaimed even by his political detractors.

As the contagious coronavirus cuts through India, the little islands of good news in these terrible times have been the performance of individual chief ministers such as Kerala's Pinarayi Vijayan, Rajasthan's Ashok Gehlot, Maharashtra's Uddhav Thackeray, Chhattisgarh's Bhupesh Baghel, Delhi's Arvind Kejriwal and the irrepressible Mamata Banerjee of West Bengal (Chaturvedi, 2020).[4]

The central government, however, is facing a divided nation just emerging from riots fueled by the contentious *Citizenship Amendment Act 2019*. An important aspect to be noted here is that India possesses a very unique diversity, comparable to none globally; and is the world's largest democracy with over a billion people. Its approach has to be also unique and different from non-democratic countries like China and the Middle-East, and also different from that of western democracies.

In India, the first COVID-19 infection was reported in Kerala on January 20. From early March, the virus started to spread across India; currently, 30 out of the country's 36 States and Union Territories (UTs) are affected. The government's failure to detect, trace and isolate infected persons in the nearly two-month-long window of opportunity it had to protect people from the coronavirus shows its irresponsible handling of the COVID-19 crisis (Wilson, 2020).[5]

Great Leadership is different from populism – The Indian Prime Minister like many other leaders around the world is arguably a populist. This is evident from some of his popular actions like getting all Indians to clap hands at the same time and on another occasion getting everyone to turn the lights out and light candles 'diyas' for 9 minutes at 9pm. Popularity and populism will not win the battle against the Pandemic. The true test of his leadership will be how well he manages the fallout from this pandemic, irrespective of his popularity.

Consider India's leadership response to that of neighbouring Sri Lanka. As the origin of the novel coronavirus in Wuhan was announced, Sri Lankan authorities started to take vigilance in stopping the potential danger. The military forces and the national intelligence service were put on high alert. The government created specialized aviation and border control expert teams, to track the movement of all inbound tourists and with a potential threat. Sri Lanka was one of the first countries to send rescue missions to Wuhan to evacuate 33 Sri Lankan families. The families were brought down via an exclusive carrier and quarantined in a unique quarantine military facility. All potential contacts were observed continuously under quarantine. Those in the military facility were given full access to information; and there was no government control of information, hence increasing its reliability.[6]

This explains why although Sri Lanka is placed a lowly 93rd in the CPI ranks; it is ranked 10th on the GRID™ Index alongside countries such as Hong Kong and Taiwan.

The reason Sri Lanka responded so well is because Sri Lanka has a public health system which is free for all citizens. Going hand in hand, Sri Lanka has had a free education system until graduate school for the last 60 years; thanks to which it has trained thousands of well-qualified healthcare professionals and paramedical workforce for many decades through well-regulated and state of the art medical faculties covering all regions of the country; all free of charge. The doctors and paramedical staff receive post-graduate training and continuous medical education throughout their career. The island nation also has a robust century-old community health program. Health statistics such as maternal and child mortality rates are the lowest in the region. In fact, comparable to the western world. The life expectancy is highest in the region. The nation is 100% vaccination covered, and all treatments under the extended program of immunization are administered free of charge.

European Union

The European Union, UK and USA are currently the nations that are worst affected by the pandemic – the top 5 affected countries in the world being USA, Spain, Italy, France and Germany. Nine of top twelve affected countries are in Europe, Out of all the European countries seriously affected by COVID-19, Germany has best managed this crisis – not so much in containing the outbreak but in managing the fallout from the outbreak – `with a mortality rate below 2%. Germany was hampered by its open borders with the rest of Europe, specially Italy, which led to the high number of cases in the country. However, it seems to have managed the crisis exceptionally well. The *New York Times* has credited Chancellor Angela Merkel's leadership as one reason the fatality rate has been kept low.

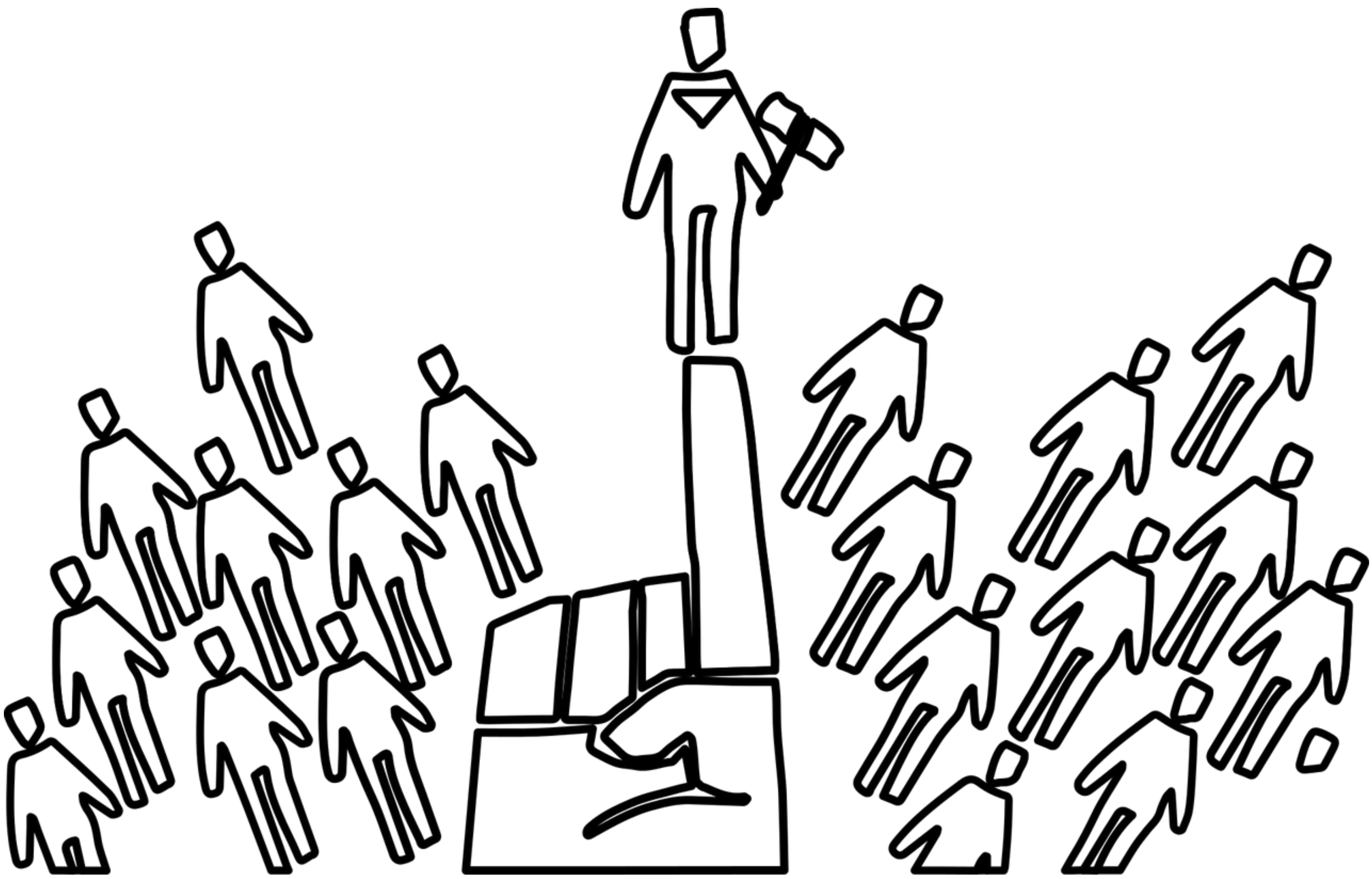
Ms. Merkel, a trained scientist, has communicated clearly, calmly and regularly *throughout the crisis, as she imposed ever-stricter social distancing measures on the country. The restrictions, which have been crucial to slowing the spread of the pandemic, met with little political opposition and are broadly followed"* (Bennhold, 2020).[7]

Arguably the Worst Response – USA

History will be the judge of the leadership of the crisis by its President, Donald Trump. Opinion in the US is bitterly divided along partisan lines but from outside the US it is very clear that so far, his handling of the COVID-19 crisis has been disastrous and might potentially result in hundreds of thousands of lives lost.

Trump initially declared the virus to be hoax perpetuated by his political opponents and at every step of the denial he has bumbled along playing partisan politics and severely reprimanding the press for asking questions. He refuses to take any responsibility and keeps repeating that the pandemic is not 'his fault'. The utter unpreparedness and disarray of the USA for a pandemic indicates an appalling lack of leadership on Trump's part, as well as the limitations inherent within the US when trying to implement nation-wide responses. The 2018 disbanding of a National Security Council unit set up by President Obama to focus on pandemic preparedness is an appalling lack of vision on the part of the Trump administration. The loss of stockpiled respirators to breakage because the federal government let maintenance contracts lapse in 2018 is a callous decision by the Trump administration that could otherwise prevent loss of precious lives in times of a pandemic like current COVID-19. The failure to store sufficient protective medical gear in the national arsenal represents the Trump administration's failure towards protecting America's valuable healthcare professionals. The gob-smacking spectacle of States bidding against other states for equipment, paying many multiples of the pre-crisis price for ventilators, shows an appalling lack of management skills by Trumps federal administration. Moreover, his constant public flip-flopping in his attitudes towards, and responses to the crisis, have confused the public.

Air travellers summoned home and forced to stand for hours in dense airport crowds alongside infected people – demonstrates a lack of nurturing and care towards the American people. Ten weeks of insisting that the coronavirus is a harmless flu that would miraculously go away on its own, is a clear indicator of Trump's lack of understanding and reckless train of thought. The refusal of Republican State Governors to act promptly as illustrated by the failure to close Florida and Gulf Coast beaches until late March, are further proof of a lack of leadership at the highest levels. No doubt these State Governors share some of the blame, but the buck stops with President, Donald Trump. As President of the USA, he could have insisted they be closed, but he did not.[8] Experts increasingly point to President Trump's willful negligence as a primary cause of the pandemic's intensity, but MSNBC legal analyst Glenn Kirscher, takes things a step



further, arguing controversially that Trump could be legally liable for coronavirus deaths after he leaves office.

I actually think he will see charges brought in each jurisdiction in which people have died as a result of his gross negligence. So, I have a feeling that he has got a lot of criminal legal exposure coming at him beginning in January 2021.[9]

The impact of the failure of Trump's leadership are stark and clear for all to see – at the time of writing the COVID-19 cases confirmed in the US are well over half a million, and the President of the USA is on record as saying that restricting the death toll to 200,000 would be considered a great achievement. Clearly, this leader shows a remarkable lack of care for the people in his charge.

Global Response to Infectious Disease (GRID™) to Evaluate the Global Response and Leadership

In constructing a *GRID™ Index* to evaluate the Global Response and Leadership in the COVID-19 Pandemic, an algorithm was developed incorporating the number of tests per million of population (weighted positive score) , the number of deaths per cases (weighted negative score), the number of deaths per million of population (weighted negative score), the number of cases per million of population (weighted negative score) and the *CP Index* (weighted positive score). The Raw data for the purpose of this ICMA research study was obtained from the worldometer[10] website. The reason for using these numbers are as follows:

- Percentage of cases tested to population indicates readiness of the health system to handle a pandemic.
- Percentage of cases to tests ratio indicates community spread of disease.
- Percentage of deaths to cases ratio indicates efficiency of health care system.
- Deaths per million of population indicating overall performance effectiveness of a country's response.
- Percentage score above a benchmark CP Index indicates the reliability of the information provided.

Some of the results obtained in the *GRID™ Index* for are provided in Appendix 1.

Against each country, the comparative *CP Index score* and rank from *Transparency International* is shown besides the *GRID™ Index* ranking. Apart from a few outliers, there seems to be a positive co-relationship between the two Indices. To start with, both the Indices have a common leader – New Zealand. Australia ranks 4th in the *GRID™ index* which is better than its ranking of 12th on the CP Index. That is partly because of its unique geographical and other factors, all of which would have been totally useless if its leadership had not stepped up to the plate. On the other hand, European countries have been badly hampered by geopolitical factors like open borders and climatic factors such as the colder climate. Let us compare South Korea with the USA, since both countries had their first case of COVID-19 on the 20th of January – USA ranks 23rd on the transparency Index and South Korea ranks 39th. On the *GRID™ index* score, South Korea ranks 8th in its efficiency and effectiveness in its response, and the US ranks 70th mainly because of President Trump's abject failure and inability to protect his people. South Korea reacted quickly and decisively testing and isolating in record numbers early in stark contrast with Trump who buried his head in the sand calling the virus a hoax perpetuated by his political opponents. The result was that lives were saved in South Korea, and lives were tragically lost in the USA. The death toll in the US is currently 23,644 (as of 14th April, 2020) and was growing by 2,000 a day; whereas the death toll in South Korea is 222.

Many countries seem to be doing relatively well on the *GRID™ Index*, based on the fact that the virus is only just beginning to take effect in those countries. Brazil is an example where the behavior and leadership style of its President Jair Bolsonaro is very similar to that of Trump. Like Trump, he is fighting the Governors of states that are taking the Pandemic seriously. Consequently, the Pandemic is now exploding in Brazil with about two thousand new cases every day and over a hundred deaths each day. Mexican President Andres Manuel Lopez Obrador, also followed these myopic leaders in asking Mexicans to "live life as normal", even as his health minister asked people to stay home. The Pandemic is rising in Mexico and their death toll is rising. British Prime Minister Boris Johnson also took things lightly even shaking hands with Covid19 patients, and he almost paid for this irresponsible behavior with his life. Luckily for him, he got the best VIP treatment the NHS could provide and access to an ICU and is now recovering. Other citizens of his country have not been as lucky with a death toll currently near 9,000 which is an astonishing 10% of the confirmed cases.

The crisis is far from over. It is clear from the data we have so far that the actions of leaders in this Pandemic will either save lives or cost lives. The countries with good leadership at the helm will be able to save more lives and the countries where the leadership is either callous, negligent or inefficient will pay a heavy price for the failures of its leaders.

The GRID™ index algorithm is constantly being refined as new information comes in. What we have provided here are the results of the first iteration. The performance of individual countries might change in the coming days and so will their position on the index. For example, Singapore handled the initial outburst of COVID-19 cases very well without locking down their economy. Now they too are forced to close down with the second spike of cases. However, it helps that they have a leader at the helm who said: *"We are transparent – if there is bad news, we tell you. If there are things which need to be done, we also tell you. If people do not trust you, even if you have the right measures, it is going to be very hard to get them implemented." [11]*

Singapore is high on both the CP Index and the GRID™ Index.

For most of us born post World War II, this is the biggest unprecedented crisis our world has faced in our life time. Our leaders will be judged by their performance during the course of this crisis. Some leaders have already failed their constituents and other leaders have stepped up to the plate. In this ongoing Pandemic and the biggest crisis of our lives, the requirement for good leadership has never been greater. Leaders who show genuine empathy and efficiently take care for the citizens of their country will be remembered and those who fail the test with misguided agendas and mediocre leadership will be judged harshly by history.

[1] https://www.worldometers.info/coronavirus/

[2] Transparency International – Corruption Perception Index 2019 https://www.transparency.org/cpi2019

[3] APF (2020), "WHO demands more data on virus from Mideast states", *Business Standard,* https://www.business-standard.com/article/pti-stories/who-demands-more-data-on-virus-from-mideast-states-120031801522_1.html

[4] Swati Chaturvedi – From Thackeray To Gehlot, Effective Corona-Fighting In States – *NDTV* April 7, 2020, https://www.ndtv.com/opinion/gehlots-bhilwara-model-sets-standard-for-corona-fight-2207491

[5] James Wilson – Test not find not – Frontline April 10, 2020, https://frontline.thehindu.com/cover-story/article31272654.ece

[6] Health Review Global (220), Sri Lanka and Coronavirus, https://healthreviewglobal.com/sri-lanka-coronavirus-update-setting-a-global-example/

[7] Katrin Bennhold – A German Exception? Why the Country's Coronavirus Death Rate Is Low – *The New York Times,* April 4, 2020 https://www.nytimes.com/2020/04/04/world/europe/germany-coronavirus-death-rate.html

[8] David Frum – This Is Trump's Fault – The Atlantic – April 7, 2020, https://www.theatlantic.com/ideas/archive/2020/04/americans-are-paying-the-price-for-trumps-failures/609532/

[9] Deconstructed, "Is Donald Trump Criminally Responsible for Coronavirus Deaths?" – *The Intercept*,2 April, 2020 https://theintercept.com/2020/04/02/is-donald-trump-criminally-responsible-for-coronavirus-deaths/

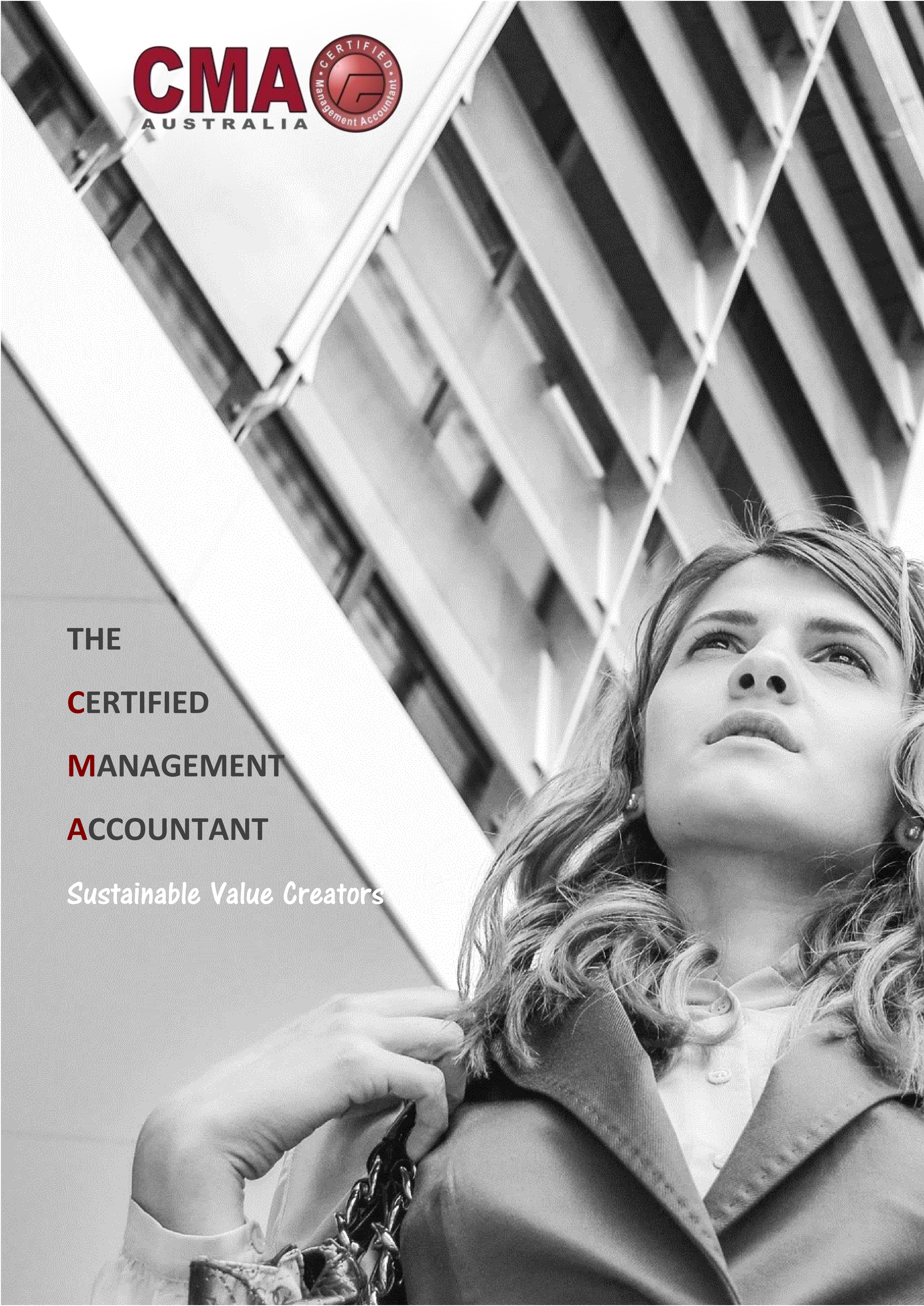
[10] https://www.worldometers.info/coronavirus/

[11] Olivia Ho Coronavirus could take years to run its course: PM Lee – The Straits Times – 30th March, 2020. https://www.straitstimes.com/politics/coronavirus-could-take-years-to-run-its-course-pm-lee

Appendix 1
GRID™ Index 2020 vs CP Index 2019

Country	COVID-19 RESPONSE Rank	COVID-19 Response Score (Normalized)	CPI Rank	CPI score 2019	Variation CPI v GRID Rank
New Zealand	1	87	1	87	0
Singapore	2	86	4	85	2
Iceland	3	85	11	78	8
Australia	4	84	12	77	8
Finland	5	83	3	86	-2
Norway	6	79	7	84	1
Canada	7	78	12	77	4
Korea, South	7	78	39	59	31
Hong Kong	9	76	16	76	6
Sri Lanka	9	76	93	38	83
UAE	9	76	21	65	18
Japan	9	76	20	73	14
Taiwan	9	76	28	65	19
Germany	16	72	9	80	-7
Denmark	21	64	1	87	-27
India	38	57	80	41	42
Russia	50	48	137	28	87
China	61	41	80	41	19
Indonesia	63	40	85	40	22
Philippines	64	39	113	34	49
Brazil	68	36	106	35	38
United States of America	70	35	23	69	-47
Mexico	72	33	130	29	58
Bangladesh	80	27	146	26	66
Sweden	87	22	4	85	-83
Switzerland	88	21	4	85	-84
United Kingdom	89	20	12	77	-77
Netherlands	91	19	8	82	-83
France	92	18	23	69	-69
Belgium	93	17	17	75	-76
Italy	93	17	51	53	-42
Spain	95	16	30	62	-65

CMA AUSTRALIA



THE CERTIFIED MANAGEMENT ACCOUNTANT

Sustainable Value Creators

COVID-19: NEW CHALLENGES FOR MANAGEMENT ACCOUNTANTS IN THE 'WORK FROM HOME' ENVIRONMENT

Prof. Janek Ratnatunga, CEO, ICMA Australia

Hiran Richard De Silva, ReimagineExcel

By Janek Ratnatunga (CEO, CMA Australia) and Hiran Richard De Silva (ReimagineExcel)

I returned from Sri Lanka after conducting a CMA program and put myself under a 2-week self-quarantine. Three days later, the Australian government made it official for all those entering this Country. It is now illegal to wander outside your home.

Before any such legal order, big tech companies had already started asking more employees to work from home as the novel coronavirus outbreak continues to spread dramatically. *Facebook, Google, Twitter* and *Amazon* have implemented remote working policies for many or all of their employees around the globe. Google parent company *Alphabet* is recommending that all employees in North America, Europe, Africa and the Middle East work remotely. *Twitter* has made working from home mandatory for all workers globally. *Facebook* is extending 'work from home guidance' to all employees globally whose jobs allow them to do so, and Amazon is recommending that employees globally work from home if their jobs allow.

The management accountant's job is one that most definitely fits into the 'work-from-home' category in almost any organisation. It is difficult to envisage an organisation that will require a management accountant to come to the office. Some exceptions may be management accountants who are working in a project team or a manufacturing location, but even here the business analysis and information for decision making can be provided remotely.

However, when working remotely, even management accountants need to consider the following issues.

Sharing Excel Files

This is the number-one issue that management accountants face, i.e.:

"How to share and update Excel files in multiple locations with full security and without any broken links?"

Even before the global pandemic, many management accountants have been using Microsoft Excel for teamwork, where they needed to work on Excel spreadsheets that are linked to other Excel spreadsheets in the organisation. For example, working on budgets that are consolidated with external links in the traditional 'pyramids of spreadsheets' fashion, and similar financial models. In the past, when they needed to share an Excel workbook with another team member, they would send it as an email attachment or save their Excel data to PDF for printing. While fast and convenient, the former method created multiple versions of the same document, and the latter produced a secure though non-editable copy.

Further, when working remotely, management accountants need to email excel spreadsheets that are linked to being downloaded to a remote computer. Once emailed, in most circumstances. these links will often not work.

The recent versions of Excel 2010, 2013 and 2016 make it easy to share and collaborate on single workbooks. By sharing an Excel file, you are giving other users access to the same document and allow them to make edits simultaneously, which saves you the trouble of keeping track of multiple versions. One of the better tutorials of how to do this can be found on Svetlana Cheusheva's (2018) blog,[i] which covers the following:

- How to share Excel file for multiple users
- How to share Excel workbook and protect change tracking
- Limitations of shared Excel file
- How to edit Excel shared workbook
- Resolve conflicting changes in a shared workbook
- How to merge different copies of a shared workbook
- Remove users from Excel shared workbook
- How to unshare a workbook in Excel
- Share Excel workbook using OneDrive

It must be understood that the above tutorial covers only the situation where many people are *sharing the same spreadsheet*. It does not cover the situation in which many people with different spreadsheets *sharing the same data*. This is very much like an ERP system on the cloud, where everyone shares the same data.

Management accountants need a solution to the very real problem that external links are used extensively in consolidating budgets and forecasts, *where the same data is shared*. Just sharing the same spreadsheet will not work in most remote working scenarios. A solution to this issue is provided in the next section.

Maintaining Client-Server Architecture in Excel

Most will be surprised that Excel can give you the same functionality as an ERP on the cloud; but even better. Further, one need not use the most commonly used function in all ERPs – i.e., “Export to Excel” – as it’s already in Excel!

Just as the architecture of an ERP system is client-server, Excel spreadsheets can also be architected in this way. All that is required is to separate (1) the data from (2) the presentation, logic and the use-interface.

The data can be stored in any location that the spreadsheets can access. For example, from simple tables in an Access database on a shared drive to a SQL Server on the corporate cloud service, or Microsoft Azure. Amazon Web Services is also a popular choice in organisations today. The client-server technique is the same but entirely driven by Excel.[ii]

The advantages are:

- *One Version of the Truth:* All the spreadsheets in a process/workflow now feed off the same data, and update the same data. Everybody ‘singing off the same hymn sheet’!
- *Fewer Moving Parts:* Previously cumbersome spreadsheet techniques can be re-engineered to be more robust. (For example – Monthly Roll-Forward Forecasts)
- *Security:* Where sensitive data needs to be kept within authorised people, instead of protecting entire workbooks (which can interfere with the smooth working of spreadsheet models), the data that’s received by the spreadsheet can be available to only authorised people. Access RIghts can be controlled/managed by a separate spreadsheet.
- *Ergonomics:* All of the user-interface widgets commonly found on high-end apps are available in Excel when using this architecture. (For example – Fill a dropdown dynamically from the back-end data).

- *Future-proofing, Scalability and Reach:* An often-mentioned criticism of traditional spreadsheet architecture is the mess created when coping with the future. When changes in the business-needs occur, it is often necessary to complicate the spreadsheet to fit. When the data is separate, and the logic is in the data (rather than formulas and links), then any changes simply require changes only in the data. Changes are executed by simply adding new data to the table, or updating existing data. No structural changes to the spreadsheet are needed.

Rather than connect Excel directly to the ERP system, it is more common (and certainly more in tune with corporate governance requirements) to set up the shared data as a data warehouse. This is nothing more than creating tables that are set to automatically refresh from the ERP system. This would be the equivalent to the current practice of importing data from the ERP system to a spreadsheet (i.e., Export-to-Excel); but now it is accessible (1) remotely from Excel and (2) accessible by all the spreadsheets in the process/workflow (One Version of the Truth).

Boosting Internet Bandwidth

The sudden increase in working from home is presenting problems as well as opportunities. On the one hand, start-ups such as *Slac*k and *Zoom* and established giants including *Google* and *Microsoft* are offering their tools for free, in the hope that people who start using them in a crisis may carry on once normality returns. On the other hand, internet service providers have come under pressure to lift bandwidth caps so remote workers do not get cut off from their employers.

Optus, a large Australian Telecom, is set to give its mobile customers 'one-off' data quota boosts in April 2020, in preparation for what could be a large increase in the number of Australians working remotely due to COVID-19 fears. This has put pressure on other internet service providers to also follow with similar boosts to their customers.

However, giving a boost for just one month may not be enough, as it looking increasingly possible that, post-pandemic, the status quo will not back to how it was; as many employees for companies who have sent all staff, home are already starting to question why they had to go into the office in the first place.

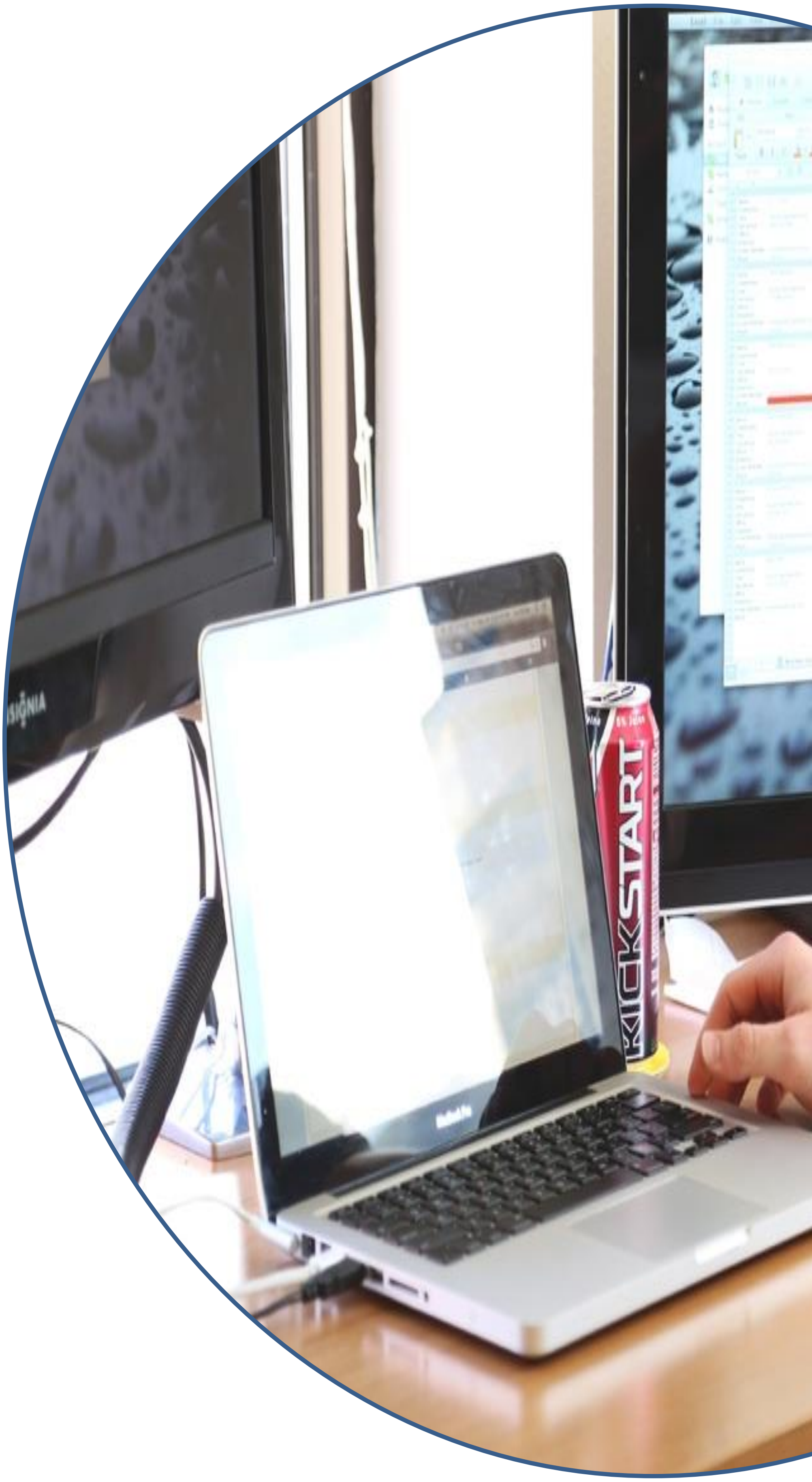
Factoring Home Office Costs

If working at home becomes the new status quo, management accountants need to consider the cost implications of providing bandwidth boosts to all employees in remote sites on a more permanent basis.

In addition to internet access, home offices will need to be set-up with computer equipment; telephone, printer, scanner, shredders, filing cabinets and secure authentication devices.

Some individuals may not have all the equipment they need, or it may not be fit for purpose. For example, it is likely that most households have only one WiFi router which is used for all purposes, and may not have had any default settings changed.

Management accountants will also need to factor in the costs of reimbursing



employees, including hourly workers, for the expenses required to set up home offices. This will need to cover the costs of buying things such as computer hardware, desks and ergonomic chairs. There will also be occupation health and safety (OHS) implications if there is an accident when an employee is working at home.

Building Corporate Networks

Corporate networks, unused to having a majority of their connections coming in over virtual private networks (VPNs), are experiencing unusual quirks with some systems are already creaking at the edges. Many have locked systems that can only be accessed from the office, or only from specific named IP addresses. This has been done not only for information security but also to prevent hackers from using bots from multiple IP addresses.

Large technology firms were some of the first to make the switch to remote working for all their staff, building on pre-existing infrastructures such as office chat groups, remote access to critical tools, and the fact that much knowledge work can be carried out remotely.

Many technology companies have been hosting free consultations for companies adapting to remote work for the first time. *Slack,* which makes popular business chat software, is speaking to companies of all sizes and from all industries – from large enterprises with hundreds of thousands of employees to small businesses with a team of five. *Microsoft* has made its cloud "productivity suite" free to small businesses for the next six months, including its Slack competitor, *Teams*. *Google* followed suit with its own business subscription, while video conferencing service *Zoom* has lifted limitations on its own free tier, allowing conversations to exceed 40 minutes.

Ensuring Information Security and Data Protection

Management accountants will need to understand how domestically held equipment affects information security and data protection; as this will highlight what risks may be introduced and the information an organisation's employee may need to control those risks.

Questions will need to be asked as to if the household is accessible to someone with a relevant criminal record (such as fraud); or if the remote worker will be using shared equipment, such as a family computer. It may be that home working has different risks for different individuals, and it is important to consider whether the home-based employee will need any additional training or equipment to protect information processed from home. Such training or equipment costs will be significant in a large company.

It is also necessary to understand what effects the increased range of equipment will have on an organisation's IT team's ability to provide help desk support, and the costs involved; particularly around securing devices and the information on those devices.

COVID-19 – A Sustainable View

In an earlier article, I espoused a philosophy for bankers and other financiers to take a more sustainable view when considering financing new investments, There was a critical need for the industry to change the way we make things; and to shift towards a more sustainable industrial system with significantly less consumerism, excessive growth and industrial and solid waste pollution.

The COVID-19 Pandemic has resulted in just that. It has brought to a shuddering halt rampant industrial growth; made us re-think our priorities in a consumerist society; and taken out the major polluters of carbon and other greenhouse gas emissions, i.e. the airlines, automobiles and cruise ships. This has enabled Planet Earth to take a deep breath. Unfortunately, millions will die so that our planet can continue to be liveable for those of us who survive.

We must learn a lesson from this so that millions more will not perish when climate change makes the Earth unsustainable for future generations.

Changing the way we work, will be one small step for mankind.

[i] Svetlana Cheusheva (2018), "How to share Excel file for multiple users and co-author a shared workbook", Ablebits blog, May 2, 2018, https://www.ablebits.com/office-addins-blog/2017/08/02/excel-shared-workbook-share-file-multiple-users/

[ii] The technology that makes this possible is called ADO (ActiveX Data Objects); and has been available since Excel 2016. It is accessible with VBA code. ADO makes it possible for an Excel spreadsheet to connect with, and manipulate data, in various other places.

BUSHFIRE AND CORONAVIRUS (COVID-19) HAVE CFOS CONCERNED

Rising uncertainty is challenging Australian CFOs and impacting their confidence about the financial prospects of their businesses going forward. The latest edition of **Deloitte's biannual CFO Sentiment survey** finds that over half (54%) of CFOs remain optimistic about the future, but this is down from 68% in the previous six months. The rising uncertainty is increasing CFO cautiousness, with almost 40% of CFOs remaining neutral about their financial prospects in the future, up from a quarter of CFOs in the last half. Only 8% say they are pessimistic.

It is important to note that many of the survey responses were received before the worst of the bushfire season and the emergence of the coronavirus (COVID-19). We would expect both factors to exacerbate the levels of uncertainty noted by CFOs in this survey.

Key findings are that:

- Overall sentiment amongst CFOs is more optimistic than negative, with net optimism at 46%
- Net uncertainty about economic conditions has grown since mid-2019 – from 66% to 75%
- 58% of CFOs are expecting profits to decrease or have no change over the next 12 months
- 58% also believe they will face increasing risks (but also opportunities)
- 50% expect interest rates to fall further through 2020.

Deloitte partner and CFO Program leader, Steve Gustafson, said: "In comparison to when we last surveyed CFOs in mid-2019, CFOs optimism has fallen, with a distinct uptick in CFOs identifying as neutral regarding the financial prospects for their business. This has coincided with 58% of CFOs expecting profits to decrease or remain neutral and 58% of CFOs bracing for an increase in risk/opportunity over the next 12 months.

"The climb in neutrality may indicate that Australia's CFOs are adopting a cautious approach as the complexity of recent global events unfolds and their full impact is yet to be completely realised. Although it is pleasing to note that the numbers that are pessimistic remain low."

Cautious optimism (despite an economy doing no favours)

"Optimism had fallen across our two previous surveys, covering H2 2018 and H1 2019," Gustafson said.

"Yes, only 6% are highly optimistic, but none were highly pessimistic, and just 8% were pessimistic, leaving the bulk as either optimistic or neutral. This indicates overall sentiment is cautiously optimistic rather than pessimistic.

"But sentiment about the economy is still constrained, and business performance expectations are stalling as a result.

"Concerns about economic conditions in Europe and the Asia-Pacific, including a China slowdown, remain a drag on sentiment, despite a resolution on Brexit. On the other hand, this is the first time since late 2018 that US economic performance, driven by improved USA-China trade relations, has been a source of optimism, rather than pessimism.

"CFOs seem less impressed with record low interest rates, after previous rate cuts failed to deliver the hoped-for stimulus. Overall, economic gloom and uncertainty have dampened business performance expectations.

"If revenue and profit growth expectations stall, this does not bode well for business performance this year."

Getting comfortable with economic uncertainty (but risks remain)

"Financial and economic uncertainty has continued to rise, with 75% of CFOs rating it above normal, up from 66% 12 months ago, and 48% at the end of 2017," Gustafson said.

"But CFOs have reported being more willing to take on risk, bucking the usual inverse relationship between risk appetite and uncertainty.

"Business risk appetite usually moves inversely with levels of financial and economic uncertainty, however the second half of 2019 has seen a departure from this relationship, with the share of CFOs receptive to taking greater risk on their balance sheet increasing by 5% from the first half of 2019.

"This trend mirrors the net improvement in optimism that CFOs reported this period, despite rising levels of uncertainty, suggesting an increasing level of comfort by CFOs with today's persistently uncertain times.

"Over half of CFOs also expect the cost of meeting increasing regulatory requirements, as well as securing and retaining key talent, will be crucial internal challenges to tackle in 2020."

Rates and the dollar

Fifty per cent of CFOs expect interest rates to fall further through 2020, and most others expect them to remain at their current all-time low. Less movement is anticipated with the Australian dollar, with 60% expecting it to remain about the same through 2020.

"After three rate cuts by the RBA in 2019, and sluggish economic performance, it is unsurprising that 96% of CFOs expect rates to fall further or remain steady," Gustafson said.

Digital transformation and skill shortages

Survey respondents also identified a lack of workforce skills, including analytics capabilities, as standing in the way of future-ready finance function digital transformation.

"CFOs still see the need for digital transformation to enable greater agility and competitive edge, although barriers include costs, integration issues with other digital platforms and workforces not having the needed skills," Gustafson said.

"Nearly 80% said the greatest skill shortage they faced was in people with advanced business analytics capabilities, followed by financial planning and analysis and compliance."

COVID-19 & Australian bushfires impact

The spread of the coronavirus is providing a major new challenge to the global economy with current paralysis of large parts of China's society and economy.

"Australia is in the slipstream of these risks with iron ore prices falling substantially on reduced activity in China, and with travel bans impacting our international education and tourism sectors," said Gustafson.

"If the travel ban blocking any foreign nationals arriving from China or transiting through China remains in place for an extended period of time, the negative impacts on Australia's tourism and international education sectors will be substantial.

"Deloitte Access Economics estimates the economic costs could add up to $5.5 billion in the first half of 2020, noting this is not huge for a $2 trillion economy. But as we have seen with the share market drop in the past week, it's the potential dent to confidence that we should be most concerned about.

"Beyond the terrible human tragedy, the current bushfire season has taken a toll on both consumer and business confidence, especially in directly affected regions, and key sectors such as tourism. Although there is positive role for the business community to play in supporting rebuilding and developing greater community resilience in areas hard hit by bushfires."

REGIONAL OFFICE AND BRANCH NEWS

CMA PROGRAM AT MERCU BUANA UNIVERSITY, INDONESIA

Some of the participants of the 6th CMA Intensive Program with Dr Chris D'Souza, ICMA COO/CFO. and Dr Ana Sopanah of Inspire Consulting who organised the event.

The 6th CMA intensive program organised by Dr Ana Sopanah of Inspire Consulting and Mercu Buana University, was conducted at Ciputra Hotel, in Jakarka, Indonesia on Feb 9 -15, 2020. The program was facilitated by Professor Janek Ratnatunga, the CEO of ICMA Australia and Dr Chris D'Souza, ICMA COO/CFO.

Continuing Professional Development (CPD)

CPD Training was also conducted for ICMA members. They undertook the Certified Analyst in Project Management (CAPM) and Certified Analyst in Project Finance (CAPF) programs provided by the Academy of Finance and Management Australia (AFMA) at Mercu Buana University. Dr Chris D'Souza, ICMA COO/CFO conducted the Certified Analyst in Project Management (CAPM); and Prof Janek Ratnatunga, ICMA CEO, conducted the Certified Analyst in Project Finance (CAPF) seminars. They were undertaken by CMAs as part of their CPD requirements.

CMA PROGRAM AT SMU SINGAPORE

The third CMA Intensive program in Singapore, *Strategic Cost Management* was conducted by Professor Janek Ratnatunga at the Singapore Management University Academy (SMU Academy) in Singapore in March 15-17th, 2020. The course was organized by the excellent team at SMU Academy led by Mr Cary Chan, Elicia Chia and Robert Sim. Those who complete the assessments will also be awarded the *Certificate of Proficiency in Strategic Cost Management* jointly by ICMA and SMU Academy.

Some of the Participants of the 3rd Strategic Cost Management program at the SMU Academy in Singapore. In the picture is the program facilitator, Prof. Janek Ratnatunga.

Then the world went into shutdown with the COVID-19 Pandemic.

SMU Academy and ICMA successfully moved the delivery of the *Strategic Business Analysis* course online using the Zoom platform on 20-23 March, 2020. Professor Janek Ratnatunga and Dr. Chris D'Souza successfully delivered the course from their homes in Melbourne. If the lockdown continues, it is envisaged that the next CMA program will be delivered online as well.

Dr Chris D'Souza delivering the SBA program from his home in Melbourne, Australia. On the screen are the students who attended class. Others participated from their own homes in Singapore.

CMA PROGRAM IN SRI LANKA

During the period February 29 to March 8, 2020, the 32nd CMA Intensive program was conducted by Professor Janek Ratnatunga at the Galadari Hotel in Colombo Sri Lanka. The program is offered exclusively by the *Academy of Finance*, in Sri Lanka. Over 60 senior managers including CEOs and CFOs from all sectors of the Sri Lankan economy attended this program held over 7-days.

During this period concerns about COVID-19 escalated. Hotel guests and participants were screened for temperatures etc. The world lockdown commenced about a week after the course was completed.

Shown below is a montage of the last face-to-face program before the world changed, when the WHO finally came to understand the seriousness of the COVID-19 and declared a pandemic.

A WARM WELCOME TO NEW MEMBERS (FEB & MARCH 2020)

Abiezer, Josiah
Agung Suardika, A. A. Ketut
Ahmed, Toseef
Ali, Jaffar
Alile, Vanessa
Al-khanaty, Bashar
Almira, Reden
Alsaidi, Louai
Alshammari, Ahmad
Alwenais, Manal
Amarasinghe, Navodya Sithumini
Armero, Charlotte
Atienza, Maris Ciandra
Austria, Nathanlou
Baby Geevarghese, Johnson
Bacurio, Charise
Bacus, Rommel
Baral, Myra
Beaton, Maruli
Berhanie, Robbial
Bhargava, Aditi
Bhavya, Bhavya
Boahene, Opoku
Boland, Robyn
Brinas, Paul Erick
Cahyawati, Noor Endah
Cao, Yujie
Chan, Wai Kin
Choi, Ho Kit
Chong, Li Tshin
Chong, Siaw Fang
Coenraad, Dilraj
Comley, Robert
Cooksey, Meagan
Cortez, Mia Grace Paula
Cunnington, Samantha
Curtis, Anthony
Cyclewala, Hussain
Dassanayake, Anura
Datu, Marriell
Davie, Cillian
De Jesus, Jose
Deeng, James Anei
Dimaculangan, Leonor
Dmello, Austin
Dora, Upasala
Dsouza, Merlyn
DSouza, Rohan
Dw, Daniel
Edrosa, Elvitha
Egbiki, Cusmas Oserere
El halabi, Amir
Elakkoumi, Hajjar
Farhang, Bahareh
Fernando, Yomal
Fonseca, Bernardo
Fronda, Darel
G, Ravi Kumar
Gacos, Ryan
Gamalath, Yasuntha
Gilleade, Robert
Gregory, Cooper
Groso, Kenan
Gunawardana, Imalka
Haque, Shanjida
Harshita, Harshita
He, Zhe
Hemingway, Jesse
Hendriarto, Prasetyono
Heng, Emily mui yun
Hernandez, Leslie
Howell, Glenn
Hussain, Syed ali
Jayasooriya, Rohan
John, Henry Makin
Juane, Elaine Joyce
Kangloo, Mohinesh Krishna
Kanjo, Sam
Karagania, Nelly
Kennedy, Carl
Keopaphanh, Ninkham
Khatun, Mst. Mukti
Kong, Ellese
Lansang, Kimberly Valerie
Leung, Sin Man Christy
Ligpitan, Maria Fe
Lopez, David
Macalintal, Danilo
Mahajan, Muskan
Mahindroo, Harjit
Mahmud, Md. Hasan Istiaque
Mahruk, Humayra
Makur, Santino
Malibiran, Alessandra
Manocha, Gunjan
McHugh, Robert

Mehta, Vishwa
Mohan, Anchal
Mohd Farid, Iffah Farhanah
Murtiningtyas, Serafina Eko Surari
Nahar, Luthfun
Najamudin, Yunan
Najeebulla, Saidalavi
Nañola, Sandee Grace
Narte, Cindy
Negado, Lyndon Rey
Ngo, Thanh
Nguyen, Khanh Dong Huyen
Nguyen, Thi Kim
Nino, Carlos
Nishantha, Nalin
O'Brien, Bailey
Ocal, Adem
Odhong, Elizabeth
Onphanh, Thipphasone
Pandey, Puran
Pangilinan, Jonathan
Parikh, Yashvi
Pascual, Angeline
Patel, Zeel
Phan Thanh, Nam
Pickering, Laura
Pineda, Ligaya
Ponkiyil, Afsal
Poon, Calvin
Pramita, Caesaria
Pukkella, Venkata Jai Sai Krishna
Pullisseri, Mohammed
Reyal, Fazwin
Ridwan, Muhamad
Rudianto Sinaga, Jansen
Sabuin, Job Fredrianto
Safdar, Mirza
Safkaur, Otniel
Sagala, Bernad
Sam, Sokuntheary
Sazon, Josephine Anne
Scarpa, Glauco
Setyono, Primanita
Shafai, Faiza
Sharma, Anand
Sharma, Avilash
Silvery, Joshua
Singh, Harpal
Singh, Tanveer
Sivarajah, Deyvaani
Smith, Kaleb
So, Nathalie Ann
Sosnik, Nikita
Spedding, Cameron
Sulaimin, Mega
Supriyanto, Juni
Suryawan, Teguh
Taleski, Aaron
Tay, Chang Wan
Tenzin, Kinley
Then, Herianto
Twentyman , Jackson
Uddin, Md Moin
Unwin, Steven
Van der Geer, Sander
Vashist, Vishal
Vi, Thuy Mai Khanh
Vidal, Ma. Cristina
Villarroel, Annika
Vu, Duc Minh
Wahane, Rajat
Wahyu Wasono M, Leonardus
Wehbe, Melissa
Wei, Marcus
Williams, Robert
Yaratha, Pooja
Yeo, Adler
Yong, Brenda
Yu, Catherine
Zhang, Xi

CPD OPPORTUNITIES

Registration link: https://www.cmawebline.org/ontarget/

Webinars

Why Audit Opinions are 'Untrue' and 'Unfair' 23 April 2020

Drivers of Corporate Success Post COVID-19 30 April 2020

The Rising Importance of Integrated Reporting, Climate Change Reporting & Environmental Management Accounting 6 May 2020

(Free for members)

Online CPDs

Business Valuation

Enterprise Risk Analysis

International Business Analysis

Project Finance Analysis

Project Management Analysis

(Special Promotion – Members get 90% off for a limited time)

CMA EVENTS CALENDAR

- Webinar – Why Audit Opinions are 'Untrue' and 'Unfair' 23 April 2020
- Webinar – Drivers of Corporate Success Post COVID-19 30 April 2020
- Webinar – The Rising Importance of Integrated Reporting, Climate Change Reporting & Environmental Management Accounting 6 May 2020
- CMA Program in Kathmandu, Neal organised by Academy of Management Accountancy Nepal, (AMAN) 17 May 2020
- Certificate of Proficiency in Strategic Cost Management, SMU Academy, Singapore (3rd Intake) 6 June 2020
- CPD – International Business Analysis Workshop 17 June 2020
- Strategic Business Analysis, conducted by Workplace Skills Development Academy (WSDA), Dhaka, Bangladesh 24 June 2020
- CMA Preparatory Program (intensive), IPMI Business School, Jakarta, Indonesia 4 July 2020
- 2020 Certificate of Proficiency in Strategic Business Analysis, SMU Academy, Singapore (3rd Intake) 10 July 2020
- CPD – Business Valuation Workshop 16 July 2020
- 7th CMA Intensive Program at Mercu Buana University Jakarta, Indonesia, organised by Inspire Consulting. 25 July 2020
- CMA Intensive Program at Mercu Buana University Jakarta, Indonesia, organised by Inspire Consulting 1 August 2020
- CPD – Enterprise Risk Analysis Workshop 19 August 2020
- Strategic Cost Management, conducted by Workplace Skills Development Academy (WSDA), Dhaka, Bangladesh 20 August 2020
- CPD – Project Finance Workshop 15 September 2020

Private Providers

Wharton Institute of Technology and Science (WITS), Australia

Syme Business School, Australia

Academy of Finance, Sri Lanka

IPMI (Indonesian Institute for Management Development), Indonesia

Singapore Management University Academy (SMU Academy)

Business Sense, Inc. , Philippines

HBS for Certification and Training, Lebanon

SMART Education Group, UAE

Institute of Professional and Executive Management, Hong Kong

AFA Research and Education, Vietnam

Segal Training Institute, Iran

PT Angka Bisnis Indonesia (Business Number Consulting), Indonesia

Inspire Consulting, Indonesia

ManAcc Consulting, New Zealand

STRACC Learning LLP, India

Workplace Skills Development Academy (WSDA), Bangladesh

Ra-Kahng Associates Ltd, Thailand

Academy of Management Accountancy, Nepal

Singapore Training Institute, Singapore

Blue Globe Inc, Japan

New Zealand Institute of Business, Fiji

ICMA Australia

Global Head Office
CMA House
Monash Corporate Centre
Unit 5, 20 Duerdin Street
Clayton North, Victoria 3168
Australia
Tel: 61 3 85550358
Fax: 61 3 85550387
Email: info@cmawebline.org
Web: www.cmawebline.org

OTHER CENTRES

New South Wales
Professor Chris Patel, PhD, CMA
Branch President
Macquarie University

Northern Territory
Professor Lisa McManus, PhD, CMA
Branch President
Charles Darwin University

South Australia
Prof Carol Tilt, PhD, CMA
Branch President
University of South Australia

Western Australia
Dr. Vincent Ken Keang Chong
Branch President
UWA Business School

Queensland
Dr. Gregory Laing, PhD CMA
Branch President
University of the Sunshine Coast

OVERSEAS REGIONAL OFFICES

BANGLADESH
Mr. Sazzad Hassan, CMA
Regional Director – Bangladesh
Email: sazzad.hassan@gmail.com
Website: http://www.icmabangladesh.org

CHINA (including Hong Kong and Macau)
Prof. Allen Wong, FCMA
Regional Director and CE - Greater China
Email: info@cmaaustralia.org
allen.wong@cmaaustralia.org

CYPRUS
Mr. Christos Ioannou BA (Hons), MBA , CMA
Regional Director-Cyprus
Email: chioanou@cytanet.com.cy

EUROPEAN UNION
Mr. Rajesh Raheja CMA, Branch President
9, Taylor Close, Hounslow, Middlesex TW3 4BZ, United Kingdom
Tel: +44 208 582 0025
Email: rajesh@cmaeurope.net
http://www.cmaeurope.net

FIJI
Dr. Chris D'Souza, CMA
Country Head – Fiji (Pro-Temp)
New Zealand Institute of Business
Website: http://www.cmafiji.org

INDIA
Mr. Jayafar MV, CMA
Deputy Regional Director – India
Email: mvjayafar@gmail.com
Website: http://www.icmaindia.org

INDONESIA
Special Capital Region (Jakarta) Regional Office
Ms. Arum Indriasari – Jakarta Centre
IPMI Business School
E-mail : arum.indriasari@ipmi.ac.id

West Java Regional Office
Ms. Paulina Permatasari, FCMA
Regional Director - West Java
Email: paulinapssj@gmail.com

East and Central Java Regional Office
Dr. Ana Sopanah, CMA
Regional Director - East Java
Email: anasopanah@gmail.com

IRAN
Mr. Alireza Sarraf, CMA
Regional Director- Iran
Email: sarraf@experform.com

JAPAN
Mrs. Hiroe Ogihara
Country Head – Japan
Email: y.al.ogi999@gmail.com
Website: http://www.cmajapan.org

LEBANON
Mr. Fawaz Hamidi, CMA
Regional Director - Lebanon
Email: hbs@cmamena.com
www.cmamena.com

MALAYSIA
West Malaysia Regional Office
Dr. Ridzwan Bakar, FCMA
Deputy Regional Director - **West Malaysia**
Email: ridzwan.bakar@mmu.edu.my

CAMBODIA
[To be Appointed]

NEPAL
Mr. Kumar Khatiwada, CMA
Regional Director – Nepal
Email: kumar_kha@hotmail.com
Website: http://www.cmanepal.org

NEW ZEALAND
Dr. Louw Bezuidenhout, CMA
Regional Director – New Zealand
Email: loubez@bizss.co.nz
Website: www.cmanewzealnad.org

PAPUA NEW GUINEA
Dr Thaddeus Kambanei, CMA
Regional Director - PNG
Email: Thaddeus.Kambanei@yahoo.com
http://www.cmapng.com

PHILIPPINES
Mr. Henry Ong, FCMA
Regional Director - Philippines
Email: hong@businesssense.com.ph
http://www.cmaphilippines.com

SINGAPORE
Dr Zahabar Ali, CMA
Country Head – Singapore
Email: ali@parkinsons.com.sg
Website: http://www.cmasingapore.com

SRI LANKA
Mr Kapila Dodamgoda, CMA
Regional Director - Sri Lanka
Email: kapiladodamgoda@yahoo.com
http://www.cmasrilanka.com

THAILAND
Mr. David Bell, CMA
Regional Director – Thailand
Email: david.bell@rakahng.com
Website: http://www.cmathailand.org

UNITED ARAB EMIRATES
Mr. Shakeeb Ahmed, CMA
Regional Director - U.A.E. & GCC Countries
Email: shakeeb@smarteducationgroup.org
Mobile: +971-55-1062083
Website: www.cmadubai.org

VIETNAM
Mr. Long Phan MBusAcc, CPA, CMA
Regional Director- Vietnam
Email: longplt@afa.edu.vn

CMA AUSTRALIA Certified Management Accountants