

**INTERPLAY BETWEEN GOVERNANCE AND ACCOUNTING SYSTEMS IN
AFRICA**

By

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Abstract

This thesis examines the interplay between country level governance and accounting systems considering the role of the World Bank and other donors in the development of both governance and accounting in Africa. The purpose of the research is threefold. The first is to assess the state of accounting systems on the continent using Ghana and Benin as illustrative cases. The second purpose is to examine the link between accounting and governance, and the current donors' approach to the development of governance and accounting in Africa. The third purpose relates to the examination, through the lens of political economy, of the factors hampering the development of sound governance and accounting systems in Africa. The research is conducted through a case-study and cross-national design with four data collection methods: interview, observation, survey and documents. The study finds that accounting systems in Benin and Ghana are very weak despite the reform initiatives undertaken in the area, and that the main difference between the two systems relates to the relatively higher level of accounting information available to the public in Ghana compared with Benin. Further, the findings suggest that there is a potential causal relationship between accounting and governance. With regard to the World Bank and other donors' approach, it is found that the approach to governance and accounting reforms in Africa suffers from a lack of contextual and cultural fit. The study also identifies and explains the various political and economic forces and interests that shape the development of governance and accounting in Africa. These findings complement, extend and challenge existing studies in the field.

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I acknowledged here that my supervisors and I have written a paper to the African Development Bank on the state of governance and accountability in Africa. My contribution to the paper was drawn from the literature review chapter and part of the discussion of the empirical chapters. The full paper is attached as Appendix 7.

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Abbreviations

ACCA:	Association of Chartered Certified Accountants
ADB:	African Development Bank
AGIs:	African Governance Indicators
AI:	Accounting Index
ARIC:	Audit Report Implementation Committee
BPEMS:	Budget and Public Expenditure Management System
CAGD:	Controller and Accountant-General Department
CC:	Chambre des Comptes (or Chamber of Accounts)
CEMAC:	Communauté Economique et Monétaire de l’Afrique Centrale
CF :	Contrôle Financier
CPD:	Continuing Professional Development
DFID:	UK Department for International Development
DGTCP:	Direction Générale du Trésor et de la Comptabilité Publique
ECOWAS:	Economic Community of West African States
EU:	European Union
FAA:	Financial Administration Act
FC:	Commission des Finances et des Echanges (or Finance Committee of the National Assembly)
FDI:	Foreign Direct Investment
FONAC:	Front des Organisations Nationales Anti-Corruption
GAP:	Governance Strategic Directions and Action Plan
GDP:	Gross Domestic Product
IAA:	Internal Audit Agency
IFAC:	International Federation of Accountants
IGE:	Inspection Générale d’Etat
IGF:	Inspection Générale des Finances

IGM:	Inspection Générale des Ministères
IGS:	Inspection Générale des Services des Administrations Financières
IGSEP:	Inspection Générale des Services et Emplois Publics
IIAG:	Ibrahim Index of African Governance
IMF:	International Monetary Fund
MDAs:	Ministries Departments and Agencies
MMDAs:	Metropolitan, Municipal and District Assemblies
MOFA:	Ministry of Food and Agriculture
MoFEP:	Ministry of Finance and Economic Planning
MP:	Member of Parliament
MTEF:	Medium Term Expenditure Framework
NEPAD:	New Partnership for Africa's Development
NGO:	Non-Governmental Organisation
OECD:	Organisation for Economic Co-operation and Development
PAC:	Public Accounts Committee
PEF:	Political Economy Framework
PEFA:	Public Expenditure and Financial Accountability
TAD:	Treasury and Accounting Department
UEMOA:	Union Economique et Monétaire Ouest-Africaine
UN:	United Nations
UNDP:	United Nations Development Programme
UNECA:	United Nations Economic Commission for Africa
US (or USA):	United States of America
WB:	The World Bank
WGI:	Worldwide Governance Index
WGIs:	Worldwide Governance Indicators

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CHAPTER 1: INTRODUCTION

1.1. Introduction and Problem Statement

The importance of good governance for improved living standards and development has been widely argued (Kaufmann et al., 1999a; Knack, 2002; Kaufmann & Kraay, 2003; Khan, 2007). However, most developing countries, especially in Sub-Saharan Africa have suffered from governance problems that have hindered their development (Sachs et al., 2004; United Nations Development Programme, 2005; Economic Commission for Africa, 2005a). Wide spread corruption (Gyimah-Brempong, 2002; Otusanya, 2010) and ineffective institutions (Shirley, 2008) characterise most African countries. As a consequence, a lack of accountability and transparency in public affairs has been reported across the continent. It is suggested that good governance through improved accountability, transparency and enhanced institution capabilities is necessary to foster African development and poverty alleviation. Mechanisms to improve key governance variables are therefore crucial to the development of good governance.

Despite the importance of governance, its conceptualisation and measurement have remained debatable. There is disagreement on the elements and components of governance. For example, the World Bank's governance metrics, i.e. the Worldwide Governance Indicators, potentially the most widely used to inform policy and reform design (The World Bank, 2003; Kaufmann et al., 2009a, 2009b), involve six components (Kaufmann, 1999). These governance measures show some similarities, but also some differences with those developed by other organisations (United Nations Economic Commission for Africa, 2005b; Mo Ibrahim Foundation, 2009¹). In addition, it is suggested that there is no uniform definition of governance.

¹ Online: <http://www.moibrahimfoundation.org>

Moreover, while having good accounting systems is likely to contribute to governance development, the current governance framework seems to place limited emphasis on accounting systems. Further, the available governance metrics which are used to inform most lending/grant decisions (see for example Kaufmann et al., 2005) barely contain any accounting related information. There is no specific mention of accounting systems in the variables or accounting related sources in the data used to construct these governance indicators. Furthermore, no research has investigated directly the relationship between accounting systems as a whole and the governance systems of a country.

The research argues that accounting systems have a potential role to play in governance. A rigorous examination of State accounting systems and governance will help gain insight into this potential role and conceptualise the association between accounting systems and governance.

Further, having realised the importance of governance for development, the World Bank and other donors have been helping with various governance reforms and initiatives. However, very limited results have been achieved from these initiatives in terms of improvements in both governance (see for example Lynch and Crawford, 2011; Tayloy, 2011) and accounting (Durevall and Erlandsson, 2004; Moussa, 2004; Akapko, 2009; Schiavo-Campo, 2009). This observation calls into question the approach used by donors to push through these initiatives. It becomes, therefore, opportune to examine the potential of donors' approach to the development of governance and accounting in order to achieve the expected results in terms of improvements. Also, the few studies conducted on accounting in Africa have reported weaknesses in these accounting systems. However, none of these studies has focused on a comprehensive critical examination of the accounting system as a whole encompassing both English and French Africa which represent over 80% of African countries.

The overall objective of this research is to examine the interplay between accounting systems and governance improvements in Africa considering the role of the World Bank and other donors in the development of governance and accounting systems. The specific objectives of the study are to:

- (i) Critically examine the accounting systems in the studied countries
- (ii) Evaluate the role of the World Bank and other donors in the development of governance and accounting systems in Africa.
- (iii) Examine the role of accounting systems in governance improvements, with a specific focus on Africa.
- (iv) Examine the factors that hamper sound governance and accounting systems in Africa.

In order to meet these objectives, the following research questions are formulated:

- (i) What is the state of accounting systems in Africa when taken as a whole?
- (ii) What is the link between accounting and governance in Africa?
- (iii) What is the effectiveness, in terms of achieving results, of the World Bank and other donors' approach to the development of governance and accounting in Africa?
- (iv) How is the development of accounting and governance in the studied countries shaped by political economy factors?

1.2. Structure of the Thesis

The thesis is organised into eight chapters.

Chapter 1, which is the introduction chapter, presents the general background to the research, identifies the research problems, research objectives and questions and presents the structure of the thesis.

Chapter 2 reviews the country governance and accounting systems literature. The first part focuses on governance, starting with three main definitions that underpin the current governance framework and measurement. This is followed by a consideration of the World Bank's and other donors' involvement in governance in Africa. The chapter then discusses the current governance metrics. The second part of the literature review considers the role of accounting in key governance dimensions.

Chapter 3 presents the methodological approach used to conduct the study. It covers the research design adopted, the methods employed to collect evidence, and the data analysis process, methods, techniques and software used.

Chapter 4 explains the theoretical framework used to explain the factors that hamper or prevent the development of sound governance and accounting systems in Africa. The political economy framework was adopted following an initial discussion with officials in Benin and two consultants in the area of governance and accounting systems, and the review of the political economy literature.

Chapter 5 analyses findings related to the examination of the extent of accounting system weakness in Benin and Ghana. This chapter also reports the results of the part of the survey related to accounting systems in these countries which allows a comparative analysis in terms of their impact.

Chapter 6 analyses findings related to the link between governance and accounting systems, and donors' approach to the development of governance and accounting in Africa. It reports a

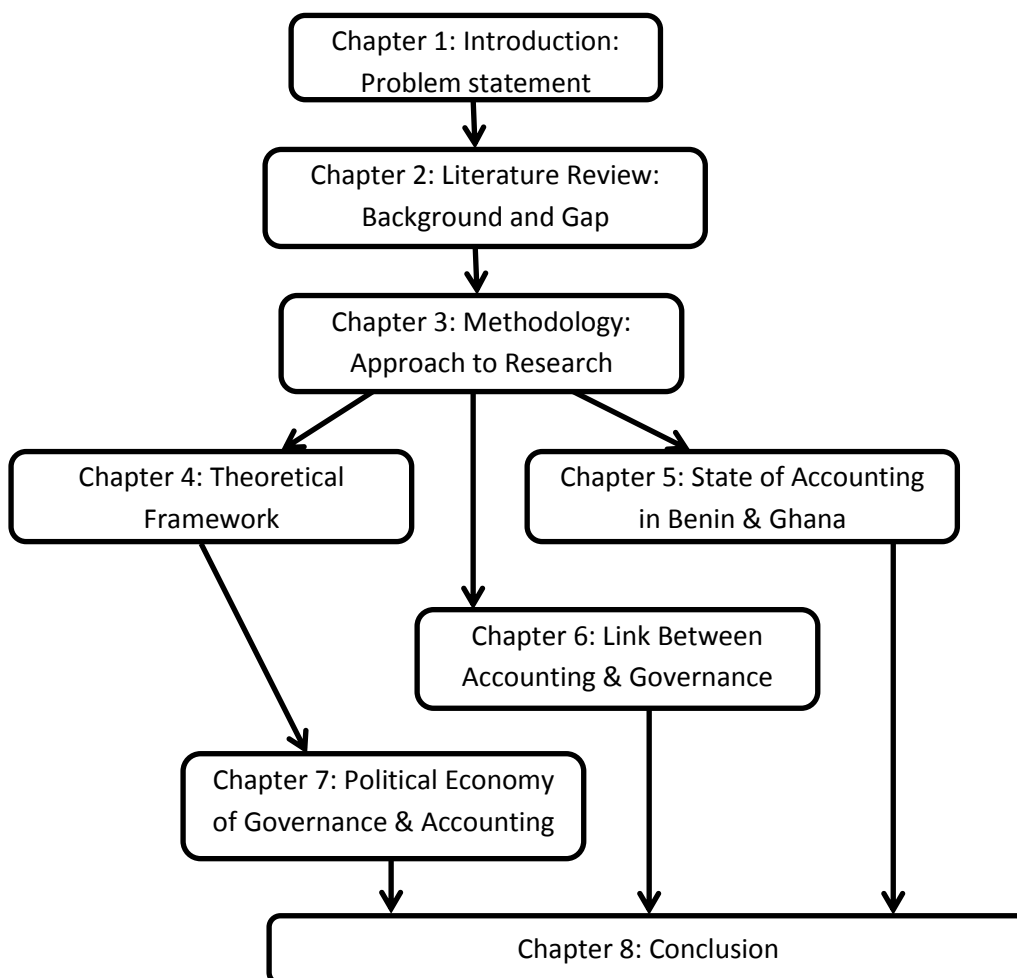
potential causal relationship between accounting and governance. It also reports the lack of contextual fit in donors' approach to the development of governance and accounting.

Chapter 7 analyses the political economy findings. It identifies and explains three categories of players with various interests that interact to shape the development of governance and accounting. The chapter reports that the interaction between these players limits progress in governance and accounting in the case study countries and in Africa in general.

Chapter 8 presents the conclusions drawn from the study, including an overview of the research, summary of major findings, contributions, and limitations of the study and areas for future research.

Figure 1.1 below shows how the different chapters are linked

Figure 1.1: Structure of chapters



Source: Developed by the researcher

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The World Bank and other aid agencies have attempted to address the issue of governance at country level based on the argument that governance has ‘sizeable’ effects on economic growth and development (Kaufmann et al., 2007). The main instrument used in this regard has been the Structural Adjustment Programmes that were reviewed in the late 1990s and early 2000s following the limited results of the initial programmes (The World Bank, 2003; Easterly, 2005). In response to the demand for adequate tools for policy options to better appraise and deal with governance challenges, especially in countries where governance is particularly weak, various governance definitions and measures have been proposed (see Kaufmann et al., 1999, Rotberg, 2004; Economic Commission for Africa, 2005a, 2005b).

The purpose of this research is to examine the interplay between governance and accounting systems in Africa, considering the role of the World Bank and other donors in the development of both governance and accounting on the continent, using Benin and Ghana as illustrative cases. This chapter surveys the existing literature on country governance (starting with the definition of governance) and accounting systems, in order to examine how governance has been conceptualised and the potential role of accounting in governance.

The chapter is structured as follows. In the next section, the definition of governance is examined to illustrate its broad and narrow considerations. The importance of governance in the African context and the World Bank’s implication is also considered in this section as well as the discussion of the main available governance measures. The third section focuses on the accounting literature in key governance areas. The fourth section considers ways to bring accounting systems back into governance. The final section provides some concluding comments.

2.2. Conceptualising Governance

2.2.1. Governance: The broad and narrow limit

The literature on governance can generally be divided into two – corporate or micro level governance and country or macro level governance. The focus of this study is on country level governance, which is usually termed *governance* with no further specific qualifications (see for example, Kaufmann et al., 2009a and 2009b; Rotberg, 2004). The term ‘governance’ is therefore adopted throughout this study to denote country level governance.

Corporate governance, for example, has been extensively examined with the production of several reports and codes, examples of which include the Committee on the Financial Aspects of Corporate Governance report in 1992, referred to as the Cadbury Report, the Rutteman Working Group report in 1994 and the OECD Principles of Corporate Governance in 1999. However, following corporate scandals involving high profile companies like Enron, WorldCom, Xerox, and Tyco (Coates IV, 2007), corporate governance has become a prominent focus in most economies across the world. This has resulted in the revision of existing codes such as the OECD Principle of Corporate Governance in 2004 (Jesover and Kirkpatrick, 2005), and the issuance of more detailed and binding codes in the form of laws such as the Sarbanes-Oxley Act in 2002 in the US.

The overriding objective of corporate governance is to ensure the successful conduct of businesses and the integrity of stock markets, thus the protection of investors. This objective is stressed by Abu-Tapanjeh (2009: 557) who asserts that “the corporate governance is not only one of the main principle[s] in running a firm successfully but also it ensures security confidence by monitoring and controls the operation of the firm”. Previous studies in the area of corporate governance underline the important contribution of accounting, and its ethical

underpinning (Verschoor, 1998), to corporate governance, and frame financial accounting as ‘a key ingredient in the corporate governance process’ (Sloan, 2001).

Country level governance, on the other hand, gained increased attention with the financial and economic difficulties of many governments (mostly in the developing world) in the 1980s and 1990s. Political institutions and governance are recognised as critical to economic development (The World Bank, 1989, 1992; Kemal, 2006). The manner in which power is acquired and exercised, public resources are managed and the relations between political officials, public institutions and the general public have become subjects of governance discussion and analysis (Dallas, 2004; Rotberg, 2004). The concept of governance is wide and as argued by Leftwich (1992), it “refers to a looser and wider distribution of both internal and external political and economic power” (p.611).

The World Bank primarily defines governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development” (The World Bank, 1992: 1). This definition is particularly useful in understanding the role of the government in governance and development. The definition places emphasis on the expected outcome of governance, i.e. ‘development’, with the argument that good governments are those that achieve development. Notwithstanding the fact that this definition outlines key points related to power and management of resources for development, it does not provide, at this stage, at least not explicitly, the elements that can help determine whether a specific country’s governance is ‘good’ or not. In fact the Bank’s lending and support are required to be political neutral, and this may justify the adoption of a definition that drives the focus on the expected outcome, i.e. ‘development’; although Weiss (2000) suggests that the Bank’s definition of governance implicitly involves ‘the form of political regime’. There is however a debate in the literature as to whether the form of governance, i.e. *‘the manner in which power is exercised’* matters or not. In this respect, some scholars have identified two forms of

governance: the market-enhancing governance and the growth-enhancing governance (see, for instance, Khan, 2007). According to the market-enhancing governance, if markets are efficient the private sector will drive economic development. The mixed results under the private sector-led development initiatives from some developing countries have called for the consideration of the growth-enhancing governance, which requires state intervention and critical government capacities to allocate resources, irrespective of the market.

Returning to the political neutrality of the World Bank in its lending activities, researchers have argued and provided evidence that the Bank's activities are not politically neutral as it claims (George and Sabelli, 1994; Harrison, 2005). For example, Harrison (2005: 240) argues that "it is now well established that the World Bank is not a politically-neutral institution... [and] it is striking that the... [Bank] has been engaged in an endeavour to bring political concepts into its development strategies since the early 1990s". As such a focus on the Bank's discourse/speech to understand the deep nature of its actions will be nothing other than a fruitless effort. One must go beyond the formal discourse of the Bank, and rather scrutinise its lending programmes and documents to be able to unearth the true nature of its strategies and actions in the developing world, and especially in Africa. This is supported by a study of Uganda and Tanzania where Harrison (2004) introduced the concept of 'post-conditionality politics'. He argues that the relationship between the governments of these countries and the World Bank, specifically, has gone beyond the typical conditionality relationship articulated in the structural adjustment programmes. The relationship has moved to a post-conditionality politics where the Bank is highly involved in actual policy making at various levels of government structures.

A similar stand is required for the United Nations (UN) in its Article 2 (7) regarding national sovereignty. However, scholars such as Weiss (2000) observe that "sovereignty and non-interference in the internal affairs of states have come under fire" (p.796). This is further and

explicitly illustrated, as opposed to the World Bank whose stand remains implicit, in a report of the former UN Secretary-General Boutros-Ghali who wrote that “The time of absolute and exclusive sovereignty [of nations], however, has passed” (Boutros-Ghali, 1992); and thus “providing the tools of democracy and freedom that are integral to the political and civic dimensions of governance” (Weiss, 2000: 804). Such a stand regarding democracy in particular is what Leftwich (1993) calls the new orthodoxy that ‘dominates official Western aid policy and development thinking’. As stated by Leftwich (1992) in the introduction to his essay on governance, democracy and development in the Third World, the core assertion of this thinking is that “‘good governance’ and democracy are not simply desirable but essential conditions for development in all societies” (p.605). As such, democratic-based governance is inherently ‘good’ for development and universally applicable in its standard form in all societies irrespective of their cultures and local context including their stage of development. Nevertheless, the argument that high-democracy based governance results in better growth has not reached a consensus among scholars. For example, in a recent study, Doucouliagos and Ulubasoglu (2008) find that democracy has no direct effect on growth, though it affects growth through indirect channels. In a earlier study Helliwell (1994) concludes that “the general result of the growth analysis is that it is still not possible to identify any systematic net effects of democracy on subsequent economic growth” (p.225). Another study by Przeworski et al. (2000) finds no difference between democratic and non-democratic regimes in terms of economic growth.

The second definition of governance considered in this study is that of Rotberg (2004) who defines governance as “the term used to describe the tension-filled interaction between citizens and their rulers and the various means by which governments can either help or hinder their constituents’ ability to achieve satisfaction and material prosperity” (p.71). The term ‘tension-filled interaction’ makes Rotberg’s definition more complex relative to that of

the World Bank. The term is indicative of a relationship where governments and their citizens engage in certain activities and actions to influence each other with pressure from each side. In addition it focuses on the satisfaction and prosperity of the citizens rather than that at the national level. As such, governments that help their citizens achieve satisfaction and prosperity can implicitly be seen as ‘good’ governments. The concept of the nation or state’s wealth, and the balance between this and the wealth of the citizens individually need some considerations.

Thirdly, Kaufmann et al. (2010: 5) are of the view that governance encompasses the “traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them”. Kaufmann and his colleagues placed emphasis on traditions in terms of social and cultural features as important determinants of the form and characteristics of governance in a country. These traditions together with the institutional arrangements within a country determine the quality of governance (see for example La Porta et al., 1999).

Nonetheless, there is no mention of how a country’s traditions can be measured; and, despite being included in the definition, the representation of specific country’s traditions in the governance measures subsequently proposed is not clearly visible. Moreover, this definition is just as broad as the two discussed above. It does not cover the exercise of power – power meaning in this context the means by which authority is exercised. Neither does it “distinguish between the content of specific policy programs on the one hand and the governing procedures on the other” (Rothstein and Teorell, 2008: 168).

The problem with these definitions can at least in part be due to the personal profile of the individuals who put them forward and to some extent to the nature of the institutions behind them. Both Kaufmann and his other associates, and Rotberg are portrayed as economists. The World Bank, the leading institution in governance initiatives, has also long positioned itself as an economy driven policy institution. This makes it difficult for both the Bank and the various authors cited above to capture significant noneconomic factors such as social trust and customs associated with culture and traditions, as well as accounting system in all of their dimensions which at first do not appear to be economic per se in nature but which can have significant economic consequences. So far, these factors have not been given equal consideration in the various governance initiatives compared to the economic factors.

This does not suggest that the definitions provided are not worthy of any use. They help in the process of identifying the main features of governance which, this study argues, are far from complete and should be subject to continual review and update. The observation has been made that the definitions lack uniformity (see Al-Marhubi, 2004). Each definition has its own focus. For example, while the World Bank puts the emphasis on power and development, Rotberg is more concerned with the tension-filled interaction between citizens and their governments and the extent to which the latter contribute to the prosperity and satisfaction of the former.

Interestingly, there has been a growing interest in understanding the requirements of good governance. According to Wilson (2008: 200): “good governance involves making difficult trade-offs between highly desirable goals... by trying to make sure that those who make these trade-offs... are subject to accountability mechanisms that are sufficient to ensure that they make justifiable, even if contestable, choices.” Wilson recognises here the difficulty in choosing between alternatives on behalf of the public. The trade-offs involved in the process require choosing the options that satisfy, most (or best), the interests of the citizens. Here,

apart from proper accountability mechanisms, the notion of resource allocation appears to be relevant since choice requires deciding between alternative goals and how the available resources will be allocated between selected goals.

The World Bank (2000: i) suggests that “good governance is epitomized by predictable, open, and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law.” An important point to highlight here is that good governance also requires ‘*transparency*’ and as suggested by Dye and Stapenhurst (1998: 1) “good governance is *accountable*, participatory and *transparent*”. Furthermore “good governance is a strong antidote to ‘*corruption and fraud*’ (Dye, 2007: 7) since good governance requires the existence of mechanisms to prevent or at least reduce the likelihood of corruption and fraud.

Although the above development regarding the requirements of good governance outlines very important areas of governance – such as resources allocation, proper accountability mechanisms, transparency and control of corruption and fraud – where accounting has proved to have strong potentials (see section 5), it is surprising that there is no mention of accounting or accountability in the governance definitions cited above. Furthermore, this shortcoming in the definition has had, as argued in this study, a knock-on effect on the available governance measures (see section 4), and though accountability is then included it is only considered at political level. There are no explicit accounting systems related measures in any of the governance indexes. Further the review of the available data sources (see Kaufmann et al. 1999, 2006 and 2009b; Mo Ibrahim Foundation, 2011) used to construct the indexes revealed no significant accounting information within these sources. The only source where

accounting is marginally considered is the ‘CPIA² quality of budgetary and financial management’ data. However, the World Bank staff provide this data only by filling a questionnaire instead of conducting an in-depth examination of the various dimensions concerned. It is surprising that the Public Expenditure and Financial Accountability (PEFA) assessment which provides a more in-depth, though limited, assessment for accounting is not explicitly considered in any of the governance metrics.

2.2.2. Governance in the African context and the involvement of the World Bank

The 1980s and 1990s had seen the importance of political institutions for governance and economic and social development (World Bank, 1989, 1992, 1997, 2003). Improvements in governance are suggested to foster improvements in economic and social conditions and poverty alleviations. In terms of citizen welfare, it has been argued that “good governance is a pre-requisite to sustained increases in living standards” (Knack, 2002: 1). Similarly, Kaufmann et al. (1999) find that an improvement of one standard deviation in governance is associated with an increase of between two and a half and four fold in per capita income. This association between governance quality and development has given impetus of the World Bank support to government institutions across the world (World Bank, 2003).

Since the economic crisis of the late 1980s and early 1990s, Africa has been part of this process and has been subjected to increased institutional reforms to improve governance across the continent (Jaspersen and Shariff, 1990; Dollar and Svensson, 2000; World Bank, 2003; Economic Commission for Africa, 2005b). Structural adjustment programmes led by the World Bank had been the primary approaches used to achieve this purpose. With these programmes, “it is hoped that macro and institutional reforms will produce more efficient

² Country Policy and Institutional Assessment

resource use and higher rates of economic growth” (Summers and Pritchett, 1993: 383). Hence, the central focus was on institutional improvement as emphasised by the World Bank (2003: 25): “we need to ensure our lending enhances institution-building (in addition to addressing relevant policy, physical investment, and resource transfer objectives)”. This led to significant growth in adjustment and investment lending. At the same time, as observed by Leftwich (1992), the other Western-based bilateral and multilateral development organisations were providing support for democracy-led good governance in number of Third World countries including those in Africa.

Prior evaluations of the adjustment programmes suggest that, all in all, they failed to meet expectations. Having acknowledged that adjustment lending in the 1980s had somehow improved macroeconomic imbalances and growth, Summers and Pritchett (1993) recognise, however, that it did not solve the basic development problems. This is also supported by Easterly’s (2005: 20) assessment that “there were some successes, but also some big disasters” associated with the adjustment lending in the recipient countries. As a result, the adjustment lending approach had been amended by the end of the 1990s and beginning of the 2000s with new programmes whose primary objectives are defined as being to ensure improved public savings and efficient use of public resources, transparency of the use of public money, and monitoring and controls of expenditures (World Bank, 2003; Easterly, 2005).

Despite the renewed approach to African governance development, there is a conviction that the continent needs to do more on the ground in terms of effective implementation of governance related policies and frameworks. In support of this, Banda (2002: 95) notes that “in theory, most of Africa has embraced the concept of good governance. In practice, this is not the case.” With the same conviction, Kofi Annan – former United Nations’ Secretary General – addresses the Heads of African States in these terms: “without good governance – without the rule of law, predictable administration, legitimate power and responsive

regulation – no amount of funding, no amount of charity will set us on the path to prosperity”
(Economic Commission for Africa, 2005a: II).

Similarly, a recent study by Lynch and Crawford (2011) concludes on the democratic system being ‘pushed’ throughout Africa as follow:

...increasingly illegitimate, but ongoing military intervention; regular elections and occasional transfers of power, but realities of democratic rollback and hybrid regimes; democratic institutionalization, but ongoing presidentialism and endemic corruption; the institutionalization of political parties, but widespread ethnic voting and the rise of an exclusionary (and often violent) politics of belonging; increasingly dense civil societies, but local realities of incivility, violence and insecurity; new political freedoms and economic growth, but extensive political controls and uneven development; and the donor community’s mixed commitment to, and at times perverse impact on, democracy promotion (p.275).

While the idea of reforming government institutions is not being questioned, what is being questioned is whether the right approaches which take account of indigenous reality are being used. Most reform/policy approaches to development and governance in Africa and most developing countries are driven by Western orthodoxy with little emphasis on the local reality/context. Attempts to reform and policy that are not context-built are less likely to produce effective outcome. The conventional wisdom or orthodox of development and governance which has been exported to the developing world upon which policies and reforms are based to promote development and good governance has been strongly challenged as ineffective wisdom (see for instance, Frank, 1969). Moreover, such approach places limited focus on accounting, and its drive for behavioural standards (Cohen and Pant, 1991). For example, in a study of three Chinese state owned-enterprises, Huang and Snell (2003: 112) argue that “failures of governance and leadership lie at the roots of poor moral atmosphere”. No strong stand has been taken regarding accounting systems and related behavioural standards; or when such stand is taken (as is well articulated in The World Bank (2007)) it is only well developed on paper and little is done to put it into policy and support its effective implementation.

Interestingly, following the World Bank's governance programmes in Africa, the African Development Bank (ADB) (2008) has joined the initiatives with a vision to make governance and accountability a key priority in its lending and non-lending activities on the continent as aforementioned. To this purpose, the ADB has developed the Governance Strategic Directions and Action Plan (GAP) over the period 2008-2012 which serves as a framework for the Bank's interventions in good governance in Africa. A thorough evaluation of the GAP at the end of its term (i.e. 2012) will provide information about the extent of the success achieved.

2.2.3. Measurement of governance

The second half of the 1990s saw the emergence of quantitative characteristics and measures of governance (Mauro, 1995; Tanzi and Davoodi, 1997; Kaufmann et al., 1999). This represents a shift from the qualitative characteristics to the initial quantitative features of governance. The purpose of the move is to enhance governance in order to boost development (Kaufmann, 2006; Rotberg and Gisselquist, 2008; Kaufmann et al., 2009a). From the early 2000s, there has been a development of more specific full indicators that focus exclusively on Africa. The first attempt in this regard was initiated by the Mo Ibrahim Foundation which developed the 'Ibrahim Index of African Governance' (IIAG). The second attempt was the work of the United Nations Economic Commission for Africa (UNECA) in 2005 with the development of the African Governance Indicators (AGIs). UNECA has not produced any indicator since this initial one in 2005.

In spite of the inherent merits of these governance indicators being the first attempts to quantify governance dimensions, these measures have been criticised. It has been argued that there is a wide variation in the main indicators and sub-measures. Furthermore, the method of

computing the indexes also differs considerably from one index to another. It is also argued that the 'control of corruption' indicator within the WGI measures different levels of corruption across countries, and as a result this makes cross country comparison controversial (Apaza, 2009). Moreover, the actual measured corruption in a particular country run the risk of limited scope coverage (Olken, 2009). Also, although corruption and rule of law are used to proxy for *transparency*, "corruption and lack of rule of law may make it difficult to achieve transparency,... they do not measure transparency per se" (Vishwanath and Kaufmann, 2001: 48). More interestingly, in a real case of policy decision-making regarding the 2005 Millennium Challenge Account (MCA) programme, Kaufmann et al. (2005) – the authors of the WGI – admitted to some of the limitations in making such policy decision regarding the concerned recipient countries.

Focusing on the technical ground of the indexes, Thomas (2010) has challenged the over reliance on the WGI, in particular, in policy decisions-making by arguing that the methodology used in constructing the WGI is seriously flawed. He begins by pointing out that Kaufmann and his associates claim to measure from 2006 perceptions rather than the actual dimensions being considered. On this ground, "there is substantial difference between measuring a thing and measuring perceptions of it... for example, perceptions of crime risk have been shown to be quite different from actual crime levels...; perceptions of corruption have been shown to differ from corruption levels..." (p.36). Surprisingly, despite the change in method of measurement, the authors still interpret changes in their data as reflecting changes in governance itself rather than changes in perceptions of it.

There are also issues regarding the operationalisation of the construct. For instance, while agreeing on the definition of '*government effectiveness*' construct, Kurtz and Schrank (2007) have doubt about its operationalization given the observation that certain measures included

in the variables were extraneous to the definition. Thomas (2010) also expresses the same regarding ‘Voice and Accountability’ and ‘Control of Corruption’.

Regarding the IIAG specifically, a recent study by Olowu (2009) notes that:

Unfortunately, it also suffers from the same problems as the WGI. Its definition of governance is the deliverance of political goods (performance). But a close inspection shows that, although performance is supposed to be the Index’s main focus, its indicators also include processes... Some of the data are based on perception... and the data reliability is quite questionable. [IIAG] is indeed more comprehensive than [WGI], however, data for a range of issues are missing for many years for many countries (p.80).

In short the constructs of these measures are flawed, and as argued by Thomas, the WGIs and similar measures “are admittedly based on personal and untested notions of governance” (p.50). This is suggested to be due, to some extent, to the profile of the developers of the measures.

In the next section, this study looks at the role of accounting systems in governance areas from the literature and constructs the argument that accounting plays various roles in governance.

2.3. Accounting systems

The purpose of this section is to review the constituents of accounting systems which characterise accounting practices and functions that contribute to governance performance. Ideally, the studies to review would be accounting studies at a macro level of the social and development field. But, surprisingly, accounting scholars seem to show very limited interest in developmental issues, and accounting studies in the field are sparse. This lack of interest has given room for economists and policymakers to overlook accounting functions and the role of accounting in social and development policymaking. This is not to deny the efforts of few scholars that have written in the field. Notable among these are Hopper et al. (2009), Neu et al. (2006), Annisette and Neu (2004), Alam et al. (2004), and Rahaman and Lawrence

(2001). For instance, Hopper et al., (2009) used a cultural political economy framework to trace the development of management accounting in less developed countries. The framework provides “a dialectic explanation of MAS [management accounting systems] transformation to social, economic, and political factors in both ideational and institutional domains” (p.473) through three major stages. The first stage is colonialism where accounting was integral to subjectification, promoting slavery, enabling control from distance and helping imperial governments control indigenous, slave and settler populations. The second stage is state capitalism with accounting being accorded important roles in State-Owned Enterprises (SOEs) and state planning, especially for its control and accountability functions. In the third stage characterised by market capitalism introduced through the Structural Adjustment Programmes led by the World Bank and IMF, though effective accounting is required, development economists often ignored it with the assumption that it will flow from market relations. One of the main conclusions of this study is that “MAS transformations are contextually encircled, evolve historically, and are socially constructed (p.476); and that though “[a]ccounting cannot resolve all poverty, injustice, and corruption problems,... it is a piece in the jigsaw of effective control, regulation, accountability, and the rule of law (p.495). The other studies have provided case evidences to demonstrate how accounting operates in selected public sector organisations. The study of Annisette and Neu (2004) focused on accounting’s roles in the context of empire, and discusses the use of accounting as instrument for control and imperialism. The authors concluded that the current accounting literature continues to privilege the experiences of the centre (the imperialist, i.e. the West) over those of the periphery, mostly the Third World, with strong contemporary resonance via the increasing homogenisation and harmonisation of accounting practice and education. Particularly, the study of Neu et al. (2006) provided evidence on the role of the World Bank

in this context where the Bank “[i]ncreases its legitimacy with other potential borrower countries [i.e. the developing ones] and ensures its continuing influence” (p.635).

The very few studies carried out in the area of macro level of government accounting systems support the role of accounting and its drive for strong behavioural standards in governance improvements.

Conceptually, accounting:

...is a system for measuring economic activity and therefore, in an economic world... it is an important and necessary social practice... Accounting impacts the lives of everyone in society, even (or perhaps especially) those who know very little about the subject and have never set eyes on a financial statement (Perry and Nolke, 2006: 560).

Often, accounting is associated with the notion of ‘system’ given its wider scope to illustrate the complex nature of its roles and functions in an organisation. As such, many scholars in accounting research have used the term ‘accounting system’ to refer either to one of its components (see Haseman and Whinston, 1976; Nobes, 1998; Soobaroyen and Poorundersing, 2008), or to the whole system (see Yamamoto, 1999; Jones and Pendlebury, 2010). For example, the accounting system referred to in the study of Haseman and Whinston (1976) is concerned with financial reporting, but the one referred to in Soobaroyen and Poorundersing (2008) is associated with management accounting. Yamamoto (1999) and Jones and Pendlebury (2010) have provided a more comprehensive description of the accounting system as composed of three main sub-systems of ‘management accounting’, ‘financial accounting’ and ‘audit’: each subsystem has specific functions that it contributes to the overall functions of the accounting system.

The definition of accounting system adopted for the study elaborates on Yamamoto (1999) and Jones and Pendlebury (2010)’s definition. Thus, *accounting system is defined as the sum of financial accounting, audit, management accounting and the institutions charged with their functioning and the related legal framework.*

2.3.1. Accounting and Auditing in Control of Corruption and Fraud

Fraud is distinct from corruption (Grandori, 2004). The former usually leaves some form of evidence. The latter however involves no or little document based evidence (Khan, 2006). However, corruption can induce the practice of fraudulent activities. The Association of Certified Fraud Examiners (2008),³ reports that 27 per cent of reported fraud involves corruption.

Corruption has proved to have detrimental effects. Many studies have evidenced the social and economic consequences of corruption especially in developing countries (Wei, 2000; Khan, 2004; Rose-Ackerman, 2008; Olken, 2009). Corruption is associated with poverty, hunger and underdevelopment (Khan, 2004). No community can afford to sustain the social, economic and political costs of corruption. “Corruption erodes public confidence in political institutions and leads to contempt for the rule of law, it distorts the allocation of resources and undermines competition in the marketplace, and it has a devastating effect on investment, growth, and development” (Dye, 2007: 6). According to Wei (2000), an increase in a country’s corruption level from that of Singapore to that of Mexico would have the same negative effect on inward FDI as raising the tax rate by 50 per cent.

In particular, Sub-Saharan Africa is one of the regions with the highest levels of corruption in the world (Fombad, 1999; Bierstaker, 2009). Journal articles and newspapers are full of juicy and appalling stories of corruption and fraud involving various government institutions or agencies and various people ranging from highly ranked public officials to mere civil servants. A recent Nigerian study shows that the recovery of \$2.3 billion from former President Abacha’s (1993-1998) loot (itself estimated at \$4.3 billion) was reported to have gone missing by means of corruption and fraud (Otusanya, 2010). In 1997, the Controller and

³ See Bierstaker, J. L. (2009) ‘Differences in Attitudes about Fraud and Corruption cross Cultures – Theory, Examples and Recommendations’. *Cross Cultural Management*. 16 (3): 241-250.

Auditor General in Kenya reported questionable public expenditures and missing funds which amounted to 7.6 per cent of GDP; and in Tanzania, service delivery survey data suggests that bribes paid to officials in some public areas amounted to 62 per cent of official public expenditures in those areas (Shah and Schacter, 2004).

Few scholarly studies have been conducted on the roles and functions of accounting at country level and its accompanying ethical standards in fighting corruption and fraud (Khan, 2004 and 2006; Everett et al., 2007). Nevertheless, these studies highlight one common conclusion: that is, proper accounting systems are an *antidote* to rising corruption and fraud. Everett et al. (2007) have studied accounting, including accountants and auditors, and the fight against corruption and report on the role of accounting from two perspectives: the orthodox and the radical. From the orthodox perspective, accounting is crucial in fighting corruption and for this fight to be won, accounting needs to do more work. In contrast, the radical perspective views accounting as a field that has its own vices (accounting manipulations, i.e. unethical accounting), and as such, one that needs to do things differently if it is to play any role in fighting corruption. From these two perspectives, Everett et al. (2007) argue that accounting has the potential to effect economic accountability that is able to understand the needs of victims of corruption, and suggest three accounting practice-oriented recommendations. The implication of this study is that accounting associated with good ethical standards has a role in the fight against corruption if its functions are properly performed.

It is argued that public fraud and corruption thrive when there is a lack of accountability and transparency. Fombad (1999) reports that increasing demand internally and externally for transparency and accountability on the part of the government would reduce corruption and improve good governance. “In cases where corruption is in the form of bribes to alter the normal course of government, increased transparency of government operations reduces the

opportunity for undetected corruption” (Huther and Shah, 2000: 4). To this purpose, “good financial reporting and auditing help reduce the misrepresentation that hides fraudulent operations...” (Dye, 2007: 8).

Dye’s evidence also suggests that when internal audit exists in the government auditing system, it plays a critical role in the government accountability. In support of this, Kwanbo (2010) finds that there is a significant relationship between internal audit and fiscal transparency and accountability at local government level. Various evidence has been provided about the contribution of internal audit to government accountability. In Canada, for example, it came to light between 2002 and 2005 that internal audit work revealed instances of frauds of which two were particularly important. The cumulative value of these two instances exceeded Can\$200 million involving government officials. The follow up led to many of the recipients of the funds being sent to jail and to the recovery of some of the missing funds. Similarly Dye provided another instance in China where internal auditors uncovered, among other things, nearly US\$1.1 billion related to instances of fraud and corruption through embezzlement and misuse of public funds.

Taking a slightly less strong view about the role of audit in combating corruption and fraud, Khan (2004, 2006) claims that corruption auditing poses a greater challenge to the auditor as compared with fraud auditing, and that auditors have a limited role to play in detecting corruption. The auditor can, however, help prevent it by pointing out areas where opportunities for corruption exist. He also suggests that performance auditing can help detect corruption. “A properly planned and executed performance audit would highlight areas of diseconomy, inefficiency and failure to achieve results and impact... If [a project] exceeds its planned costs significantly or takes much longer than envisaged or does not achieve what was intended, then there is a possibility that the people involved in its management may have indulged in corruption” (Khan, 2006: 19). Although, the existence of diseconomy,

inefficiency or ineffectiveness is not definitive proof that corruption has taken place, performance audit can, however, provide clue for further examination of corruption if it has occurred.

Ramkumar and Krafchik (2007) counter Khan's claim that auditors have a reduced role in detecting corruption by arguing that an auditor can contribute significantly to the reduction of corruption and the strengthening of accountability because "an SAI [Supreme Audit Institution] that retains a clear mandate, possesses independence from the other agencies of government, employs a skilled staff, and has access to adequate resources is uniquely placed within any governance framework to combat corruption" (p.25).

Drawing particularly on developing countries, Dye (2007) reports that "... it is common for public sector auditors to report unauthorised expenditures, waste of public funds, abuse of procedures resulting in loss to public treasury, and so forth... However, audit staff often tend to take a clerical approach, demanding strict compliance with procedures while often missing the objective of the procedures. Minor aberrations and misuse of funds are highlighted, whereas major systematic failures resulting in large losses to the treasury go unidentified" (p.7).

The problem with the limited audit performance here is not about the potential of accounting (which is partly highlighted in the first part of the author's observation); it is rather concerned with the environment and mechanisms within which the function operates. The approaches used in combination with the nature of the mechanisms in place undermine the effectiveness of audit and more generally accounting work in Africa and other developing countries. The inefficiency of audit staff is only one visible part of the whole problem. Reforms undertaken in the area with a wider involvement of the World Bank have suffered methodological shortcoming and also failed to use the appropriate mechanisms (Durevall and Erlandsson,

2004). It is not surprising that the surge of corruption in these countries hardly gets any better and instead is escalating (Lynch and Crawford, 2011). The failure of accounting in curtailing corruption and fraud in Africa is in fact due to the manner in which accounting is approached.

In summary, accounting – especially in its audit and controls functions – helps, at least in principle, to curtail corruption and fraud. As reported by Matheson and Kwon (2003), inadequate compliance with accounting and reporting rules and lack of accounting, reporting standards and compliance have a positive relationship with corruption risk. The absence of accounting in good governance advocacy offers therefore fertile soil for the growth of corruption. If control of corruption is an important governance dimension, then accounting and the ethical underpinning is a crucial determinant in this area. Such visible place should explicitly be recognised in governance framework and in the measurement of governance as an indicator on its own or as a direct sub-indicator.

2.3.2. Accounting and Financial Reporting in Transparency

Financial transparency is crucial to economic development. “[Without financial transparency, the] money that could be used to reduce poverty and jumpstart economic growth is stolen instead” (George Soros)⁴. Financial transparency helps to hold public officials accountable and enhance public confidence in government departments and agencies. Governments need “... to use transparency in revenue and financial management to allow people to hold government to account and build public trust” (Tony Blair)⁵.

Financial reporting transparency is “the extent to which financial reports reveal an entity’s underlying economics in a way that is readily understandable by those using the financial

⁴ See McMillan (2005: 161)

⁵ See McMillan (2005: 163)

reports” (Barth and Schipper, 2008: 173). According to Barth and Schipper, transparency of financial reporting rests on two characteristics: *the reflection of the entity’s underlying economics* and *the understandability of the information* provided in the financial reports. The authors also consider comparability as another attribute but they do not include this in the main characteristics.

However, Barth and Schipper’s (2008) definition of financial reporting transparency misses some other important characteristics which are discussed by Kristiansen et al. (2008). These authors have identified timeliness, accessibility, reliability and quality of financial information as important attributes for financial reports to be transparent. In this regard, Vishwanath and Kaufmann (2001: 43) assert that “a serious impediment to measuring transparency is poor data quality – a lack of detailed information on publicly disclosed information, on the various disclosure standards, and on evaluations by the independent auditors of the categories of information disclosed”.

Financial transparency has been a focal subject over the last two decades. “Values for financial transparency in government escalated in the early 1990s with the advent of the Reinventing Government Movement. Accounting scandals in the following decade reinforced public and private anxieties regarding the full and honest disclosure of financial information” (Honoré et al., 2007: 121). However, the field of public accounting (via government reporting) and transparency has attracted very little attention in academic research. Most of the available literature is concerned with political transparency with a focus on policy formulation, rule of law, government legitimacy, citizen and civil society participation in the democratic process (Al-Jurf, 1999; Curtin, 1999; Johnston, 2006); and budget or fiscal transparency (Alt and Lassen, 2006; Benito and Bastida, 2009).

In the private sector, following the collapse of high profile companies, especially of WorldCom in 2001, Enron in 2002 and Parmalat in 2003 where unethical financial disclosure and earnings management were found to play a significant role, many studies have been carried out on accounting transparency and corporate governance, earning quality, and market related issues (Imhoff, 2003; Bushman et al., 2004; Lara et al., 2009).

In the public sector, accounting helps reveal more information about government activities that otherwise may be hidden from the public and other interested parties. In a study of governmental financial transparency in MERCOSUR⁶ member countries, Pérez and López-Hernández (2009: 169) advance that “financial statements provide tangible evidence of good accountability and enhance transparency in government”. Proper financial information provides the necessary knowledge for appropriate governmental decision-making with respect to resource allocation in order to meet institutional objectives (Pérez and López-Hernández, 2009). The existence of mechanism for improved financial reports can enhance the credibility and integrity of public finances. This in turn will contribute to effective management of public resources (Santiso, 2004) as decisions will be based on more reliable and appropriate information. As such, financial report transparency has benefits for both the ‘external’ public as they know more about government activities, and the government itself for improved decision-making and allocation of resources.

Other studies on accounting and transparency have focused on financial recording systems (Cain et al., 2001; McMillan, 2005). Proper financial reporting requires that the underlying recording systems be adequate. In this regard Cain et al. (2001: 415) argue that an “effective records management programme acts as a building block for other activities; in this instance financial management”. The authors justified the importance of financial recording systems

⁶ MERCOSUR is the Common Market of the South (of Latin America). It comprises Argentina, Brazil, Paraguay and Uruguay.

by emphasising that disclosure and accessibility to financial information may work well while the source of such information may be flawed which will make the whole transparency system ineffective. The quality of the recording system determines the extent of the completeness and integrity of the disclosed information which in turn affects accountability (Iyoha and Oyerinde, 2010).

Cain et al. (2001) illustrate the importance of appropriate financial recording systems for transparency and accountability in two African countries (Gambia and Tanzania). In Gambia, the National Records Service Act of 1994 and the Finance and the Audit Act impose an obligation on government departments and ministries to ensure that records are kept, managed and stored in a manner that facilitates financial reporting and the audit function. In addition, the Accounting Manual, issued under Financial Instructions 0111, establishes the responsibilities and roles of Accounting Officers and the operating procedures for the accounting systems.

Despite these legal and regulatory provisions..., the system has been plagued with problems of over-bureaucratisation and inefficiency, primarily due to a lack of enforcement mechanisms, inadequately trained accounting and records staff... This has resulted in either the absence of appropriate records or the inability to retrieve the required records for audit and accounting purposes in a timely manner... Record keeping in The Gambia, was often deliberately chaotic in order to prevent anyone following a trail of fraud. Although legislation regarding financial instructions is clearly documented, managers have sought to override these controls in order to achieve their personal financial ambitions (Cain et al., 2001: 416).

The Tanzanian case is at a more decentralised level with little consideration of financial records keeping in districts.

An audit carried out by a private sector firm for the Government of Tanzania confirmed that most district councils are not keeping complete records of their transactions. Furthermore, poor record keeping is exacerbated by inadequate supervision by District Executive Directors and Treasurers who often are not aware of backlogs (Cain et al., 2001: 420).

McMillan (2005) provides another case about Angola. With growing external and internal pressure, the Angola government introduced a transparency policy regarding its oil revenue management in 2004. However, “the details of the new policy were left unstated, with no

indication of exactly what data would be made public or whether the accounts would be audited”. A commissioned report from the accounting firm KPMG “documented the opacity of Angola’s recordkeeping and strongly recommended greater transparency in the accounting of oil earnings” (McMillan, 2005: 165).

Gambia, Tanzania and Angola, all issue financial reports which, even if made available to the public on a timely basis – though this is rarely the case – cannot demonstrate any reliability as the underlying recording systems are flawed. Moreover, the poor recording systems will contribute to ineffective resource allocation since the information used to inform decision-making lacks representativeness.

Furthermore, a system where the financial reporting accounts are defined and developed in isolation and in an autonomous manner from the budget is suggested by Kristiansen et al. (2008) not to support transparency. They find that “the lack of compatibility between budget and account items also hinders transparency and external control” (82). Government accounts and budget items should be compatible to ensure transparency and limit the discretionary financial space of officials.

In summary, financial reporting transparency is essential to government transparency and effective management of public affairs. Evidence from various studies (Cain et al., 2001; Vishwanath and Kaufmann, 2001; Kristiansen et al., 2008; Barth and Schipper, 2008) support this argument. However, this role is not properly recognised when defining and measuring transparency. Moreover, transparency, in its general sense, seems to be absent and more apparently so in the WGI. ‘Rule of law’ and ‘Control of corruption’ have been used as proxies for transparency, which may fail to capture it.

2.3.3. Accounting and Accountability

Accountability is a necessary function to make judgement about government performance against stated objectives and their stewardship of public monies. Accountability which is a basic concept of good governance can be defined in terms of responsibility or answering for actions, particularly expenditure by people in authority such as those in government and those who hold public office (Moncrieffe, 1998). Accountability involves both taking and accepting responsibility, willingly or by obligation, and accounting for actions undertaken within these responsibilities.

As argued by O'Neill et al. (2007: 3): “accountability refers to the nature of a relationship between two parties. A relationship may be characterised as lacking in accountability or highly accountable. In a relationship between two parties, A is accountable to B, if A is obliged to explain and justify her actions to B, and B is able to sanction A if her conduct, or explanation for it, is found to be unsatisfactory.” Accountability is a two-way relationship. First, there is the requirement placed on the person taking a defined responsibility to be answerable to the person or party giving the responsibility. Second, there is the possibility of the latter sanctioning (or rewarding) the former if he/she finds that the account or the explanation provided is unsatisfactory (or satisfactory). In a democratic system, this second dimension of the accountability relationship is fulfilled through the electoral process allowing the constituencies to reward (re-elect) or sanction (replace) the elected officials.

Accountability is central to the achievement of good governance and this has been reiterated by Malena and McNeil (2010: 1) as: “Accountability is the cornerstone of good governance. Unless public officials can be held to account, critical benefits associated with good governance – such as social justice, poverty reduction, and development – remain elusive” Similarly, Kluvers (2003) notes that:

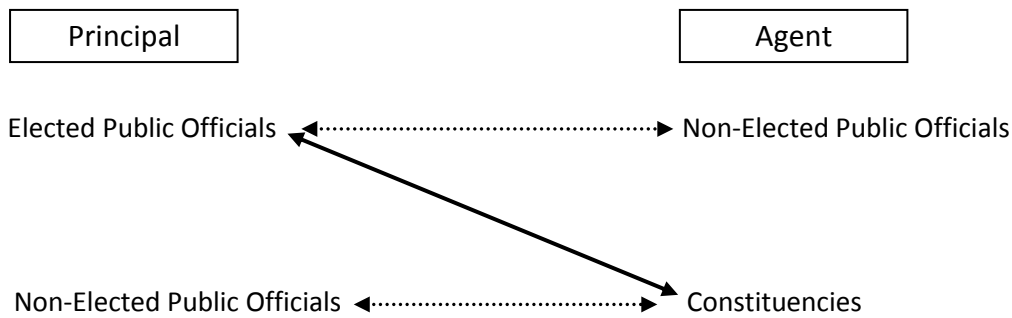
The concept of accountability is a fundamental underpinning in liberal democratic thought. Accountability forms the basis of the trust we have in society's institutions and organisations, so when accountability relationships are undermined our trust in society's institutions is damaged... Without adequate accountability the management of resources can at best be wasteful and incompetent and at worst corrupt. Where there is inadequate accountability resources may be used inefficiently and ineffectively (pp.57-58).

Accountability is a fundamental principle in itself and is not only driven by the quest to fight corruption and fraud. Even where corruption is absent or minimal, accountability is needed to improve efficiency and effectiveness of resource use, avoid waste, and ultimately hold officials answerable to their constituencies. One concept of accountability discussed in the literature is political accountability (Persson et al., 1997), which has been suggested to serve two practical purposes. As argued by Adibe (2010: 1250), "the first, which is political, is that political accountability gives effect to the principle of checks and balances as a bulwark against arbitrary government. The second, which is economic, is that it ensures efficiency in the operation of the business of government". This notion of accountability emphasises both the requirement for a balance of power and the crucial need for efficiency in government in running businesses.

It follows from this brief discussion that accountability is a two-way process: the government is accountable to its constituencies and they in return reward the government with re-election, or sanction it by replacing the ruling government and public officials.

At the heart of the accountability concept lies the principal-agent relationship. At macro or country level, this relationship is (1) between the citizens and elected public officials (or politicians), (2) between elected public officials and public managers or non-elected officials (Broadbent and Laughlin, 2003), and (3) between public managers and citizens.

Figure 2.1: The process of accountability



Source: Developed by the researcher

In the first relationship, the citizens are the principal and elected officials are the agent; and this is the ultimate principal-agent relationship since it is the citizens who entrust the management of the nation's resources and affairs to the elected officials through elections. In return, elected public officials account for their actions and decisions to the citizens via various mechanisms such as the Parliament, audit institutions, media, etc. These institutions also act as control mechanisms. Most public institutions and agencies are run by individuals who are not usually elected, but are rather appointed by the elected officials. As a result, they account to the elected officials who in turn account to the public. However, where institutions or agencies have special or independent status, such as the Office of the Auditor General or the judiciary in most countries, the public officials running these institutions account presumably to the public via its representative, the Parliament and/or other arrangements.

In the accountability process, accounting is suggested as an important determinant. Accounting provides a basis for government accountability and a measure of the effects of government policies and organisational efficiency (Athukorala and Reid, 2003). According to the International Federation of Accountants (IFAC), the objectives of government accounting and financial reporting are, among other things, to demonstrate accountability. This is echoed

in a study of accounting and accountability in Nigeria where Iyoha and Oyerinde (2010) advance that the role of accounting in an accountability framework cannot be overstated. They move on to argue that, in particular, accountability of public expenditures can easily be realised with a sound accounting infrastructure.

Specifically, the audit dimension of accounting strengthens this role as an independent function that aims to ensure stewardship, reliability of financial information, and proper use of resources. Public auditors serve the societal purpose of accountability in government, and because of this, they need to be included in the larger components of that purpose (Chelimsky, 2007). “The public sector audit represents a crucial element within an effective accountability framework” (Petrică, 2008: 98). Petrică further advances that the purpose of government audit is to ensure proper use of public funds, good management, and the public and private accountability of the authorities. The Auditor General or his equivalent supported by the supreme audit institution (SAI) is in charge of this government audit function. Within this responsibility “The Auditor General (AG) has a crucial role in evaluating the use of public expenditures and in implementing accountability” (Durevall and Erlandsson, 2004: 34).

Moreover,

...[the] supreme audit institutions act as a core oversight mechanism to ensure that government is held to account for the manner in which it manages public finances. They are independent State institutions responsible for auditing government performance and public accounts and, in some cases, supervising the internal auditing system (Santiso, 2004: 170).

Audit is the accounting function with a unique potential to improve accountability through ensuring that public resources are used in the manner and purposes for which they are intended. Effective independent auditing of government finances is critical to improve the credibility of public finances and ensure the probity of public administration. Audit activities contribute to anchoring financial requirements and regulations and imposing administrative sanctions (Santiso, 2006). Santiso argues, in concluding his study on the role of audit

agencies on fiscal governance, that audit agencies only enforce accountability indirectly. This argument fails to emphasise the particularity of systems where audit institutions have quasi-judicial power to judge and decide sanction on administrative officials involved in mismanagement of public funds or other unethical actions, and therefore hold a direct accountability function. Even in the monocratic model such as in the UK, “there are exceptional examples where an Auditor General may achieve direct influence and change at the political level” (Hedger and Blick, 2008: 12).

The frontline role of audit in government accountability is advocated by Anam (2005) in conclusion to an essay on media and audit at the 6th United Nations Forum on Transparent Governance in these terms: “without greater control over how our resources are being spent, without better financial management, and without greater accountability of government spending, we cannot create a better society for ourselves” (p.11).

As outlined in the first part of the above quotation, control over resources is an important dimension to safeguard public funds and other resources. Once controls are established, they must be subject to regular review, evaluation and maintenance to ensure effectiveness (Dye, 2007). Dye further suggests that the internal evaluation and maintenance of controls are more the responsibility of the internal auditors. External auditors bear additional responsibility regarding their role. They may need to disclose the adequacy of controls, material weaknesses, recommendations for correction of weaknesses and in some cases management follow-up of recommendations (Wallace, 1981).

In summary, accountability is an important pillar of governance. Through accountability elected public officials ultimately account to their constituencies by explaining their action and choice of policy, and in return are rewarded with re-election or punished with the replacement of the government. The role of accounting, especially via its audit dimension, as

an important element within the accountability framework has been overlooked in both the definition and the measurement of the concept of government accountability. It is, thus, argued in this study that any definition and measurement of accountability at the macro level of a nation without the potential of accounting will be flawed and as a result will lack effectiveness. Reforms in this area of governance in developing countries and in Africa in particular have placed little or no emphasis on accounting and usually fail to deliver satisfactory results (see for example Durevall and Erlandsson, 2004; Roberts and Andrews, 2005).

2.3.4. Accounting and Resources Allocation

There are limited studies in the field of public accounting and resources allocation. The existing studies focus almost exclusively on the role of budget in resource allocation with more focus on economic considerations (see Fisher et al., 2002; Schick, 2009; Webb and Candreva, 2010). For example, although accounting is included as the last component in the Budget and Public Expenditure Management System (BPEMS) to form the Medium Term Expenditure Framework (MTEF), the focus of the actual development of the MTEF was more on macroeconomic modelling and economic variables (see Roberts and Andrews, 2005). It is not surprising that the shortcomings of the MTEF including deficiencies in accounting and auditing, weak monitoring and evaluation became apparent at early stage of implementation. The list of weaknesses resembles those existing before the MTEF reforms which suggests that no significant improvement was achieved (Roberts and Andrews, 2005; Durevall and Erlandsson, 2004; Schiavo-Campo, 2009). Effective resource estimation and allocation was a key component of the MTEF which “was meant to introduce a macroeconomic modelling step in the budget process, but evidence suggests that either this framework was never formally developed or the framework was as faulty as previous

models... [The] failure is further evident in the fact that most MDAs⁷ did not prepare departmental audited accounts following MTEF” (Roberts and Andrews, 2005: 296). Two issues are outlined here. First, accounting is absent in the estimation and allocation of resources in the budget process. Second, it should be expected that most MDAs do not attach much importance to audited accounts since audit was not adequately considered in the design of the framework.

According to IFAC, one of the objectives of government or public sector financial reporting is to provide information useful for decision making. To achieve this, financial reporting provides various types of information including information about sources, allocation, and uses of financial resources. Moreover, financial reporting can also “have a predictive or prospective role, providing information useful in predicting the level of resources... (IFAC, 2010: 33).

With specific focus on developing countries Riahi-Belkaoui (1994) has advocated the role of accounting in providing relevant information for planning and development. He argues that:

Economic development requires in large part a well-established and monitored planning process. The planning process relies on the provision of relevant macro and micro information for a better deliberation of the activities required and the necessary standards of performance. Accounting appears to serve an important role in the provision of this information, resulting in a crucial role in the promotion of economic development (Riahi-Belkaoui, 1994: 69).

Similarly, Hoque and Moll (2001) have studied Australian public sector reform and its implications for accounting. They report that the introduction of new accounting standards such as the AAS⁸ 31 “‘Financial Reporting by Governments’ is justified by the need “to discharge [governments] accountability and to improve the decision-making ability of managers and other external users [of financial reports] in the allocation of resources” (p.318).

⁷ Ministries Departments and Agencies.

⁸ Australian Accounting Standard.

Furthermore, the authors claim that the modern role of accounting is more focussed on accountability and efficient allocation of resources. For example, full cost accounting improves the management of resources (Carlin, 2005). This will contribute to informed decision-making by the consideration of impacts and alternative options available or accessible. This process is complemented by cost-benefit analysis which can assist in making difficult decisions about the allocation of limited resources (Ghosh and Alvis, 2003).

Although many factors may be considered in government decision-making, especially regarding different social groups, cost-benefit analysis is still a valuable input in the process. The analysis focuses on financial and economic costs relative to social and economic impacts. This involves the consideration of the opportunity costs of alternative courses of actions that should guide the choice of the options with the minimum cost and greatest social and economic impact. To this purpose, cost data and resource utilisation information need to be accurate and adequate. Performance requirements make public managers pay more attention to efficient assets utilisation and maintenance which in turn will result in efficient utilisation of public resources.

Spathis and Ananiadis (2004) have studied the case of an accounting system reform in a public university and its contribution in terms of resource allocation. They conclude that the accounting system introduced has contributed significantly to improved monitoring of the university's finances, increasing savings through a more effective distribution of funds according to actual needs, and better decision-making through the improved quality and reliability of information used in the decision-making process. Similarly, Riley et al. (2007) have studied the management of human and financial resources in a public health programme in Canada and drew the following conclusion:

Resource allocation is a critical issue for public health decision-makers... Better accounting of public health investments, including monetary and in-kind investments, is needed to inform

decisions about the amount and duration of public health investments that will lead to effective program implementation (Riley et al., 2007: 24).

Good resource management and allocation require high quality accounting and financial information that drives accounting system reform in public organisations (Jackson and Lapsley, 2003). However, evidence suggests that the importance of accounting information in resources management and allocation has not received much interest in the developing world particularly in Africa. The role ‘developers’ and the donor community play in this lack of interest is hard to deny when considering their role in policy formulation and reform design on the one hand, and in the adoption of various frameworks in financial management and institutions design on the other (see for example Durevall and Erlandsson, 2004). Moreover, the role of accounting in resources management and allocation is overlooked by the current governance measures sponsored by donors (with the World Bank taking a central role) which are used to inform policy and reform options.

2.4. Putting Accounting Back into Governance

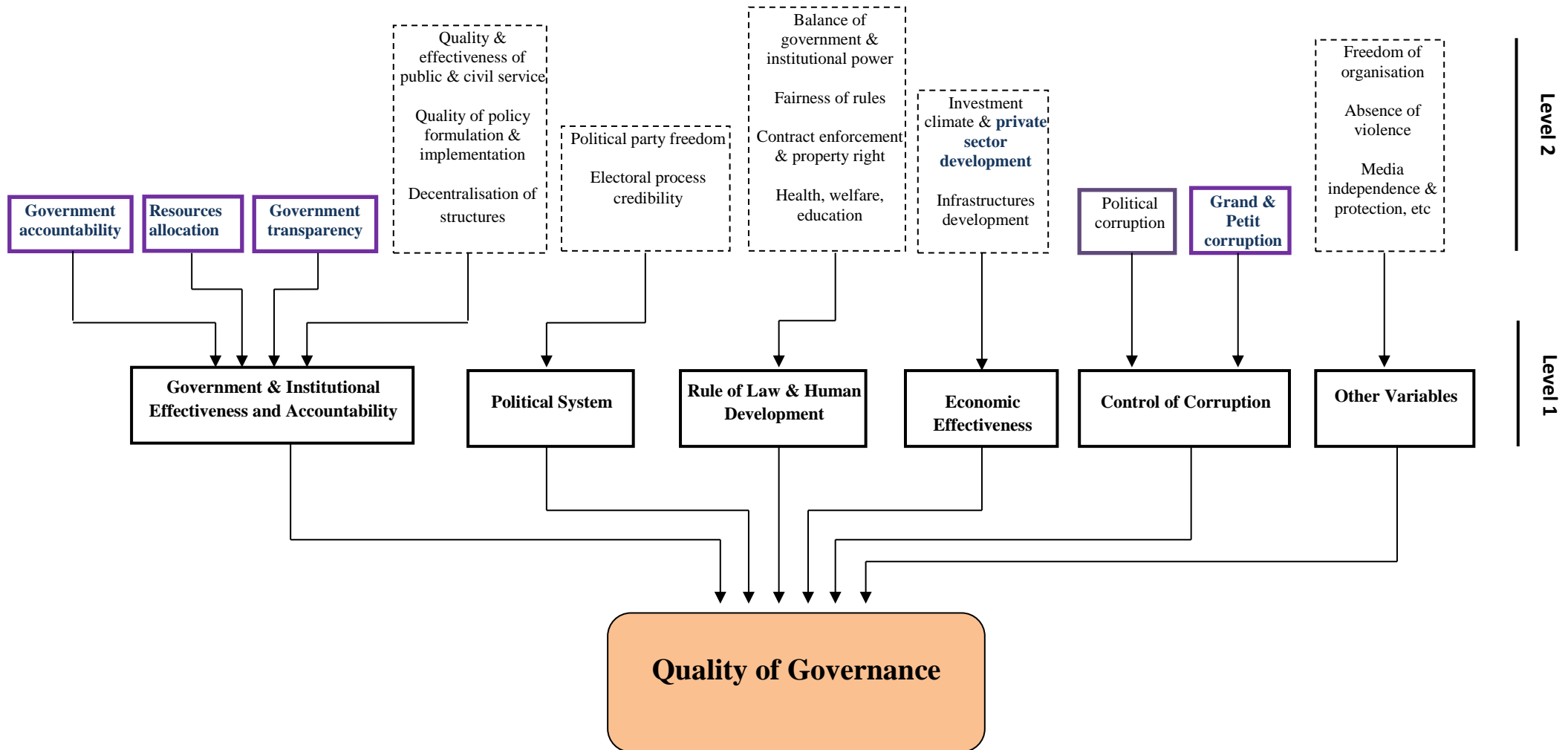
The measurement elements of governance, the requirements of good governance, and the available literature on the effectiveness of current governance measures have been reviewed and summarised as presented in Figure 2.2. Since governance development is a dynamic process, this diagram is not meant to be taken as a static representation of the characteristics of governance universally.

As shown in Figure 2.2 below the quality of governance is determined by a broad range of variables. The ‘level 1’ variables represent the main governance dimensions that can be seen as a condensed form of the ‘level 2’ variables. A detailed examination of these ‘level 2’ variables also indicates the main areas where the review of accounting literature (presented in Section 2.3 apart from Private Sector Development) has determined the potentials of

accounting systems in governance. Three of the five areas highlighted – *Government accountability*, *Resources allocation*, and *Government transparency* – are related, to some extent, to ‘Government and Institutional Effectiveness’. The fourth variable is related to ‘Control of Corruption’ which is defined as a main governance dimension in most of the available measures. Finally, the fifth variable is about *Private sector development* and is related to the ‘Economic Effectiveness’ dimension of governance.

This study focuses on accounting systems at country level with a direct link to the first four areas of governance highlighted. It is argued in the study that the current governance framework and measurement need to be amended to take account of accounting systems. This can take place in the four main areas as outlined by the plain cases and arrows in Appendix 2.1. But before the amendment takes place both governance and dimensions/indicators of governance need to be redefined both on theoretical and empirical grounds.

Figure 2.2: Elements of Governance



Source: Developed by the researcher

2.5. Chapter summary

The association between accounting and governance has been supported theoretically. The literature suggests that countries with better or stronger accounting systems will tend to have lower and improved level of corruption, greater accountability and transparency, and better public resources allocation compared to countries with weaker or worse accounting systems. The former will be able to tackle corruption more effectively and provide more reliable financial and non-financial information to feed government planning and project appraisals to allow more efficient allocation of scarce resources, and would as a result enable more accountability than the latter. This in turn should improve the governance performance of countries with better accounting systems while those with weaker accounting systems will have the governance performance weakened. However, the extent of the association is yet to be established empirically.

Additionally, most of the financial management support provided by aid agencies and the donor community to enhance governance in Africa and in developing countries in general is undertaken through budget system reforms with the aim of improving the budget process (de Renzio, 2006, The World Bank, 2008). According to the World Bank (2008), public financial management constitutes a major component of the public sector reform projects of the Bank (81% in proportion) and Sub-Saharan Africa has more shares of these reform projects than any other region in the world, with most of the focus being on the up-stream budget process. Using a sample of 57 countries of which 21 are African countries, de Renzio (2008) reports a positive reform impact on this stream of the budget process, while the down-stream part of the process is deteriorating. However, although accounting, viewed as part of this down-stream process, is deteriorating or simply weak, the extent of such weakness throughout the system has not been investigated in any academic research at the time of this study to the best of the researcher's knowledge.

Also, studies such as La Porta et al (1999) find that countries that use French or civil laws exhibit inferior governance performance compared to countries that use English or common law at corporate level. Although this finding has not yet been extended to country level governance focusing specifically on Africa, it is likely to expect such a phenomenon at the macro level of these two groups of countries which constitute most of Africa.

Further, as discussed in the second and third sections of this chapter, most of the various efforts to improve governance and, marginally, accounting fail to achieve the expected outcome. In light of this situation, while the approach of donors in respect of the reform initiatives has been questioned, this study argues in addition that, owing to the systematic nature of reform failure on the continent, it is likely that there are other constraining factors at work in Africa that hamper or prevent the development of sound governance and accounting systems. This study is therefore designed to address this gap identified in the literature.

The methodological approach used to examine these issues is presented in the following chapter.

CHAPTER 3: METHODOLOGY

3.1. Introduction

The purpose of this study is to examine the interplay between accounting systems and governance development at country level in Africa with some focus on the role of the World Bank in this development. This chapter discusses the research design, and the methods of data collection and analysis adopted in the study.

The methodological approach adopted for the study involves a case study and cross-national design. The majority of the analysis was conducted within the case study. The cross-national analysis was used as part of the examination of the role of accounting systems in governance improvements, especially in order to demonstrate the statistical link between accounting and governance as the first step in establishing a causal relationship between them.

The chapter is organised as follows. The evidence sought throughout the study is defined in the second section. In the third section the first research design employed, that is, the case study method is developed. This is followed by the development of the cross-national design as a complementary design in the fourth section. The method of analysis of the collected data is covered in the fourth section. The chapter ends with a summary.

3.2. Evidence Sought

The examination of the interplay between accounting and governance requires the definition of the nature of the evidence sought. Phelan and Reynolds (1996) define evidence as ‘ground for belief’. As such, evidence inspires confidence in claims. In other words, the claims made from the findings of the study must be backed up by plausible and credible evidence.

As discussed in the previous chapter, the existing orthodoxy in governance development and governance measures has put little emphasis on the role of accounting systems in the

construct and measurement of governance. Moreover, governance and accounting are portrayed as standard practices across continents and countries.

This study challenges these orthodoxies by advancing that (1) accounting has a potential in governance improvements, and (2) neither governance nor accounting, though they may have some 'general' underlying principles, can be operationalised and effective if they are not 'built in context' and 'embedded' in the local culture and reality specific to the individual country or continent, especially in Africa. Furthermore, (3) the lack of attention to these points might have contributed to the weak accounting systems and low governance performance observed in most Africa countries.

With specific focus on Africa, the study, therefore, seeks to establish whether there is any association between accounting systems and governance. If this exists information will be sought from the perspective of policymakers and cadres as to how they perceive accounting systems and their roles, if any, in governance improvements to further establish the association between accounting and governance. These are, according to de Vaus (2009), two conditions to be satisfied regarding causal relationship evidence.

The study also seeks from the perspective of policymakers and cadres, based on their respective experience and knowledge of the local reality, the extent to which local context reality and culture have been considered in the development of accounting and governance, and how the various forces and interests at play account for the current state of accounting and governance in Africa. The evidence thus obtained will help to gain new insights into why governance and accounting systems are so weak in Africa and the extent to which contextual and cultural factors have been accounted for.

3.3. Case Study Design

A case study design has been considered as an appropriate design given the nature of the evidence sought. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context (Yin, 1994). According to de Vaus (2009) and Ryan et al. (2002), the case is the unit of analysis which might be a company or other forms of organisation, or can also be a more aggregated unit of analysis such as a particular country. A multiple cases approach composed of two countries (considered as a combined unit of analysis) was used in this design which, according to de Vaus (2009), is more compelling than a single case design. The adoption of this method is further justified by the consideration that, given the time frame of the research, if it is not possible to observe certain events in one country it might be possible in the other. For example, elections, which are one of the elements of the political economy framework, only occurred in Benin, but not in Ghana during the time frame of the study.

Case studies, as research design, have become common in accounting studies and are used in various accounting fields (Larrinaga-Gonzalez and Bebbington, 2001; McGee, 2007; Kennedy and Widener, 2008). As noted by Ryan et al. (2002), case studies are gaining acceptance as an appropriate method in accounting research; they further argue that case studies offer the possibility of understanding accounting in practice in terms of techniques, procedures and systems which are used in certain ways. In this sense, using a case study will help the researcher to gain insights into how accounting is designed and practiced in a specific country and the impact of such design and practice in terms of governance quality.

Case studies have been criticised for the significant amount of data gathered for analysis and their limited ability for generalisation beyond the scope of the case (Hodkinson and Hodkinson, 2001). This limitation regarding the load of data is present whenever a case study is conducted with a multi-method approach – interview, survey, and documentary evidence –

and especially where a significant number of research participants are involved. Good analytical skill, carefully applied, and peer review can considerably reduce this limitation. Concerning the generalisation ability, Ryan et al. (2002) suggest that case studies can provide theoretical, not numerical, generalisation beyond the actual case that was studied. Theory generated from the case can, thus, be supported by being tested in other settings (Humphrey and Lee, 2004; de Vaus, 2009) and eventually the theory may be modified (Ryan et al. 2002).

In the course of this study, the case study design is used to describe accounting and governance development and practices in the case countries and to explain the determinants of these developments and practices on the one hand, and provide evidence as to whether there is a potential causal relationship between governance and accounting (partly covered in the cross-national method in Section 3.3) on the other.

A particularly important advantage for adopting the case study design is that it allows the researcher to feel and somehow experience the reality of the issue under study in its real context/environment. For instance, in the context of the study, the researcher was able to see or observe issues occurring while waiting for an interview with a research participant or walking in an office. He was also able to hear or listen to real-life stories between the organisation members and sometimes in informal discussion with them. These examples provide useful insights which could not have been gained if the researcher were not present in the case context to carry out the study.

3.3.1. Multi-method Data Collection Approach

In the context of the case study, four evidence collection methods were considered appropriate for the purposes of the study

3.3.1.1. Interview

The first evidence collection method employed was the semi-structured interview. Interview is a common research method used in qualitative research to gather evidence (Saunders et al., 2000). It has the advantage of being insightful and focusing directly on the case study topics. However a potential limitation is inaccuracy due to poor recall by the interviewee, and reflexivity in that the interviewee gives the interviewer what he/she wants to hear (Yin, 2009). However, the use of different interviewees of the same or similar profile on the same topic will help reduce these limitations.

Of the three interview techniques, the semi-structured interview was identified as the most appropriate for the conduct of this study (the other interview techniques being structured and unstructured interviews). “Semi-structured... interviews are used in qualitative research in order to conduct exploratory discussion not only to review and understand the ‘what’ and the ‘how’ but also to place more emphasis on exploring the ‘why’” (Saunders et al., 2000). As such, a semi structured interview is flexible and allow the researcher to accommodate the circumstances of the interviewee.

Thus, semi-structured interviews give the researcher the chance to pick on the interviewee’s response and follow-up in order to explore in more detail ideas or issues that were not initially covered or thought of by the researcher. It is practically impossible to cover all aspects of issues related to a particular subject matter outside of its real context. Semi-structured interviews offer the potential for guiding the interviewee through their responses, and thus keeping focus on the specific scope of the subject matter.

Confidence in the findings from the interviews is critical to the validity of the research findings. In order to strengthen this confidence, a triangulation approach was designed by collecting interview evidence from research participants of different profiles and groups

(officials from government institutions, NGO, and donors, and consultants). The confidence in the research findings from the interviews was further strengthened with supplementary and complementary evidence emerging from documents where possible.

3.3.1.2. Observation

A further evidence collection method was the observation of events and activities taking place in the case study countries and government institutions visited. This was supplemented by observation of informal discussions amongst officials and employees. Also, given the potential inherent suspicion associated with the nature of the study, the researcher, where possible, engaged in informal discussion with officials to obtain any additional observations that they were likely to provide informally.

3.3.1.3. Survey: Use of Questionnaire

The third evidence collection method was a small scale survey carried out via a questionnaire. A questionnaire is usually a research technique used to collect people's opinions about a subject of study. According to Matthews and Ross (2010: 201) a questionnaire can be defined as "a set of questions which can be answered by the research participants in a set of ways... All the participants are asked the same questions, in the same order and using the same wording and have the same set of answers to choose from."

Although the use of questionnaire is not suggested as a standard data collection instrument in case studies (see for example: Yin, 2009; de Vaus, 2009; Swanborn, 2010), given the focus of the study, the collection of opinions of various population groups in the case countries using a questionnaire was considered. Among other advantages, the use of a questionnaire allows

data to be collected in a standardised format covering a wide range of respondents and experiences. It also allows for statistical analysis. The main disadvantage is its limited ability to allow for in-depth analysis and follow-up on new issues not initially covered. However, the use of some open questions helps mitigate this limitation. Moreover, some of the issues brought up by the questionnaire can subsequently be explored further in interviews with key informants if this is possible.

3.3.1.4. Documentary Evidence

Relevant documentation is an effective means by which to get to grips with a case study subject (Swanborn, 2010) and should be the objective of explicit data collection plans (Yin, 2009). Documentary evidence is outside the influence of the researcher which might be somehow present in the case of interviews. Furthermore, documents do not suffer from the loss of memory that an interviewee may experience during the interview process. However documents may have deliberately been edited before being made publicly available. For this reason, Yin (2009) recommends that, for case studies, documents should be used to corroborate and augment evidence from other sources.

3.3.2. Operationalisation of the Case Study

3.3.2.1. Justification of the Selected Case Countries

Benin and Ghana have been chosen as the case study countries. The choice of a Francophone country and an Anglophone country is due to the fact that English and French are official languages of most African countries. Furthermore, Africa was mostly colonised by either

England or France or both. About forty-three countries have or have had either English or French as their official language or were French or British colonies⁹, representing about 80% of Africa. As such a study covering both Francophone and Anglophone Africa will provide more meaningful insights for both theory building and practical considerations when addressing African specific issues.

Most studies in Africa have the defect of looking at Africa from either an Anglophone or Francophone perspective without looking at both (see for example: Harris, 1975; Elad and Tumnde, 2009; Aggestam, 2009). This study looked at similarities as well as differences. These are important because the Anglophone and Francophone structure is misleading. In terms of similarities for instance the same ethnicities may be split across these two groups of countries. For example, there are some people who have kin in two or more countries. This is important because they may have similar characteristics or tendencies; they may have some common cultural behaviours or reactions and so forth but divided between two or more countries. Since the research postulates that both governance and accounting should have cultural and local reality underpinnings to be effective, this consideration is therefore crucial for the design of the study.

In terms of politics, both Benin and Ghana are part of the African Union. They are also part of ECOWAS¹⁰. Furthermore, although both countries have a colonial background, they may experience different external political influence. Ghana is more likely to receive a great amount of its external influence from Britain while Benin is more exposed to French influence. Therefore, in the political perspective, there may be some similarities and

⁹ CIA World Factbook, 2011 (see <https://www.cia.gov/library/publications/the-world-factbook/geos/zi.html>)

¹⁰ Economic Community of West African States.

differences. The differences may be extended to other domains; for instance, Benin is part of a regional monetary system called UEMOA¹¹ whereas Ghana has its own monetary system.

Moreover, studies such as La Porta et al (1999) find that countries that use French or civil laws exhibit inferior governance performance compared to countries that use English or common law at corporate level. This has not been investigated further at country level focusing exclusively on Africa. Thus within this study such difference are checked with an extended sample using secondary data although this is not the primary focus of the study.

Finally, as access to informants and data is very important for the success of the study given the limited time scope available, this consideration was a key determinant of the specific Francophone and Anglophone countries selected. The selection of Ghana was motivated by the fact that the researcher's leading supervisor originates from that country and therefore was able to recommend research participants and sources of data. The choice of Benin was due to the researcher originating from there, therefore access to research participants and public organisations was much easier to obtain. In addition the researcher had access to key consultants who had worked in or on these countries.

Table 3.1 below provides summary information about the timelines of the political history of Benin and Ghana, and selected examples of recent accounting reforms in both countries.

¹¹ Union Economique et Monétaire Ouest-Africaine.

Table 3.1: Timelines of the Political History of Benin and Ghana, and Selected Recent Accounting Reforms

Benin		Ghana	
Political History			
Period	Comment	Period	Comment
From 17th to 19th century	This is the slavery period where Benin was ruled by the Kingdom of Dahomey whose capital was Abomey (now referred to as the historical capital of Benin)	Pre-colonial period (up to 19th century)	This period was characterised by slavery but also by trading of gold, ivory, pepper etc. with many Europeans involved. Ghana was then called Gold Coast.
19th to 20th century (1958)	This is the colonial period where Benin was ruled by France who renamed the country as French Dahomey and governed by French Governors	19th to 20th century	This is the colonial period where Ghana was mostly ruled by British governors and gradually by centralised governments with delegation of some responsibilities to local and traditional authorities. Through this arrangement Britain attempted to maintain an indirect control over Ghana. The country was then called British Gold Coast
1958-1960	Benin was granted autonomy by France	1957-1960	Ghana gained full independence from Britain on 6 March 1957 with Kwame Nkrumah as Prime Minister
1960-1972	Benin gained full independence from France on 1st August 1960 followed by the first democratic elections. This democratic period was characterised by several coup d'état. The last one was headed by Colonel Mathieu Kérékou who took the reins of the country for the next 19 years	1960-1966	The First Republic with Kwame Nkrumah as first President who ruled the country until February 1966 when he was overthrown by a coup d'état with alleged support from the US CIA.
1972-1989	Mathieu Kérékou, through a coup d'état on 26 October 1972, run the country for 17 years under the Marxist-Leninist ideology which ended with an unprecedented economic and social crisis. During this period, the country was also renamed People's Republic of Benin.	1966-1969	Transition period under the National Liberation Council composed of army and police officers.
1989-1991	The country entered a transition period with an interim government led by Nicéphore Dieu-Donné Soglo as Prime Minister. It was during this period that the current Beninese Constitution was written and enacted on 11 December 1990.	1969-1979	The Second Republic with first competitive elections that saw Kofi Busia as Prime Minister. With growing economic and social crisis, the Second Republic ended in May 1979 by a coup d'état.

From 1991 to date	This is the modern democratic period	1979-1981	The Third Republic with the election of Limann government. Amid continuing economic crisis and unpopular political decisions, especially regarding unions' strikes and the control of the army, the government was suspended by a coup d'état led by Jerry Rawlings in June 1979 and then restored again in September of the same year.
		1981-1993	In December 1981 Rawlings led a second coup d'état and run the country under a unique party – Provisional National Defence Council – until 1992.
		1993 to present	Following the enactment a new Constitution on 7 January 1993, Ghana entered the current Fourth Republic and democratic era with the election Rawlings as the first President of this era.

Few recent examples of accounting reforms (see Chapter 5 for more details)

		1996	With technical assistance and support of the World Bank and donors such as European Union (EU), Canadian International Development Agency (CIDA) and UK Department for International Development (DFID), Ghana implemented the integrated Public Financial Management Reform Programme (PUFMARP) which included the Medium Term Expenditure Framework (MTEF) as a component. The MTEF reform subsequently failed after years of implementation.
1998-2004	WMONEY was the first accounting software and networking system developed with local expertise. It was abandoned in 2004 following the advice of France who suggested ASTER developed by a French company. For example, the cost of the initial programme was less than £15,000 compared with other £5 million for the French recommended one.	From early 2000s	On-going payroll reforms with support from the World Bank and other development partners; but with limited results as still a 'sizeable' portion of the government budget goes to the payment of what is called 'ghost workers'.
2004-to date	The French advised programme ASTER with support from the other donors is still incomplete with various network failures at the time of the study	2001	Audit Service Act 584 instituted the establishment of the Audit Report Implementation Committee (ARIC) in all Ministries Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs). But many MDAs and MMDAs do not have ARIC, or where one is established, it is observed that they are not functioning.

		2003	Financial Administration Act 654 (supported by the World Bank) instituted the establishment of a Financial Tribunal. The tribunal has not been established since nearly 10 years now.
		Before 2004	The current recording system ACCPAC as part of the budget information system was supported by the World Bank and other donors. But it appears that there are systematic discrepancies between the accounts prepared by the Controller and Accountant-General Department and the MDAs.

Table 3.1 shows the timelines of the political history of Benin and Ghana. As seen from the table, the influence of the West over the political history of the case study countries started as early as in the 17th century through slavery and other trades, and colonialism. The post-colonial influence of the West is both direct and indirect (which is covered in more details in Chapter 7). Particularly, some of the indirect influence is exercised via military cooperation and assistance (see for example Verschave and Beccaria, 2001). Some other part of the indirect influence, especially in terms of policy and reform, is exercised through the development agencies, mainly the World Bank and the IMF. The collapse of communist or Marxist-Leninist regimes in the 1980s and early 1990s particularly gave impetus to this indirect influence of the West where both Benin and Ghana and other African countries had been subject to the initial structural adjustment programmes.

The table also provides examples of accounting reforms undertaken in these countries. The analysis provided demonstrates strong influence by the West on the accounting developments in these countries. In Benin, the most prominent accounting reform pushed through by France with the support of the World Bank and other donors is the introduction of ASTER in 2004 with a very limited result to date. In Ghana one of the earlier reforms in the area of accounting goes back to 1996 with the introduction of the MTEF. A number of other accounting reforms were subsequently implemented, but in essence, most of these reforms failed or achieved very limited results or impacts.

3.3.2.2. The interview Process

3.3.2.2.1. Interview Guide

Given the focus of the research, a semi-structured interview guide composed of three parts was developed to collect information on the issues covered by the study. The dimensions and items covered were drawn from the literature review and informal discussions that the researcher had had with senior accountants, auditors, former government officials and NGO officers in Benin. The first part (IG1) was designed in regard to the definition and elements of governance; governance issues/problems in Africa; the development and quality of governance in both countries; accounting and its role, if any, in governance; and the role of donors and particularly of the World Bank in the development and reform of governance and accounting systems in each of the case countries.

The second part (IG2) covered financial accounting, audit and its functions. The independence of the audit institutions; timeliness, reliability and accessibility of financial and audit reports; recording systems and coverage; audit work and follow up; and the quality of accountants and auditors and their development were included in these functions.

The last part (IG3) covered the consideration of accounting systems in the governance agenda of the World Bank and other donors; the role and the priority of donors and the World Bank in accounting systems development; and their assessment of the quality of accounting systems in the case study countries and in Africa. A copy of the interview guide is provided in Appendix 3.1.

The appropriate research participants or respondents varied according to the dimensions and items to discuss and the specific part of the interview guide concerned. The appropriate interviewees for the first part were government officials, consultants, and senior officials in

governance advocate NGOs (civil society organisations, unions, NGOs registered as such, etc.). The NGOs were identified from available lists. Once identified, a phone call was made to find out more about the activities of the NGOs. If the call was satisfactory, an interview appointment was requested. In some cases and where possible, an email was sent with additional information on the research project prior to the appointment date if one was granted. Moreover, although some NGOs were recommended by their counterparts and some consultants, the final selection of which NGOs to interview from was made by the researcher after an initial contact with the concerned NGO. In regard to the government officials (current and former), some were contacted directly by the researcher at ministries, departments and agencies; some others were recommended. Here again, the decision to interview the recommended officials was made by the researcher after initial contact. Access to consultants was initiated from the researcher's own personal contacts, and from recommendation from other consultants and officials.

Research participants for the second part of the interview were senior public accountants and auditors (included few internal auditors) with a minimum of five years' experience who were either current or former office holders. In each of the case countries, the research made a request to contact these informants via the central accounting and audit departments. Research participants for this part were also consultants involved in consultation work pertaining to accounting systems. Access to them was facilitated by other senior officials in the central accounting department, and other consultants in both countries. Finally, research participants for the last part were officers of the World Bank and other donors in charge of African affairs and working on accounting and governance. Access to them was facilitated by recommendations from consultants and other donors' officers.

3.3.2.2.2. Interview Piloting

After the initial version of the interview guide was completed, it was sent to the researcher's supervisor and an international consultant in public financial management with significant experience in financial reporting and audit in Africa. Their comments led to the review of the instrument which was used to carry out a pilot test. The test consisted of conducting a few mock interviews in real situations with one public auditor, two public accountants and two NGO officers in Benin. The pilot test helped to produce the final version of the interview guide.

3.3.2.2.3. Conduct of the Interview

In all cases, prior to the collection of any interview data whether access to appropriate interviewees was made directly by the researcher or via a third party, a consent form was signed by the informant where possible. Where this was not possible, the researcher gave the appropriate information covered in the consent form to the research participant and ensured that they gave their consent. A copy of the consent form is reproduced in Appendix 3.2.

Once the consent was obtained, the remainder of the process was adjusted depending on the observations made by the research participant before the interview started. For instance, some research participants asked not to record the interview. Some others requested to be asked only certain types of questions.

Each interview was expected to last between 45 minutes and one hour. However, the reality in the field made this length vary significantly. Some interviewees could only give an average of 20-30 minutes while others gave over one hour. Furthermore, the researcher shortened some interviews when he realised that the interviewee was not suitable to answer certain questions either because they did not have adequate knowledge of the issues concerned or because they consistently direct the interview to partial and political comments.

Some of the interviews were recorded using an electronic recorder coupled with some note-takings. Some others only had manual note-taking written up in Microsoft Word, especially where the research participants explicitly objected to the recording. The number of interviews and types of informants are summarised in Table 3.2 below.

Table 3.2: Number and Types of Respondent per Country

	Benin		Ghana	
	Targeted number	Achieved	Targeted number	Achieved
Public sector & government officials and MPs	5	6	5	6
Public Accountants	6	10	6	11
Public Auditors	5	8	5	10
NGOs Senior Officers	4	6	4	6
Consultants	2	2	2	2
World Bank and other donors Officers	5			

Source: Computed by the researcher

3.3.2.3. The Survey Process

3.3.2.3.1. Questionnaire Design

One type of questionnaire was developed to collect the perception of respondents on both the quality of accounting systems and that of governance in each of the two case study countries. The targeted respondents covered various fields of the government and non-government sphere. The dimensions covered were drawn from the literature reviewed in the second chapter.

The questionnaire was designed to collect perceptions on governance and accounting from the perspective of officials and staff in the private sector and various governance advocate organisations including civil society organisations, NGOs, and environmental groups. Also

civil servants non-accountants and civil servants accountants were included. The questionnaire covered governance dimensions drawn from the existing governance measures with the explicit addition of few such as ‘culture and traditions’, and financial accountability’. These dimensions were added after informal discussion with a couple of officers in good governance advocate organisations from Benin. Perceptions on the two main governance measures – WGIs and IIAG – and on accounting were also covered. Responses were collected using seven-point Likert scales ranging from 1 to 7. It should be clarified that the intervals between two scale points are not meant to be equal in absolute terms (see Appendix 3.3 for the questionnaire). The ideal time to complete this questionnaire was 15-20 minutes.

3.3.2.3.2. Sampling

The sample was drawn from four groups of population using a quota sampling technique as suggested by Matthews and Ross (2010): the private sector, civil servant non-accountants, civil servant accountants, and NGOs. The latter included NGOs registered as such, civil society organisations, and environmental groups. Two approaches were used for the selection of the individual NGOs: a random approach selecting from the available lists of NGOs, and a snowball approach to identify the most active NGOs among good governance advocates. The random approach was also used for the other groups surveyed.

3.3.2.3.3. Questionnaire Piloting

The initial version of the questionnaires was submitted to the researcher’s supervisor and the consultant mentioned for the interview guide discussed above. Then the questionnaires were reviewed. The researcher personally conducted a pilot test by administering the questionnaires to a small sample (4 respondents) of NGO personnel, civil servants, and staff

in managerial position in the private sector. The results of the test helped to rephrase certain questions and adjust the length of the questionnaire.

3.3.2.3.4. Questionnaire Administration

Twenty-five respondents were targeted in each group leading to 100 respondents in total per country. Most of these questionnaires were distributed personally by the researcher. Overall, 117 and 108 questionnaires were distributed in Benin and Ghana respectively. From these, 64 and 55 were returned from Benin and Ghana respectively giving a response rate of 54.7% for Benin and 50.9% for Ghana. Table 3.3 below gives details of the targeted and achieved samples.

Table 3.3: Targeted and Achieved Samples for the Questionnaire

	Benin				Ghana			
	Targeted sample		Sample achieved		Targeted sample		Sample achieved	
	Number	% to total	Number	% to total	Number	% to total	Number	% to total
NGOs	25	25.0%	19	29.7%	25	25.0%	17	30.9%
Private Sector	25	25.0%	10	15.6%	25	25.0%	14	25.5%
Civil Servants - non-accountants	25	25.0%	17	26.6%	25	25.0%	11	20.0%
Civil Servants - accountants	25	25.0%	18	28.1%	25	25.0%	13	23.6%
Total	100	100.0%	64	100%	105	100.0%	55	100%

Source: Computed by the researcher

3.3.2.4. Documentary Evidence

Various documents were sought in order to corroborate or augment evidence obtained from other sources (interviews and survey) as suggested by Matthews and Ross (2010) and to conduct additional statistical analysis. These documents include public sector or government financial reports (annual and monthly); audits reports (external and internal); budget reports;

reform documents; laws related to the various levels of the accounting system; and any other documents relevant to understand the state of the accounting systems and governance in the case countries.

Unfortunately, it was not possible to access most of these documents particularly in Benin where access to government and public financial, audit and budget reports were systematically denied. Of course some officials were willing to help but for fear of those in political power, they could not do much. Nonetheless, the researcher managed to get hold of a few documents but these were not suitable for the statistical analysis initially planned. At that stage it was therefore decided to increase the number of interviews to compensate for the gap caused by the limited access to this source of evidence.

During the fieldwork, other forms of documents were uncovered that were not considered at the initial planning stage. These documents were of an investigative nature containing interviews with French political officials (most of them former officials at various levels of French political system) and archive documents related to the role played by France in particular in its ex-colonies in Africa including Benin. The documents helped to explain the role of the ‘Colonial Patron¹²’ in the development of governance and accounting systems in Benin and in Africa.

3.3.2.5. Ethical Considerations

The ethical issues surrounding the research project were carefully considered and the necessary measures were taken to deal with them. This led to the granting of ethical approval by the Research and Commercial Services of the University of Birmingham prior to the start

¹² See Chapters 3 and 6 for more detail.

of the data collection process. In particular, informant consent, anonymity and data protection, and confidentiality were covered.

In terms of consent, a consent form was produced within the guidelines of the University¹³. The form was signed by research participants where possible before an interview was carried out. Where it was not possible to get the form physically signed, the information contained in the form was given to the informant by the researcher who ensured they agreed to the process of the interview before it started. Any amendment made by the research participant was taken into account and the interview was adjusted accordingly.

Regarding anonymity and protection of data, the researcher ensured that no personal data was collected especially in cases where the research participant objected. Where personal data were collected, these were kept separately from the interview data which were analysed anonymously. All personal and interview data are secured and will be kept for 10 years after which they will be destroyed as per the University code of research practice.

Concerning confidentiality, issues discussed with each interviewee were kept strictly confidential between that interviewee and the researcher and were not referred to on any occasion that would make it possible to identify them. Moreover, access to the notebook used and laptop where research data was stored was strictly restricted to the researcher. The notebook was always locked away and the laptop is password protected.

3.4. Cross-national Design

This design was used to answer the research question related to the link between accounting systems and governance in Africa. Specifically, the design was used to examine the potential causal relationship between governance and accounting in the African context. The approach

¹³ Available online: see http://www.as.bham.ac.uk/legislation/docs/COP_Research.pdf

proposed by de Vaus (2009) was used. De Vaus (2009) identifies two pre-conditions for establishing a causal relationship between two random variables or phenomena. The first is the existence of co-variation of the causal and the outcome variables (1); and the second is that the assertion of causality must make sense (2).

The co-variation between governance and accounting is examined by using covariance, correlation and R^2 statistics. Cross-country data on governance (existing governance measures) and accounting (see below) from 22 African countries were used to carry out this examination. The use of the existing governance measures despite their limitations as discussed in Chapter 2 is explained by the fact that there are no alternative measures of governance as a whole, recognising that this analysis is only one step in examination process of the potential causal relationship.

With regard to the second condition, i.e. that the assertion of causality must make sense, interview data were used from the case study design to complement the analysis. De Vaus (2009) suggests three levels of test. The first is the time order, that is, the causal variable should come first and the outcome variable next. The second test requires that the two variables must be capable of change which is illustrated in the governance and accounting measures used in the analysis. The third test is that the assertion of causality must be *theoretically plausible*.

The starting point of the potential causal relationship is to ensure that there is no significant overlap information contained in the two variables. An initial review of the available data sources used to construct the current governance metrics revealed no significant accounting information in the data sources. Additional evidence is further sought using a regression analysis. To this purpose, it is hypothesised that *the current governance metrics do not*

capture accounting information (on the basis of the initial review of the data sources of the metrics).

Further, since the study covers both Francophone and Anglophone Africa, language was included in the analysis to examine whether English-speaking Africa has a better quality of governance than French-speaking Africa. In fact, use of legal traditions (especially British Common Law and French Civil Law) spread throughout the world through colonisation: La Porta et al. (1999) found that English speaking countries have better governance compared to French speaking countries. Though La Porta et al.,'s (1999) study is at the corporate level it will be interesting to see if the same assertion also holds at country level in Africa. Other studies such as Al-Marhubi (2004) have used the same approach to test determinants of country governance across the world. For simplicity due to availability of data, Language was used as a dummy in the analysis. A similar approach has been used by Mahoney (2001) to examine the association between Common Law and economic growth across countries.

In order to reliably estimate the extent to which accounting is captured in the current governance measures, other control variables (i.e. established determinants of governance) are needed. Unfortunately most of the sets of determinants available are those developed as part of the WGI and IAG which have already been included in the average value. Nevertheless, for the purpose of the study (which is not to investigate the determinants of governance in its broad sense), one control variable was identified (in addition to Language variable) that cover most of the sample countries. This variable is economic development (Al-Marhubi, 2004) which is measured as per capita real gross GDP, i.e. the higher the economic output the better the governance quality. This data was collected from the World Development Indicators of the World Bank. Another variable is institutional quality (Keefer and Knack, 1997; Rodrik, 1997; Hall and Jones, 1999). "Ideally, measures of institutional quality would consist of objective evaluations, comparable across countries and over time, of

the institutions that protect property and contractual rights” (Keefer and Knack, 1997: 592). Unfortunately, very limited data are available on institutional quality that cover the sample countries. For example it would be good to include the Business Environment Risk Intelligence (BERI) data but these data do not cover the sample countries. The ‘CPIA¹⁴ public sector management and institutions’ rating of the World Bank could also be used, however nearly half of the observations are missing for the sample countries.

Accounting system assessment data for Africa were sought from various sources including the World Bank, the IMF¹⁵, DFID¹⁶, EU¹⁷, PEFA¹⁸ and individual country websites and online databases. Key consultants and policy advisers were also consulted on possible sources of such data. PEFA assessment reports were thus identified as the most complete on accounting systems assessment in Africa. Data from these reports were then used for the study in regard to accounting. Some of the reports were obtained directly from the PEFA website (www.pefa.org) and others from the website of the Ministry of Finance of some countries. Only data covering accounting system dimension were of primary interest. Thus, nine dimensions were identified and collected, namely: (1) *effectiveness of payroll controls*, (2) *effectiveness of internal controls for non-salary expenditure*, (3) *effectiveness of internal audit*, (4) *timeliness and regularity of accounts reconciliation*, (5) *availability of information on resources received by service delivery units*, (6) *quality and timeliness of in-year budget reports*, (7) *quality and timeliness of annual financial statements*, (8) *scope, nature and follow-up of external audit*, and (9) *legislative scrutiny of external audit reports*.

In respect of governance measures, the main available measures with a wide coverage are the Worldwide Governance Indicators (WGIs) and the Ibrahim Index of African Governance

¹⁴ Country Policy and Institutional Assessment.

¹⁵ International Monetary Fund.

¹⁶ UK Department for International Development.

¹⁷ European Union.

¹⁸ Public Expenditure and Financial Accountability.

(IIAG). Both of these governance measures cover almost all of Africa and are produced regularly – now on a yearly basis. They were collected from the World Bank website (www.worldbank.org) for the WGIs and the Mo Ibrahim Foundation website (<http://www.moibrahimfoundation.org>) for the IIAG. The governance data were collected over the period of the PEFA assessment for each country, i.e. normally 3 years, though the assessment of two countries – Mozambique and Uganda – only covered 1 year at the time of the data collection.

3.4.1. Sample Selection

Ideally, the entire population formed by all African countries¹⁹ should be included in the analysis. But owing to the problem of the availability of PEFA assessment data for all the countries, a two-stage sampling process was used. The first stage consisted of selecting all of the African countries that have been subjected to at least one PEFA assessment with the report available either on PEFA online database or on the individual country's website. Twenty-five countries were then identified as of 31 December 2010 (see Appendix 3.4 for the full list of identified countries).

The countries identified at this stage constituted the population for the second-stage process. At the second stage, a check was conducted as to whether each country assessment report covered all of the accounting dimensions mentioned above. When one or more dimensions were missing for a country, that country was excluded from the sample. This process led to the exclusion of three countries; hence reducing the final sample size to twenty-two countries (see Appendix 3.5 for the list of these countries).

¹⁹ 53 countries as of 31 December 2010.

3.4.2. Conversion of Data

The PEFA data used in the cross-national analysis were provided in the form of rating of each dimension of the individual accounting system indicators. The rating awarded to a specific dimension or indicator ranges from D (worse) to A (desired value). Between these extreme values there are five intermediate values: D+; C; C+; B; and B+.

In order to carry out a statistical analysis of the accounting system assessment, a nominal value was assigned to each rating value as follows: D=1; D+=2; C=3; C+=4; B=5; B+=6; and A=7. Then the simple average value of the dimensions that constitute each accounting indicator was calculated and attributed to that indicator. The resulted value of each of the nine indicators per country is presented in Table 3.

3.4.3. Construction of Accounting System Index

The index is simply referred to as Accounting Index. It is an indicator of the strength of the accounting system of a particular country relative to the other countries under study. The model provided in McGillivray (1991) for the Human Development Index was used to construct the Accounting Index (AI). The model is as below.

$$AI_j = 1 - \left(\sum_{i=1}^k I_{ij} / k \right) \quad (1)$$

where AI_j is the Accounting Index for country j , I_{ij} is the i th indicator of relative accounting weakness in country j , $i = 1, \dots, k$ and $j = 1 \dots l$. The term $\sum_{i=1}^k I_{ij} / k$ is the simple weighted average of the relative accounting weakness calculated on each of the accounting indicator. The relative accounting weakness is calculated on the nine indicators presented in Table 3.4. Because the weakness is a relative value, it is scaled between zero and one using the equation:

Table 3.4: Value of Accounting Indicators per Country

Country	Accounting system indicators								
	PI-18: Effectiveness of payroll controls	PI-20: Effectiveness of internal controls for non-salary expenditure	PI-21: Effectiveness of internal audit	PI-22: Timeliness and regularity of accounts reconciliation	PI-23: Availability of information on resources received by service delivery units	PI-24: Quality and timeliness of in-year budget reports	PI-25: Quality and timeliness of annual financial statements	PI-26: Scope, nature and follow-up of external audit	PI-28: Legislative scrutiny of external audit reports
Benin	1.00	3.00	3.67	3.00	1.00	3.00	2.33	1.00	1.00
Botswana	6.00	5.00	4.33	5.00	7.00	5.67	4.33	3.67	5.67
Burkina-Faso	4.50	3.67	1.67	3.00	1.00	6.33	5.67	2.33	5.00
Burundi	1.50	2.33	1.67	1.00	3.00	1.67	1.00	1.67	1.00
Cape Verde	6.50	6.33	2.33	6.00	1.00	4.33	3.67	2.33	1.67
Central African Republic	1.50	3.00	3.67	1.00	1.00	3.00	1.67	1.00	1.00
Democratic Republic of Congo	1.00	1.00	3.00	3.00	1.00	5.00	4.33	2.33	1.00
Ghana	5.00	3.00	3.00	3.00	5.00	3.67	4.33	4.33	3.00
Kenya	4.00	3.00	4.33	4.00	1.00	4.33	3.00	4.33	3.00
Madagascar	2.00	3.67	5.00	2.00	1.00	3.67	3.00	1.00	1.00
Mali	5.50	3.00	3.00	4.00	3.00	2.33	2.33	1.00	1.00
Mauritania	2.00	2.33	2.33	4.00	1.00	2.33	2.33	2.33	5.00
Mauritius	6.50	7.00	5.67	7.00	7.00	5.67	7.00	5.67	3.00
Morocco	5.50	4.33	4.33	7.00	5.00	6.33	2.33	3.00	2.33
Mozambique	2.00	2.33	3.67	5.00	3.00	3.67	4.33	3.00	5.00
Niger	4.00	3.67	3.00	1.00	1.00	3.00	4.33	1.00	4.33
Rwanda	3.50	3.00	5.00	6.00	1.00	3.67	5.00	3.67	3.00
São Tomé and Príncipe	1.00	2.33	2.33	1.00	1.00	3.00	1.00	1.67	1.00
Sierra Leone	3.00	4.33	2.33	3.00	7.00	5.67	2.33	2.33	3.67
South Africa	7.00	5.67	7.00	6.00	7.00	5.67	7.00	5.67	6.33
Uganda	2.50	3.00	4.33	5.00	5.00	4.33	4.33	5.00	3.00
Zambia	2.00	3.00	3.00	4.00	3.00	5.00	4.33	5.67	5.00

Source: Computed from PEFA data

$$I_{ij} = \left(\frac{X'_i - X_{ij}}{X'_i - X_i^m} \right) \quad (2)$$

where X'_i is the desired value of the i th accounting indicator, i.e. the value 7; X_{ij} is the actual value of the i th accounting indicator of country j ; and X_i^m the actual minimum value among the countries under study.

In one extreme case where a country j attains the desired value for all of the accounting indicators, the value of equation (2) for that country is zero – which means that there is a total absence of any weakness in the accounting system – and therefore AI in equation (1) takes its maximum value of one. In the other extreme case where the country j instead only achieves

the minimum value for all of the accounting indicators, equation (2) is one – which means total relative weak accounting system – and therefore the value of the index AI for that country is zero (its minimum). In any other cases, the value of the index will lie between these two extreme values, i.e. between zero and one. The Table 3.5 below shows the accounting weaknesses and Accounting Index for the studied countries.

Table 3.5: Accounting weaknesses and Accounting Index

Country	Accounting weaknesses									Weighted average weakness	Accounting Index (AI)
	I1	I2	I3	I4	I5	I6	I7	I8	I9		
Benin	1.00	0.67	0.63	0.67	1.00	0.75	0.78	1.00	1.00	0.83	0.17
Botswana	0.17	0.33	0.50	0.33	0.00	0.25	0.44	0.56	0.22	0.31	0.69
Burkina-Faso	0.42	0.56	1.00	0.67	1.00	0.13	0.22	0.78	0.33	0.57	0.43
Burundi	0.92	0.78	1.00	1.00	0.67	1.00	1.00	0.89	1.00	0.92	0.08
Cape Verde	0.08	0.11	0.88	0.17	1.00	0.50	0.56	0.78	0.89	0.55	0.45
Central African Republic	0.92	0.67	0.63	1.00	1.00	0.75	0.89	1.00	1.00	0.87	0.13
Democratic Republic of Congo	1.00	1.00	0.75	0.67	1.00	0.38	0.44	0.78	1.00	0.78	0.22
Ghana	0.33	0.67	0.75	0.67	0.33	0.63	0.44	0.44	0.67	0.55	0.45
Kenya	0.50	0.67	0.50	0.50	1.00	0.50	0.67	0.44	0.67	0.60	0.40
Madagascar	0.83	0.56	0.38	0.83	1.00	0.63	0.67	1.00	1.00	0.77	0.23
Mali	0.25	0.67	0.75	0.50	0.67	0.88	0.78	1.00	1.00	0.72	0.28
Mauritania	0.83	0.78	0.88	0.50	1.00	0.88	0.78	0.78	0.33	0.75	0.25
Mauritius	0.08	0.00	0.25	0.00	0.00	0.25	0.00	0.22	0.67	0.16	0.84
Morocco	0.25	0.44	0.50	0.00	0.33	0.13	0.78	0.67	0.78	0.43	0.57
Mozambique	0.83	0.78	0.63	0.33	0.67	0.63	0.44	0.67	0.33	0.59	0.41
Niger	0.50	0.56	0.75	1.00	1.00	0.75	0.44	1.00	0.44	0.72	0.28
Rwanda	0.58	0.67	0.38	0.17	1.00	0.63	0.33	0.56	0.67	0.55	0.45
São Tomé and Príncipe	1.00	0.78	0.88	1.00	1.00	0.75	1.00	0.89	1.00	0.92	0.08
Sierra Leone	0.67	0.44	0.88	0.67	0.00	0.25	0.78	0.78	0.56	0.56	0.44
South Africa	0.00	0.22	0.00	0.17	0.00	0.25	0.00	0.22	0.11	0.11	0.89
Uganda	0.75	0.67	0.50	0.33	0.33	0.50	0.44	0.33	0.67	0.50	0.50
Zambia	0.83	0.67	0.75	0.50	0.67	0.38	0.44	0.22	0.33	0.53	0.47

Source: Computed from PEFA data

3.5. Data Analysis

3.5.1. Issues Encountered During the Fieldwork that Influenced the Conduct of the Research

Prior to the analysis of the data, an account was made of the issues encountered during the fieldwork that influenced the conduct of the research. The researcher started the fieldwork in early January 2011 in Benin. Before entering the field, unsuccessful attempts were made to gain access to the Ministry of Finance and other government institutions. Reflections on the possible causes of this failure revealed that it was due to the nature of the subject of the research – State ‘governance’ and accounting systems. This was further confirmed during the pilot where for example a government official declined the researcher’s request to take part in the pilot by saying:

Who says ‘governance’ says politics, and you know the prevailing situation in the country. I don’t want trouble

Furthermore, some officials and consultants in the field of governance and accounting who were approached at the start of the fieldwork advised the researcher that, given the sensitivity of the research subject in the context of the case study countries and the need for increased anonymity and confidentiality, approaching research participants individually would be more effective than approaching them through the hierarchy. Such an approach was then adopted and was effectively perceived by interviewees to provide a more secured confidentiality and anonymity than even a formal protocol. Furthermore the first three officials were asked to sign the consent form in Benin prior to the interview refused and withdrew their initial consent altogether by advancing that their anonymity and confidentiality could not be assured if at the same time they were required to leave their signature and name in a document. After the loss of the third interviewee, the researcher decided to only read the content of the

'consent form' at the beginning of each interview to obtain the interviewee consent without the requirement to sign the form.

Nonetheless, the researcher still attempted to obtain formal access to the Treasury and Accounting Department (TAD) in Benin in order to observe the working environment and the operating of the system, interview key officials at the department, and collect documents related to government financial and budget reports. A formal letter was addressed to the hierarchy of the department which remained unanswered and could not be found when the researcher was trying to follow up. With a further copy of the letter with the recording reference and additional arrangements the researcher finally gained access to the organisation. However, some caution on the part of most interviewees in the organisation was noticed, owing to the fact that they knew that access was granted by the hierarchy. This distrust was heightened by the advent of the *Wikileaks*'s affair at the time of the fieldwork and some officials (including those outside the department) even became very wary about the researcher as if he was working undercover. Similar distrust was experienced in Ghana where even many of the officials (including those from the Ministry of Finance) who the researcher contacted prior to going into the field either avoided meeting him or simply withdrew the initial consent. Some officials even required that no note be taken while they were responding to the interview questions. In order to accommodate these issues, the researcher avoided directly asking questions that could be seen as being political, and used more observations and informal discussion where possible which helped collect additional evidence. In fact observation was facilitated in both countries by the fact that no specific office was provided to the researcher, and he spent most of the time going through the various departments and offices every day.

Also, despite the access granted at the TAD in Benin, no official was formally allowed to give the researcher any documents including government financial and budget reports. All

attempts made, including at the Chamber of Accounts, to have access to any reports were refused for the reason that such documents cannot be made public or used in the context of research. As a result of this, the researcher decided to put more weight on evidence from the interviews and observation.

Overall 72 interviews were conducted in both countries. It is important to emphasise that all interviews in Benin were conducted in French. Given the considerable amount of data, only the direct quotations from the text data used in the findings reporting were translated into English by the researcher himself. Because of the sensitivity of the subject and the ethical requirements of confidentiality, the researcher found it inappropriate to engage the service of a professional translator. This was considered an appropriate approach since the research is not about discourse analysis. Thus, the translation of certain expressions was made in a way that would make sense in English rather than being a literal translation from French to English. The approach further facilitates the incorporation of the researcher's reflections from the data collection into the analysis process.

3.5.2. Data Analysis Process

Prior to the analysis, it is important to re-emphasise what is considered as research evidence in the context of this research. Data gathered from interviews, observation, documents, questionnaire and statistical tests or econometric analysis are considered as research evidence. The analysis of such data requires the researcher to derive embedded meaning which involves more than a literal reading of research evidence such as interview data. It also involves interpretation of and reflection on the evidence gathered to give a meaningful and coherent account of the data as suggested by Mason (2002).

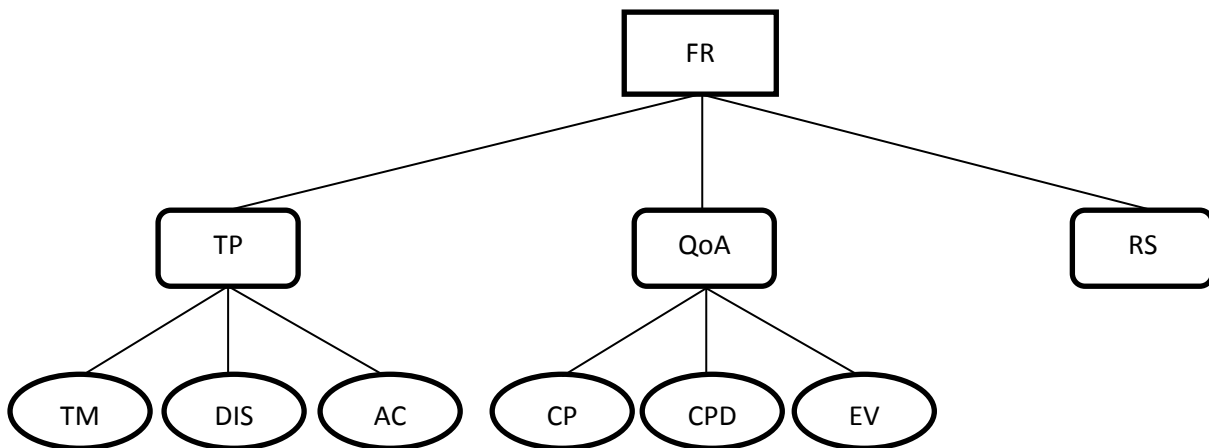
All of the interview and notes data collected were recorded in Word documents with numbered lines to make them suitable for the analysis process. Having organised the data in such format, the researcher read and re-read the text data several times in order to become familiar with the data as suggested by Denscombe (2007). This process was followed by the development of codes to retrieve and organise the data in a format that helped address the research questions. The development of the codes was guided by the literature reviewed in Chapter 2, and the political theoretical framework presented in the next chapter (Chapter 4). Denscombe (2007: 292) defines codes as “tags or labels that are attached to the raw data” that differentiates the data based on the researcher’s reflections about the information (see also Miles and Hubberman, 1994)). Specifically, the codes were derived from elements of State or government accounting systems and governance, and the internal and external politico-economic factors that form the constituents of the political economy framework. These codes were subsequently applied to the interview data collected, recognising any new codes that emerged from the data that were not covered by the initial framework or literature reviewed. Similarly, the application of the codes to the data recognised those codes that did not fit with the evidence gathered (Denscombe, 2007).

As suggested by Mason (2002) the coding approach to organise research evidence involves making assumptions about both the phenomena to be categorised and the form that the research evidence will take in order to answer the research questions. This mean that the approach is not completely neutral as it involves the researcher’s judgement as to what specific information qualifies as evidence in the research context.

After the first level of coding, the primary codes were grouped into sub-categories, and then into categories. Taking the example of financial reporting (FR), the primary codes developed were ‘timeliness’ (TM), ‘disclosure’ (DIS), ‘accessibility’ (AC), ‘competence’ (CP), ‘continuing professional development’ (CPD), ‘ethical stand’ (EV), and ‘recording system’

(RS). Timeliness, disclosure and accessibility were subsequently grouped under ‘transparency’ (TP). Similarly, competence, CPD, and ethical stand were grouped under ‘quality of accountants’ (QoA). Transparency, quality of accountants and recording system were, in turn, grouped under financial reporting. Figure 3.1 illustrates this example.

Figure 3.1: Illustrative example of codes structure



Source: Developed by the researcher

The development of codes and categories was associated with the identification of themes/concepts or traits that helped to provide explanation and draw conclusions. It is important to emphasise that the whole interview data analysis process was iterative. This means that each step “was revisited on more than one occasion as the codes, categories and concepts get developed and refined” (Denscombe, 2007: 292).

With regard to the survey, each questionnaire completed and returned was assigned a unique number. Then, they were entered into SPSS in order to facilitate the analysis. The main descriptive statistics computed for the analysis were frequencies, means, mean differences, and t-test statistics. Also, histogram charts were used to provide a visual representation of certain frequencies.

Concerning the secondary data, following the conversion of the data and the construction of the accounting index as presented in Sections 3.4.2 and 3.4.3, and using the governance measurement data, an econometric model (random effects regression) was used to test the hypothesis that the current governance metrics do not capture accounting information. This analysis was conducted using Stata. Furthermore, mean statistics and t-test statistics were also used to examine the association between accounting and governance (more details are provided in Chapter 5).

The actual presentation of the findings is covered in Chapters 5, 6, and 7. The following chapter deals with the theoretical paradigm underpinning the research and the framework used to develop an understanding of the factors hampering or preventing the development of sound governance and accounting systems in Africa.

3.6. Chapter Summary

In this chapter the evidence sought in the study has been defined and explained, and the research design used in the study developed. The case study has been justified as the main research design with four evidence collection approaches, i.e. interview, observation, survey and documentary analysis. The specific instruments used in the data collection process were also covered.

The cross-national design was the second design used complementary to the case study. The data used in this method and their sources were presented. The researcher presented how these data were treated to prepare them for the required analysis and the model used in the process was developed. The chapter finishes with the processes and methods used for the analysis of the collected data.

CHAPTER 4: THEORETICAL FRAMEWORK

4.1. Introduction

One of the purposes of this study is to examine the state of accounting systems and the development of accounting and governance in Africa, particularly through the studied countries in the lens of political economy. This chapter briefly discusses the research philosophy and role of theory in research. It then presents in more detail the theoretical framework adopted for the study. Research philosophy and theory are important in addressing the research query (Heeks and Bailur, 2007) and answering the ‘why’ question (de Vaus, 2009). They represent the foundation for any research undertaking and determine the nature of theoretical framework to be employed.

At the very beginning of his monetary analysis, Friedman (1970) emphasises the significance of the theoretical framework by asserting that “every empirical study rests on a theoretical framework” (p.193). More specifically “a theoretical framework is an essential starting-point for any case study” (Humphrey and Scapens, 1996: 88) but these authors also argue that the framework should, at the same time, be capable of being challenged and refined as a result of the research process. In this study, the Political Economy Framework is adopted to explain the current state of accounting systems in Africa and their limited contribution to governance improvement despite their potential.

The chapter is structured as follows. The research philosophy and its main concepts are discussed in the second section. In the third section, the role of theory and the Political Economy Framework are presented. The concluding points are presented in the last section.

4.2. Research Philosophy

Research philosophy is about the development and nature of knowledge. It is the way in which phenomena are treated by researchers in answering a research question – for example whether phenomena are treated as real and objective, as social constructions, etc. (Heeks and Bailur, 2007). Knowledge of research philosophy is beneficial as it helps clarify the research design and facilitate the choice of an appropriate design (Blumberg et al., 2005). Although, the researcher's philosophy is likely to be influenced by practical considerations, the main influence is suggested to be that of his/her particular view of the relationship between knowledge and the process by which it is developed (Saunders et al., 2009). Research philosophy deals with concepts such as: ontology, epistemology, paradigm, and pragmatism.

4.2.1. Ontology

Ontology is concerned with the assumption which the researcher holds about the nature of the reality of the phenomenon being investigated (Ryan et al. 2002; Saunders et al., 2009). One extreme ontological assumption views reality as a concrete structure representing objective facts with all its relationships being in place ever since and our objective as researchers is to find out what those relationships are. This aspect of ontology is termed as *objectivism*. The objectivism view portrays the position that the reality of social phenomenon exists outside of social actors. In other words, social phenomena are external to and independent of social actors.

The other extreme ontological assumption recognises that the reality is out there but we cannot go beyond certain point, and thus everything we perceive from that reality comes out from our mind and is therefore entirely subjective – reality exists only in the individual

consciousness. This view is termed *subjectivism*. According to this view, reality does not exist outside social actors, and there is continual interaction between social phenomena and social actors. This is also associated with the concept of *constructionism* or *social constructionism* for the reason that “it is necessary to explore the subjective meanings motivating the actions of social actors in order for the researcher to be able to understand these actions. Social constructionism views reality as being socially constructed” (Saunders et al., 2009: 111).

Between these two ends there are different notions of reality. This means that depending on where the researcher is on this continuum, he or she will see the world in a particular way, and this will in turn affect his/her epistemological stand.

4.2.2. Epistemology

Epistemology is about what knowledge is in a particular discipline and how it can be acquired (Fallis, 2008). It is concerned with what constitutes acceptable knowledge and how this knowledge can be gained. This, according to Ryan et al. (2002), depends on how the researcher perceives the reality of the phenomenon of the study, i.e. his or her ontological assumption. There are two extreme epistemological stands: one is related to the position of natural scientist and called *positivism* and the other is called *interpretivism* (Saunders et al., 2009).

For a positivist researcher, social reality is represented by objects that are considered to be real and observable which have a separate existence to that of the researcher. Positivism is therefore concerned with universal laws or theories about the external world or phenomenon. The role of the researcher in this context is to derive these laws/theories from the observed

social objects or phenomena. In this context, “to generate a research strategy to collect... data you are likely to use existing theory to develop hypotheses. These hypotheses will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which then may be tested by further research” (Saunders et al., 2009: 113).

In interpretivism, however, social systems cannot be treated in the same way as natural phenomena due to their complexity and recursiveness (Ryan et al., 2002). Interpretivism emphasises the difference between humans’ role as social actors, in the sense that humans play a part in human life that can be interpreted in a particular way by different people. Furthermore, not only do people interpret the social roles in accordance with the meanings they give to these roles, but also they tend to interpret other people’s roles in accordance with their own set of meanings. The challenge facing the researcher in this sphere is to be able to enter the social world of their research subjects and understand their world from their point of view (Saunders et al., 2009).

4.2.3. Research Paradigm

A paradigm is a way of understanding social phenomena in order to attempt an explanation of those phenomena. According to Marshall (1997: 16), “research paradigms are particular ways of thinking about... [the researchers’] subject matter which they share with others of like mind. They include: assumptions, conceptualisations, values, attitudes, orientations and beliefs”.

Saunders et al. (2009) identify four paradigms corresponding to four concepts: *radical change*, *regulation*, *subjectivist*, and *objectivist*. Subjectivist and objectivist are as discussed under ‘ontological assumptions’ above. Radical change is concerned with a judgemental and

critical perspective of the way organisational affairs are conducted, and the suggestion of ways in which these affairs may be conducted in order to make fundamental changes to the normal order of things. The regulatory perspective, on the other hand, “seeks to explain the way in which organisational affairs are regulated and offer[s] suggestion as to how they may be improved within the framework of the way things are done at present” (Saunders et al., 2009). The regulatory perspective is less critical and judgemental than that of radical change. The former seeks to improve things within the existing state of affairs while the latter seeks to overturn the existing state of affairs.

4.2.4. Pragmatism

This philosophical stand recognises that it is sometimes unrealistic in practice to choose between one ontological or epistemological position and another. According to this view, the driving factor of a position is the nature of the research question(s). If the research question does not suggest either position, the pragmatic stand suggests the adoption of a variation in the ontological/epistemological assumption or simply the adoption of mixed methods that appears more suitable in that specific context.

The pragmatic stand is the main philosophical position of the researcher given the nature of the research questions developed. One of the research questions examines the role of accounting systems in governance development. This question will be addressed using both a positivist and an interpretivist approaches. The first part of the question, more suitable for a positivist analysis, concerns observable facts related to the current state of systems organised in the form of data – convertible into numerical data – that the researcher believes are objective and may be less open to bias. The other part of the question is concerned with

practitioners' experience, view and documentary evidence that will be examined using an interpretative standpoint.

Another research question is concerned with this role of governance in the World Bank's and other donors' agenda in Africa and the consideration of accounting system in such role. This involves a brief examination of the current state of governance and accounting in two cases of African countries, along with the role of donors. To address this question, an interpretivist approach is considered to gain valuable insights into this complex social world that, it is suggested, would be lost if attempts are made to reduce that reality to a simple data series for the purpose of generalisation.

4.3. Theory

4.3.1. Role of Theory

Theories are attempts to answer 'why' questions in social science (de Vaus, 2009). "Theory is about the connections among phenomena, a story about why acts, events, structure, and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events" (Sutton and Staw, 1995: 378). It helps understand the systematic reason for a particular state of phenomena or a particular occurrence or non-occurrence of a phenomenon.

According to Runkel and Runkel (1984), theory is a continuum rather than a dichotomy. In this perspective, theory is an ongoing of research efforts instead of the complete opposition of those efforts. Moreover, Weick (1995: 386) argue contrary to Sutton and Staw (1995) that it is "... more difficult to separate what is theory from what isn't, especially if theory starts with guesses and speculations and ends with explanations and models." Weick (1995) further

claims that the theorising process consists of activities such as abstracting, generalising, relating, selecting, explaining, synthesising, and idealising. More specifically, theory explains or predicts something in a proportion of cases. In this perspective, theory differs from law as the latter explains something that holds true in every case (Marshall, 1997).

Blumberg et al. (2005) suggest that theory has various roles in research. Among other things, theory helps narrow the range of facts that the researcher needs to study. It suggests which research approaches are likely to lead to maximum meanings, and can be used to predict any further facts that may be found. More specifically, in positive research, theory development occurs through the generation and testing of hypotheses. However, in interpretive research, theory plays a central role. It is both the input and output of the research process. In a case study for example, there is an ongoing relationship between theory and the case observations. Existing theory will be used to make sense of the case observations, but through these observations it may be found that the theory needs to be refined, modified or even rejected (Ryan et al., 2002).

4.3.2. Political Economy Framework (PEF)

4.3.2.1. Overview

The term ‘Political Economy’ has a long history and various meanings. It “was introduced in the 17th century to denote what is today referred to as economics” (Arndt, 1983: 46). More specifically, it meant, at its inception, the relationship between government and the economy for the promotion of competitive markets in order to create an efficient allocation of resources. “Modern welfare economics uses the phrase in a normative sense to refer to the

quest for that policy alternative benefiting most people at least cost” (Wamsley and Zald, 1973: 64).

Various researchers have used the term Political Economy to refer to analyses that link economics and politics (see, Haggard and Webb, 1993; Bowles and White, 1994; Lewis, 1996; Roland, 2002). Political Economy explores the determinants of a subject of study and “examines the relationship between the various politico-economic forces and interests which act to constitute and maintain institutions” (Bowles and White, 1994: 241). Political and economic factors are “central concerns in efforts to develop dynamic analyses because so many of the pressures for changes occur in the external environment” (Wamsley and Zald, 1973: 64) mostly in the international arena especially regarding the developing world in the terms of Harris (1975).

In spite of the existence of many variants of political economy approach, most of these variants stress the interrelationship between political and economic forces in society (Cooper and Sherer, 1984). Whether the approach applies at micro-level, i.e. organisational studies (see Wamsley and Zald, 1973; Arndt, 1983), or at macro-level, i.e. national, central or international institutions studies (see Haggard and Webb, 1993), all emphasise the interplay between internal and external politico-economic forces and actors involving dynamic analyses of changes. From these studies, most of the key concepts used in the PEF can also be drawn.

4.3.2.2. Key concepts in PEF

4.3.2.2.1. Economy

The term 'economy' is defined by Arndt (1983: 48) as "the productive exchange system of a social unit or society transforming 'inputs' into 'output'; and the social unit "encompasses organizations, groups, families, etc." (p.47). This definition of economy is very narrow reducing the term to a single transformation or production and exchange system. Economy covers a large range of aspects such as production, exchange, markets, capital, consumption, employment, inflation, and growth at macro-level. The economy of a country or an area is about the level or state of these elements at a particular time or over a period of time.

In Political Economy analysis, the term economy is usually divided into *internal economy* and *external economy* (Dwyer and Welsh, 1985; Haggard and Webb, 1993; Bowles and White, 1994). Viewed at the micro-level, *internal economy* is "the internal economic allocation system analyzed in terms of the internal economic structure and processes" (Stern and Reve, 1980: 62) within an organisation. At macro-level, it refers to the level of production, exchange, capital, consumption, inflation, employment and growth within the borders of a country or a region. The *external economy* is the state or organisation of these elements across national boundaries usually outside the control of national authorities.

Internal economic forces are those influences that apply pressure on governments in certain directions arising from national economic conditions and system. These include for example economic crisis (Haggard and Webb, 1993) and strong labour organisation groups (Bowles and White, 1994). *External economic forces*, on the other hand, are those arising from international economic conditions such as changes in commodity prices, and business cycles

in developed countries (Haggard and Webb, 1993). These forces are not within the control of the country concerned.

4.3.2.2.2. Polity/Politics

The concept *polity* can be understood as politically organised group(s) or society. According to Arndt (1983: 48) “polity refers to the power-and-control system of a social unit, a network of social units, or society.” *Politics* is, however, a much broader concept.. Once, the idea of politics was associated “with the idea of power, of command, and... a state superimposed upon society” (Sartori, 1973: 8). In the context of political economy, politics is about what determine the policy options from which governments and policymakers make their choice, and the outcome of the implementation of the chosen policies.

There are both internal political forces and external political forces. *Internal political forces* concern the domestic actors “operating within the institutional sphere of the state and in the wider [national] political system” (Bowles and White, 1994: 245). These domestic actors exert pressures on government and policymakers regarding policy/reform choice and changes; and therefore play an influential role in political decision-making. In respect of *external political forces*, they refer to influences and pressures from various actors in the international political arena. These actors exert pressures on government and other political actors regarding their choice of policies/reforms and sometimes intervene in the implementation process.

4.3.2.3. Features of Political Economy from previous studies

The Political Economy framework has been used by various researchers in many different disciplines. In the field of accounting, some scholars have attempted to use the theory to explain changes and standard settings. Examples of these studies include: Cooper and Sherer (1984), Perry and Nolke (2006) and Ramanna (2008). The application of the framework to other disciplines includes marketing (Stern and Reve, 1980; Arndt, 1983), public organisations (Wamsley and Zald (1973), central banks (Bowles and White, 1994), transparency (Fung et al., 2003), and corruption (Boerner and Hainz, 2009). These studies have covered, to various extents, the variables and dimensions applied in a Political economy analysis both at micro and macro level.

In the field of marketing, Stern and Reve (1980) have developed a Political Economy framework for the analysis of distribution channels. The proposed framework is composed of two major systems: (1) *the internal political economy* and (2) *the external political economy*.

In the words of Stern and Reve, the internal political economy is the internal structuring and functioning which encompasses two dimensions, i.e. (i) the *internal economy*, that is, the internal economic structure and processes, and (ii) the *internal polity*, that is, the internal socio-political structure and processes. The external political economy is concerned with the external environment. It involves the *external economy*, i.e. the prevailing and prospective external economic environment, and the *external polity* which can be described as the distribution and use of power resources in the external environment.

Arndt (1983) has extended the initial Political Economy framework developed by Stern and Reve (1980). He presents the elements of a Political Economy paradigm for the construction of theory in marketing. From the two main attributes developed by Stern and Reve (1980), Arndt (1983) has gone one step further by filling in some of the cells as shown in Table 4.1, thus identifying the main elements of Political Economy analysis in a marketing context.

Table 4.1: Major Components of Political Economy

Environment	Relation to the Environment	Internal Structure and Processes	
Characteristics of the Environment Proximity Capacity Differentiation Concentration Turbulence	External Political Relations Dependence relations Interorganisational form Control mechanisms	Internal Polity Goals of the social unit Distribution of power Power bases Boundary-spanning positions Mechanisms for managing conflicts	POLITY
	External Economic Relations Competitive markets Quasi-integrated systems Integrated vertical marketing systems	Internal Economy Structure of the social unit Internal exchange process Allocation rules Incentive systems	ECONOMY

Source: Arndt (1983: 48)

In Table 4.1 Arndt (1983) identifies *proximity*, *capacity*, *differentiation*, *concentration* and *turbulence* as common to many attempts to develop inventories of environmental dimensions. He argues, however, that it appears futile to try to develop a complete list of all relevant variables in the environment. The external political relation is concerned with attempts to influence the decision premises of the parties to the organisational relationship. *Dependence relations*, the *structuring of inter-organisational forms*, and the *control mechanisms* established are believed to be three particularly important characteristics for understanding the relations between the social unit and the external polity.

With respect to external economic relations, *competitive markets*, *quasi-integrated systems* characterised by bargaining and *administrative routines* specified in contracts, and fully vertical marketing systems are identified to be key aspects of this dimension. Internal polity, on the other hand, is concerned with the way authority is distributed, mobilised, utilised and limited. It involves essentially *goals of the social unit*, *distribution of power*, *power bases*, *boundary-spanning positions*, and *mechanisms for managing conflicts*.

The final variable in Arndt's framework is related to the internal economy, involving the *way the social unit is structured, the allocation rules* in terms of accounting budgeting, information and decision instruments to enforce compliance, and the *design and practice of rules* to distribute the rewards available in order to motivate the personnel.

Although the framework developed by Stern and Reve (1980) and extended by Arndt (1983) was conceived for a micro-level analysis, i.e. in the field of marketing at corporate level, it has two main benefits for a macro level analysis. First, it makes clear the implication of both internal and external factors/forces in the analysis. Second, despite the fact that the type and nature of the dimensions of a political economy analysis at micro-level will obviously differ from that of an analysis at macro level, the framework inspires, with additional research, ideas about the nature and scope of variables to be considered in any research setting based on political economy.

Similarly, in accounting, many of the researchers who have used a Political Economy model in their analysis have done so by outlining the particular attributes of the political and economic factors considered (see for example Perry and Nolke, 2006). All such studies have been conducted with focus on the private sector. Cooper and Sherer's (1984) study is an exception to this. They have designed a Political Economy framework for accounting research with the intention to reinforce calls "to understand how accounting systems operate in their social, political and economic context in order that 'better' accounting systems might eventually be designed" (p.201). They suggest three features that characterise their political economy framework of accounting.

The first is related to '*power and conflict*' in society with accounting argued to operate in the specific interests of elites or classes (power), and a continuing conflict between antagonistic classes (conflict). The second feature is concerned with the *specific historical and*

institutional environment of the society in which accounting operates. Bringing the framework into the historical perspective is necessary to understand the roles of the government and the state in accounting reports and policies on one hand, and the pattern of the roles of accounting practice and by implication the historical assessment of the social values of these roles on the other. The third feature of the framework involves the *acknowledgement of the potential of people and accounting to change and reflect differing interests and concerns*. An illustrative example of this feature is that when ‘accounting’ for corporate activities, for instance, ignores externalities, that is, social costs, it may well encourage self-interest at the expense of social interests.

Again, this Political Economy framework is designed to work at micro level. The accounting systems involved in the framework are part of private sector accounting and the framework itself was developed in the private sector context. Nevertheless, all of the features outlined in the framework could apply well for a macro or country level analysis. The historical background and in particular the former colonial ‘patron’ has significant influence over the extent of the success of policy/reform implementation (Stone, 2004; Shirley, 2005) and possibly over the design process.

At the public sector level, Wamsley and Zald (1973) and Bowles and White (1994) have developed a political economy framework for the analysis of public organisations and central bank independence respectively. Wamsley and Zald (1973) offer a framework that is characterised by four main variables: the *external political environment*; the *economic environment and exchanges*; the *internal political structure and process*; and the *internal economy*. The external political structures are viewed as the sum of the external political structure and the external political interactions of an organisation. The first is concerned with the distribution of sentiments and power among an agency’s relevant others. Included in the

‘relevant others’ are opposition or support for the organisational goals and programmes. The second – external political interactions – represent “the efforts by the executive cadres of organisations to alter their own domain or that of their neighbours, and thus alleviate uncertainty” (p.65).

The second variable is composed of the economic environments and the economic exchanges. The economic environments involve a costs and behaviour analysis necessary for obtaining factors of production and exchange at the organisational frontiers. The economic exchanges, on the other hand, are intended to implement established goals and tasks and are viewed as legitimate.

The third variable in the framework – internal political structure and process “refers to the structure of authority and power and the dominant values, goals and ethos institutionalized in that structure” (Ibid: p.67). Four main political functions²⁰ of executive cadres are identified whose performance is dependent upon five internal political dimensions, namely: “ (1) Constitutions, (2) degree of goal consensus, (3) unity of authority, (4) patterns of subunit power, demand aggregation-articulation, and conflict resolution, and (5) patterns of leadership succession and cadre maintenance” (Ibid: p.68).

The final variable, the internal economy, involves the coordination of behaviour and allocation of resources necessary for the performance of technical functions of the organisation in order to produce an output that satisfies the relevant ‘others’ as defined earlier. In such system where the technological aspects of the organisation are concentrated, instrumental and efficiency norms take precedence over legitimacy.

²⁰ These functions are: “(1) developing and defining agency mission, ethos, and priorities; (2) developing boundary-spanning units and positions to sense and adapt to environmental pressures and changes; (3) insuring recruitment and socialization of agency elite to maintain coherence and pursuit of goals; (4) overseeing the internal economy, harmonizing it with shifts in niche or goal proprieties” (Wamsley and Zald, 1973: 67).

In contrast, the framework designed by Bowles and White (1994) has less to do with economic exchanges at organisational level but rather more concerned with the broader national economy. In their argument Bowles and White divide the political variables into two broad categories. The first category refers to '*economic forces and movements*' which are 'political' in nature because they exert "pressure on governments in certain directions and condition the range of feasible policy options available to [them]" (Bowles and White, 1994: 244). The second category concerns '*political pressures*' in the operation of the political/state system. These pressures are 'economic' in nature, as argued by the authors, "in the sense that they reflect economic forces in society at large and beyond, they influence economic processes through their impact on policy and they embody economic power through their control over resources" (Ibid: p.244). Examples of these pressures include the influence of interests groups, the motive of politicians, and the interests of specific state institutions.

In the actual application of the framework, the authors group the main politico-economic forces/actors under three main headings: (1) the *domestic socio-economic forces* and the relations between them; (2) the *domestic pressures from political and state systems*; and (3) the *international political and economic actors and pressures*.

Using the Central Bank as an example, the first group would include finance, labour and industry and the relations between them in different economies. It is argued that, because of their particular political character due to their special relationships with the financial sector, Central Banks might be expected to make the distributive consequences of their actions together with their policy and politics favour that sector over others in society. Therefore, a 'privilege relationship' might be expected to influence both the actions and the politics of an agency to favour some interest group(s) or others.

The second group related to the domestic pressures from political and state systems is concerned with “the domestic actors and processes operating within the institutional sphere of the state and the wider political system” (Ibid: p.245). These include both pressures from interests groups and the mass public and the calculations of elected officials seeking to stay in power. The intra-state competition between government agencies and between levels of governments adds intensity to these pressures which in turn influence the choice of policy/reform.

The last group concerned with the international political and economic forces and actors relates to the political and economic pressures and processes from the international sphere. These actors include international financial institutions such as the World Bank and the IMF which influence significantly “the fortunes of weaker developing countries whose macroeconomic independence has been usurped by these agencies” (Ibid: p.253). Also, certain strong countries in the West such as the US and Germany have been taking measures to enforce economic and other policies in other countries, especially the developing ones. This means that countries might be pushed towards policies/reforms that may not be of high priority for them but are for the ‘pushers’, and neglect areas of significant importance to the development of the country, all this with the support from leaders and influential interest groups only seeking to secure their stake.

At a more national level, Haggard and Webb (1993) have conceived a framework that is particularly applicable to developing countries. Haggard and Webb (1993) have designed a Political Economy framework to examine the influence of political institutions on the adjustment process, and the relationship between economic conditions and the politics of reform. The framework involves three broad clusters of variables: (1) *the institutional*

characteristics of the political system, (2) the aspects of the internal and external economy, and (3) the design of the reform programme.

Political interests and institutions are covered under the first cluster, with the argument that politicians and bureaucrats are sensitive to pressures from interest groups because they rely on these groups for political support, votes and money. The *political regime* as in whether it is democratic or authoritarian is the first variable of the range. While initial premises portray democracy as a necessary condition for economic development, evidence suggests that “the optimism about the effect of democratization on economic performance may not be warranted...” (Haggard and Webb, 1993: 146). The second variable is about the economic consequences of changes in regime in terms of *transitions to and from democratic rules*. Political and economic conditions which exist at transition point influence the ability of a new government to manage the economy.

In regard to the *electoral cycle* approach, it is postulated that timing is critical to successful reform especially in developing countries where there is a high degree of information asymmetry. In the same way, *partisan orientation* is argued to be an alternative to the electoral cycle approach. However, according to the authors, “there is only scattered evidence from the developing countries on how party orientation might affect policymaking, in part because the simple distinction between left and right... does not easily fit the developing world” (Ibid: p.149). While the importance of the *party system* in organising support for or opposition to reform is argued to be critical to the success or failure of reforms, its role in developing countries is less evidenced. *Discipline and competence of the bureaucracy* are reported to play critical role in the good functioning of government.

The next cluster of variables involves the internal and external economic aspects. Haggard and Webb (1993: 152) observe that “economic conditions influence not only the policy

agenda, but also the political actions of organised groups and thus politicians' calculations about what can be done and what cannot be done." They suggest four major relevant factors or variables under this cluster. The first is about the *intensity and length of the economic crisis*. Crisis stimulates reform efforts as well as increasing public tolerance of them. In addition, the perceptions of politicians and policymakers about the economic crisis play a determinant role in the extent and type of action they take.

The *outcomes (or the perceptions about the outcomes) of previous reforms* represent the second factor. Previous experiences with economic reforms are likely to shape the current decision-making of politicians and policymakers about future reform and policy, although in different context. The next factor is concerned with the *distribution of income*. "Sharply unequal income distribution creates social and political divisions that undermine consensus for economic reform, increases uncertainty about the actions of future government, and shortens time horizons..." (Ibid: p.155).

In regard to the *external economic and political constraints*, the authors advance three channels through which the external milieu might influence policy choice. The first channel is the effects of *prices and demand cycles*. It is argued that policy changes in the developing world can be traced to fluctuations in world prices of raw materials and to business cycles in the developed countries. The second channel refers to the *influences of the international networks* including foreign advisers and training programmes for technocrats at foreign universities that result in the transmission of policy-relevant knowledge. *Loan conditionality* is the third channel. The influence of conditionality on policy and reform is obvious and this is clearly outlined by Haggard and Webb (1993: 156) in the following terms: "unity among creditors and their power over the flow of financial resources provide them with substantial influence".

The final cluster is the design of the reform programme. Policymakers who undertake reform programmes have considerable control over the design and tactics of reform under three main considerations. Firstly, the success of a reform depends on the *pace of the reform programme*. Reform programmes are more successful when implemented quickly because, as argued, doing so would weaken interest groups that are attached to the status quo, and increase the credibility of the reform. Secondly, the query as to whether *reforms should be undertaken in stages or all at once* is considered. Haggard and Webb report the result of a World Bank study suggesting that “bundling reforms allows a government to offset the losses associated with one component of the program with the gains from another – form of compensation” (Ibid: p.160). This means that undertaking all of the reforms at once is preferable to sequencing reform programmes. Thirdly, it is of concern as to whether *compensation* measures such as wages increases should be undertaken along with reform programmes. According to Haggard and Webb, evidence suggests that compensation measures are necessary but they succeed neither economically nor politically if the incentives offered are contrary to the overall thrust of the reform programme.

4.3.2.4. Potentials and limitations of PEF

4.3.2.4.1. Potentials of PEF

The value of Political Economy rests in part on its generality and in part on its integrative potential. “Political Economy is fairly general, as the paradigm may be applied in theory construction in a wide range of... [fields]. It is integrative through offering a unifying framework by incorporating economic and socio-political constructs” (Arndt, 1983: 44).

The PEF approach is concerned with why optimal policies/reforms are not adopted, or if adopted, why they are not successful or fail to deliver the intended results/outcomes (Haggard and Webb, 1993). In doing so the approach emphasises the institutional features and influences in a sort of trans-disciplinary mode of investigation, which would benefit the study of accounting (Cooper and Sherer, 1984) and governance. The framework provides a broader, more holistic approach for analysing how accounting systems have been considered in the ‘push’ towards governance development.

As argued by Stern and Reve (1980: 53) “a premise of the PEF as initially formulated is that complex socioeconomic interactions involve multilateral interactions as opposed to ‘simple’ cause-effect mechanisms”. In this sense, the PEF will make a significant contribution to the study of the development of macro-level accounting systems and governance by mapping out most, if not all, relevant actors/forces and their respective role.

Moreover, the Political Economy perspective as an organising framework has the potential for producing new theoretical insights (Stern and Reve, 1980). The framework is helpful in providing insights into the forms of meaningful relationships amidst key concepts or variables that may be brought out from the analysis. These relationships can further be operationalised and tested using alternative approach(es) to ensure validity.

4.3.2.4.2. Limitations of PEF

As pointed out by Arndt (1983: 52) “the most important limitations of the Political Economy paradigm relate to the methodological problems and the vagueness and incompleteness of the framework.” Many of the constructs and relationships identified by the Political Economy paradigm are not easy to capture via conventional methods such as cross-sectional surveys.

Nevertheless, small scale studies and unobtrusive methods, Arndt argues, may be feasible at least in exploratory research.

In addition, John and Reve (1982) argue that the framework entails the use of key informants drawn from within the organisations or institutions under study posing issues of constructs validity and reliability. However, these problems are not specific to the Political Economy approach. Most qualitative studies use informants from the case organisations and therefore run the reliability and validity risk. These risks can be reduced with the use of appropriate selection techniques and triangulation approach.

Finally, the framework is incomplete and vague (Arndt, 1983). However, the vagueness of the framework may be what allows for its generality, being able to be applied in a wide range of fields: marketing (Stern and Reve, 1980), economic policy reform (Haggard and Webb, 1993), accounting (Cooper and Sherer, 1984), etc. Attempts to limit the vagueness of the framework may well result in the reduction of the scope of its application.

4.3.2.5. Relevance of PEF to the study

It is believed that an authentic understanding of the development of accounting systems and governance in Africa requires an analytical perspective. In the words of Harris (1975: vii) “... it is the nexus between what is conventionally considered politics and what is considered economics that requires [the] primary attention [of the researcher]. Only by studying this nexus can we understand in any meaningful sense the causes” of the current state of accounting systems and governance in Africa and the ‘prerequisites’ for their improvement. Such study intends to bring in a single and comprehensive analysis of accounting and governance in terms of what are conventionally considered as separate aspects of ‘social reality’.

Although the nature of the research questions suggest a pragmatic approach in examining the study data and other materials as discussed earlier in this chapter, an attempt is made to use a framework as a template for organising the analysis. The framework required is one that, as argued by Harris, engages in a holistic or global consideration of the interaction between internal and external factors that influence the development of accounting systems and governance. From this perspective, a Political Economy framework is considered to perform such an integrative role. The research is original as it is the first of such study to the best of the researcher's knowledge. No similar studies have been found in the literature to serve as a reference. There is a need to start somewhere, and hence, the proposed framework to obtain a holistic picture of accounting and governance systems development in Africa. As a starting point, it is argued in this study that the economy and politics, especially in Africa, are inseparably linked and cannot be studied in isolation in respect of governance and accounting issues.

Applying the political economy framework to the study of governance and accounting systems in Africa will particularly help to underline the structure of the internal politico-economic factors, and the type and nature of the external or international political and economic dependencies as fundamental to understanding/explaining the policy/reform choices accessible in terms of governance and accounting systems development. This analysis will highlight the constraints and influences exerted by the external political and economic forces/actors and how to accommodate the various forces and interests which will help to develop a framework that associates accounting systems and governance for policy formulation.

4.3.2.6. Proposed Political Economy Framework

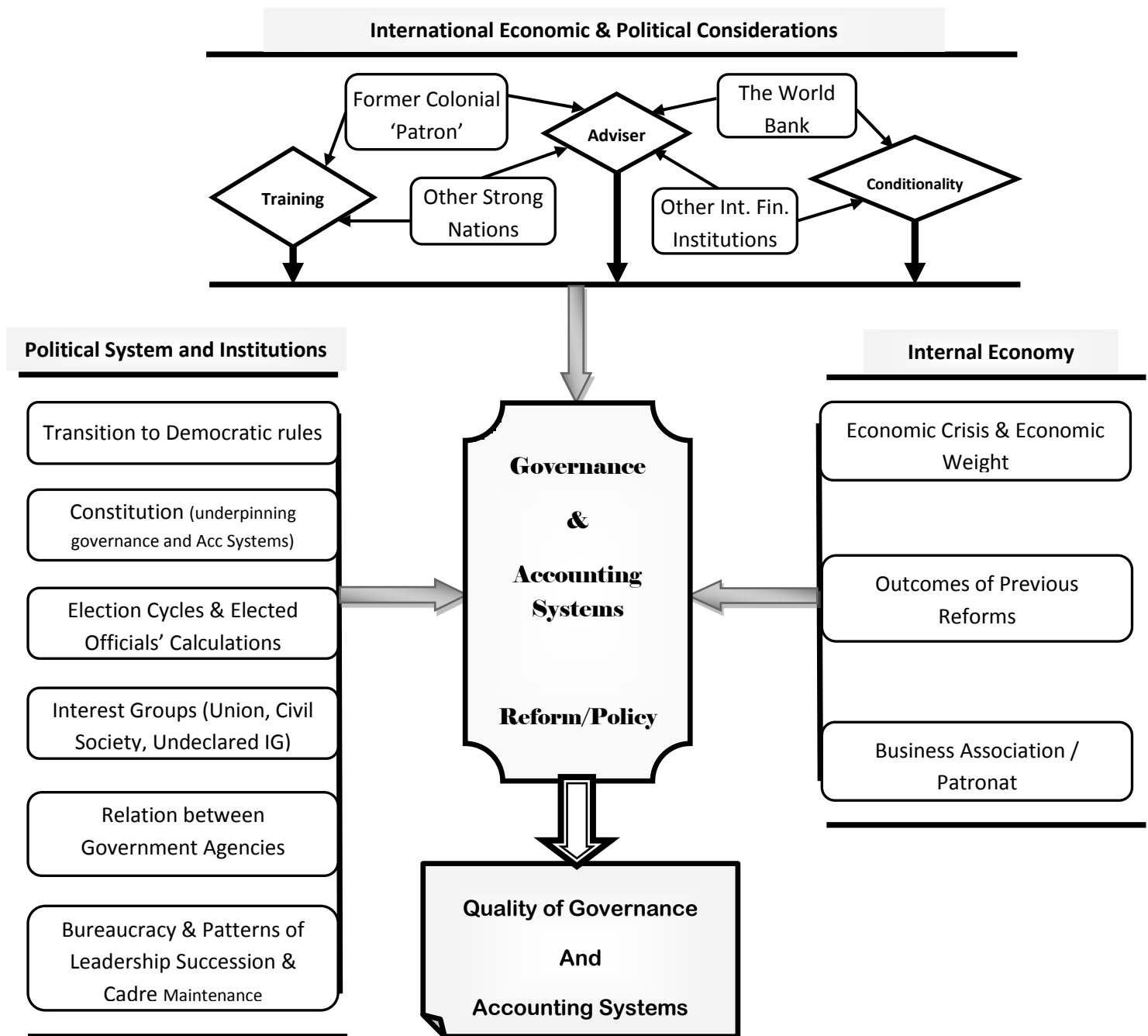
In Figure 4.1 governance and accounting systems reform/policy in Africa and its outcome in terms of quality is shown to be the result of the interactions between three categories of forces/actors: internal political systems and institutions, internal economy, and international economic and political forces/actors. Each of these forces/actors is characterised by a set of factors and/or players.

In the political and institutions category, Haggard and Webb (1993) suggest that transition from authoritarian regimes to democratic rules brought about by a faltering economy is a key factor in helping incoming democratic governments to secure support for various policies and reforms. Governance and accounting improvements are expected to form part of these reforms/policies. For instance, structural adjustment reforms following the collapse of many authoritarian regimes in Africa had governance improvement underpinnings (Boafo-Arthur, 1999). Haggard and Webb further argue that the electoral cycle is a factor in political elites' calculations on the timing and choice of reforms/policies. Similarly, interest groups such as unions, powerful political parties, and civil society organisations can influence reform/policy initiatives and the nature of these reform initiatives.

An important factor in the success of governance and accounting reforms/policies when that are adopted is the quality of the bureaucrats within government institutions. "The prospects for policy reform... depend on characteristics of the state itself, particularly the discipline and competence of the bureaucracy" (Haggard and Webb, 1993: 151). Furthermore, the patterns in which bureaucratic leadership is developed and cadres are maintained determine the extent of the success of public organisations/institutions (Wamsley and Zald, 1973), in particular the success of accounting institutions within the governance sphere of a country. A component of

the accounting system – the financial reporting system – is directly under the control of the ministry of finance in most countries.

Figure 4.1: Proposed Political Economy Framework



Source: Developed by the researcher

It is presumed that the nature of this relationship may affect both the development and the working of the financial reporting institution and thus the quality of the output produced from the system and its contribution to governance improvement, especially if the government lends itself to opaque financial practices as is observed in many African countries (Cain et al., 2001; McMillan, 2005). The last factor in this category is the Constitution (Wamsley and Zald, 1973). The Constitution is the supreme legal framework that determines the governance system and structure of a country. As such it is a critical factor regarding the basic foundation of the nation's accounting system.

The second category of forces is concerned with the internal economic factors. Economic "crises increase a government's willingness to attempt to remedial measures and the public tolerance for them" (Haggard and Webb, 1993: 153). Where relevant, the nature of the remedial measures is indicative of the importance that policymakers attribute to accounting. In addition, the weight of the national economy at global level will determine the extent of external influence over the country's reform initiatives. Intuitively, the smaller the country's economic weight, the greater the external influence over its reform/policy initiatives will be. Furthermore, Haggard and Webb suggest that the outcomes (or perceptions about the outcomes) of previous reforms influence the nature and choice of subsequent reforms/policies. The private sector is the last factor in this category. It is an important player in governance (Kaufmann et al., 2009), and business association or 'patronat'²¹ is a key private sector organisation that is presumed to 'push' for policy changes.

Regarding the international economic and political forces/actors, it is argued that although international economic conditions might affect the national economy in various ways, their implications in terms of policy/reform in developing countries are rather indirect via the key

²¹ The 'Patronat' is a French name which can be defined as the collective body of the employers in an economy. In a narrow sense, it is the body of the bourgeoisie.

players in the international context. These players are the World Bank, the former colonial 'master' or 'patron', the other financial international institutions such as the IMF, and the 'strong nations' such as the US, Germany, UK, France, etc.

The role of the World Bank at the forefront of governance reform/policy in Africa and the nature of power relations involved is now widely established (Haggard and Webb, 1993; Bowles and White, 1994; Harrison, 2005). These studies point out "how the World Bank's governance agenda is subject to political and ideological influence and how governance reform can have a variety of effects on power relations" (Harrison, 2005: 240). The implication of the IMF in the governance reform process is also acknowledged (Harrison 2005). Similarly, former colonial masters not only influence governance policy in their former colonies (Iheriohanma and Oguoma, 2010) but also have left some colonial heritage in terms of institutions (Mafeje, 2002; Saldanha, 2004; Shirley, 2005) that affect the development of governance in those countries. Moreover, certain countries called 'strong nations' have been taking measures to exert greater controls/influence over the policy choices of developing countries (Bowles and White, 1994). These players mainly use three mediums to transmit their influence over governance policy. The first is loan conditionality, as used by the World Bank and other financial institutions such as the IMF. The second is the use of advisers by the various players to provide technical/political advice/assistance. The last medium is the provision of specific training.

This proposed framework will be drawn on later to explain the current state of accounting systems in Africa and their limited contribution to governance development despite their widely recognised potential.

The following chapter presents the findings related to the assessment of the accounting systems in Benin and Ghana.

4.4. Chapter Summary

In this chapter, research philosophy and the role of theory have been discussed and the theoretical framework adopted for the study was presented. The discussion of research philosophy carried out in the first section covered its definition and key concepts involved: the concept of ontology, epistemology, research paradigm and pragmatism.

In the second section the importance of theory in research was outlined as being fundamental to understanding the systematic reason for a particular state of phenomena or a particular occurrence or non-occurrence of a phenomenon. This section moved on to discuss the Political Economy analysis. The PEF explores the determinants of a subject of study and “examines the relationship between the various politico-economic forces and interests which act to constitute and maintain institutions” (Bowles and White, 1994: 241).

Applying the political economy framework to the study of governance and accounting systems in Africa will particularly help to underline the structure of the internal politico-economic factors, and the type and nature of the external political and economic dependencies as fundamental to explaining the current state of accounting systems in Africa and their limited application in terms of governance improvement. The key features of the PEF adopted to carry out this analysis were presented.

CHAPTER 5: ACCOUNTING SYSTEMS IN BENIN AND GHANA

5.1. Introduction

Accounting systems in English and French Africa are divided into Anglo-Saxon and Francophone systems owing to historical and colonial heritage. In fact, most of Africa – over 40 out of 53 countries – has been historically under either English or French ‘domination’ or both. The roots of the modern accounting systems in these countries have as a result stemmed from France and Britain in accordance with the practice in the ‘métropole’. Further, as commented by a World Bank officer during the study, “there is a third system which is the Lusophone system. [This system] is close to the French one and it is rather the Francophone people who advise on it” [BWB01]. So in essence, it is meaningful to retain the initial division into English and French systems when addressing accounting systems in most of Africa.

This chapter therefore focuses on the two systems, using the illustrative cases of Benin and Ghana. The Benin system operates in a regionally coordinated system organised and monitored by a regional body called UEMOA²². This body has relatively the same systems as its sister body from central Africa – the CEMAC²³. UEMOA and CEMAC encompass 14 countries of French Africa, hence the rationale of using Benin as an illustrative case of the French African system of accounting. On the other hand, the Ghanaian system, as opposed to the Beninese one, is not regionally coordinated. This is the case in most of English Africa.

The analysis conducted in this chapter is problem centric rather than theory driven, although the accounting literature helps to identify some of the characteristics or features of State accounting systems that guided the analysis. The analysis is conducted in order to address the research question related to the state of accounting systems in Africa. Evidence is primarily drawn from interview data and observation and then corroborated with other documentary

²² Union Economique et Monétaire Ouest Africaine or ‘West African Economic and Monetary Union’.

²³ Communauté Economique et Monétaire de l’Afrique Centrale or ‘Economic and Monetary Community of Central Africa’.

evidence. Reliance solely on documents in the context of the case study countries may be very misleading in drawing conclusion as warned by a senior official from Benin during the first-phase interview:

...if you want to do a good research work that will make a difference compared to what people have been doing, you have to be cautious about what you see in documents, especially when these documents are produced by the governments and those working with them... You must go and talk to people – those with good integrity and capable of telling the truth. So look out for that.

The chapter is structured as follows. In the second and third sections, the accounting infrastructure and an assessment of the state of the accounting systems of Benin and Ghana are examined respectively. Then in the fourth section a comparative analysis of accounting systems in the two countries is conducted. The fifth section provides a summary of the chapter.

5.2. Accounting Infrastructure and Assessment of the Accounting System in Benin

5.2.1. Accounting Infrastructure in Benin

Accounting infrastructure in Benin took its roots from the French system, as is the case for most of French speaking Africa. The Benin system of accounting is an illustrative case of at least two regionally established accounting systems in Africa, that is, the UEMOA and CEMAC. The system can be described as being composed of a financial reporting institution, internal audit (and control) institutions, and an external audit institution, as shown in Figure 5.1 below.

The primary element in this system is the consideration of ‘public accountant’. Ordinance No.69.5/PR/MEF of 13/02/1969 considers a public accountant as:

Any civil servant that has the quality to execute on behalf of the state, a local government or a public organisation the operations of receipts, expenses and handling of financial assets.

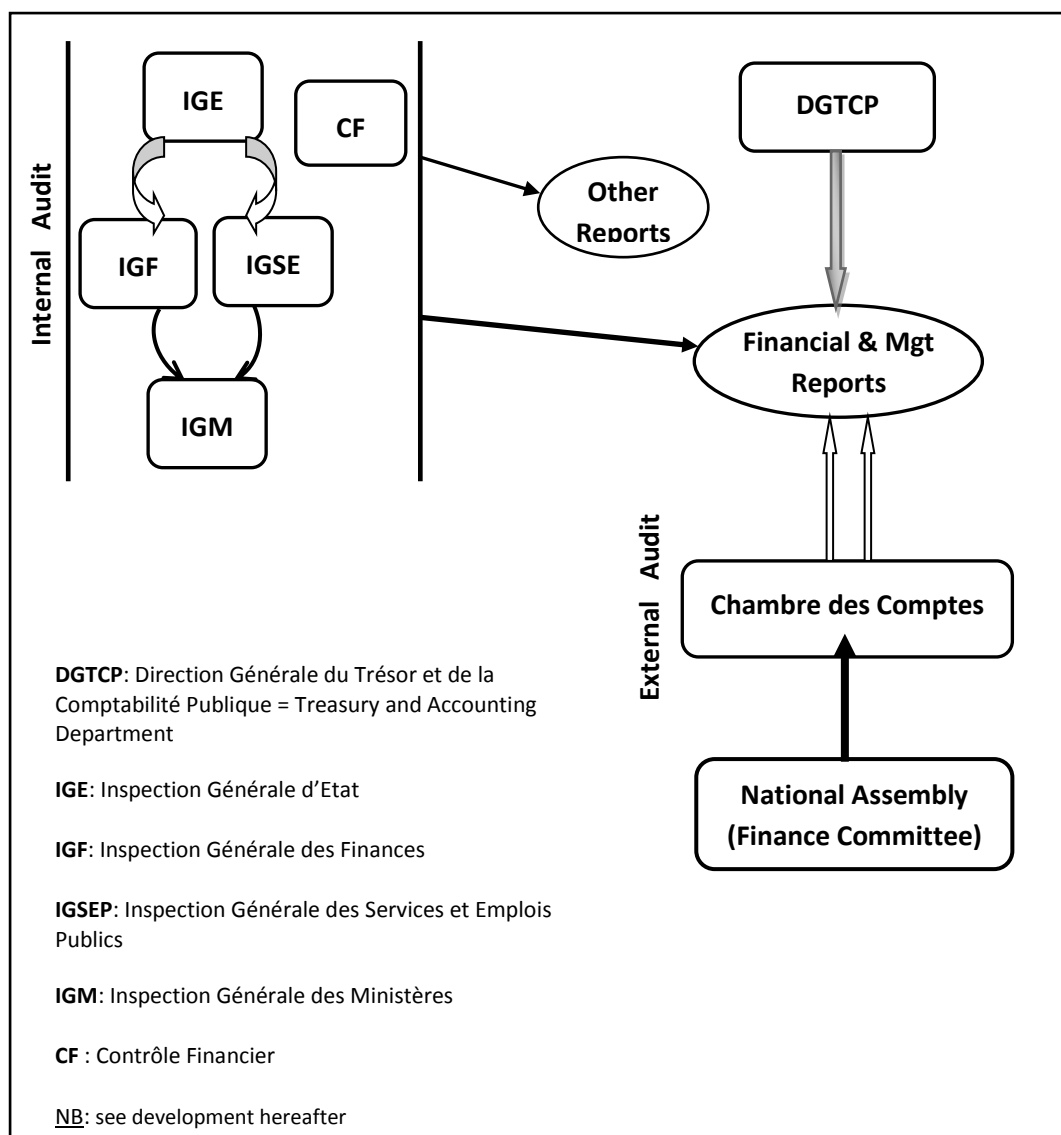
The Ordinance also defines three requirements to be an accountant. First, one must be nominated (although the technical requirements are not considered in this condition). Second, once nominated, the person must take an oath. Third, he must provide a deposit to cover irregularities or malfeasances committed during the term of office. The Ordinance further states that “no accountant can take office if he/she is not able to justify that he has accomplished the last two formalities”, i.e. the taking of an oath and the provision of the deposit. In return the accountant is paid a responsibility allowance. The conditions for being internal and external auditors are covered by the legal frameworks relating to each institution. It is important to note that in Benin, as is the case in most of French speaking Africa and in France (Moussa, 2004) there is a clear distinction between the ‘accountants’ (those who manipulate government funds) and the ‘credit managers’ (those who administer budget appropriations).

5.2.1.1. DGTCP or Treasury and Accounting Department (TAD)

Initially established by Law No.61.35 as the Treasury department, the TAD was reviewed in 1969 by decree No.65-47/PR/MEF by adding the accounting function to the department, hence the current name of ‘Treasury and Accounting Department’. In spite of this addition, the department did not produced any financial accounts for the period preceding 1998 as described by one of the heads of the department:

Before 1998, from the point of view of the organisation of the [department], we still had the accounting services... [but] it was only at the head office that the accounting entries were made. That was from 1961 to 1994. And there were some congestion that hindered the maintenance of a thorough accounting. Therefore it was not possible to produce any accounting, statistical and financial report... In terms of financial accounting, the situation was the same from 1994 to 1998 as it was before 1994. The financial administrations – customs and tax – did not maintain any financial accounting. Rather they maintain an auxiliary accounting... which was in fact a receipts budgetary accounting. [BP007]

Figure 5.1: Benin Accounting Infrastructure



Source: Developed by the researcher

From 1998 the accounting function of the TAD was reorganised with what is called 'Instruction C1' (followed later by C2 and C3) which decompresses the public accounting function. From that point, the 'Recettes des Finances' and 'Recettes-Perceptions'²⁴ started to maintain financial accounting. Furthermore, government transactions were also decentralised. As a result of this decentralisation, there is a first level of centralisation of government

²⁴ Recettes des Finances and Recettes-Perceptions are the external network of services of the TAD. The first is at departmental level while the second is at sub-departmental level.

accounts at the decentralised unit level. The accounts resulting from this level of centralisation are sent to the state's Chief Accountant's office²⁵ which carries out the aggregate centralisation. This is then forwarded to the 'Direction Générale de la Centralisation des Comptes de l'Etat' (DCCE), created in 1994 whose responsibility is the production of the overall government accounts.

The financial statements produced by the TAD include the 'Compte de Gestion'²⁶, the 'Compte Général de l'Administration Centrale'²⁷ and the 'Projet de Loi de Règlement'²⁸. These accounts are sent to the Chamber of Accounts for examination, and only the last one is sent to Parliament after the Chamber of Accounts' examination to be passed as a law.

5.2.1.2. Internal Audit Institutions

According to the decree No.2006-627 of 04/12/2006 the internal audit institutions²⁹ in Benin are divided into two groups. The first group is referred to as 'nationwide internal audit institutions' with a nationwide mandate to exert their competence and investigative authority over any government institutions and public organisations across the country. These nationwide audit institutions are the Inspection Générale d'Etat (IGE), Inspection Générale des Finances (IGF), and Inspection Générale des Services et Emplois Publics (IGSEP). The other group is referred to as 'sectorial internal audit institutions' whose competence and investigative authority are limited to the sectorial ministries to which they belong – this is the case of the Inspection Générale des Ministères (IGM) – and Inspection Générale des Services

²⁵ This office is called 'Recette Générale des Finances' and the Principal Public Accountant is the 'Receveur Général des Finances'.

²⁶ Management Accounts.

²⁷ General Account of the Central Administration.

²⁸ Draft Budget Law on the execution of the budget.

²⁹ The internal audit institutions are commonly called 'control and inspection institutions' in most of French speaking Africa.

des Administrations Financières (IGS) established in key specific financial administrations (namely the TAD, the Customs Department, and the Tax Department).

The IGE or General State Inspectorate is defined as “a control institution of the state with a nationwide authority to coordinate the activities of all the other control and inspection institutions. It has a general and permanent control, investigative and fact-finding mission” (Decree No.2006-319 – Article 1). Among other things, the IGE is responsible for the financial and accounting control of the State and local governments, public organisations and enterprises, and other specific engagements such as special investigation, control and fact-finding engagements in particular situations. The head and “the members of the IGE are appointed by decree taken by the Council of Ministers. They are selected on application among those with a postgraduate degree in finance, management or law and who have had a least 10 year experience at managerial position in public, parastatal or private enterprises or organisations” (Decree No.2006-319 – Article 7). Once appointed, the head and members of the IGE must take an oath.

The IGF or General Inspectorate of Finance is defined, according to the decree³⁰ No.93-45 as “a control institution with nationwide authority that assists the Minister in charge of Finance in discharging his/her permanent control mission of the finances of the State, local governments, public and parastatal organisations, and all organisations that receive a financial grant or material assistance from local governments or concessionaires of public services”. The IGF’s main function is financial audit and control. It has two types of mission: one is ‘permanent’ and the other is ‘special’. The permanent mission concerns all public accountants and is led by the head of the IGF. The special mission concerns all

³⁰ This decree was renewed in late 2010.

Ordonnateurs³¹ and credit managers, public accountants, and managers of public institutions. The head of the IGF and his deputy are nominated by decree taken by the Council of Ministers among the general inspectors of finance with the most years in office, with the highest grade who have never been involved in any malfeasance.

The IGSEP or General Inspectorate of Public Services and Jobs was established in 1997 by decree No.97-608 and is placed under the direct authority of the Minister in charge of Public Service. The IGSEP has a nationwide authority and is responsible for the general control of the State's personnel management, and the application of administrative ethics regulations. The head of the IGSEP and his deputy are nominated by decree taken by the Council of Ministers among the general inspectors of class A1 with the most years in office. According to the decree No.2006-627, they are assisted by general inspectors nominated under the same conditions among those of class A1 with the most years in office.

“The IGMs or [General Inspectorates of Ministries] are control and inspection institutions with authority limited to the ministerial departments within which they are established” (Decree No.2006-699 – Article 2). The IGMs had existed before under the name of DIVI³² but this was changed in 2006. The IGM is directly attached to the sectorial ministry within which it is established and assists the Minister in controlling the public organisations within the ministry. The IGM is headed by a General Inspector and a deputy appointed under the same conditions as the head of the IGF. However, one of the two must have a background in the field of the sectorial ministry and the other in accounting and/or finance. They are assisted by Inspecteurs-Vérificateurs. In hierarchical terms, the IGMs are under the first level authority of the IGF and IGSEP and the second level authority of the IGE, but they also maintain their autonomy as control institutions in the sectorial ministries. Beside the IGM,

³¹ These are administrative or budgetary accountants. They initiate and engage operating transactions on the accounts of the State or local governments.

³² ‘Division de l’Inspection et de la Vérification Interne’ or ‘Inspection and Internal Verification Division’

there is the Inspection Générale des Services (IGS). Like the IGM, the authority of the IGS is limited only to the three Financial Administrations in Benin as aforementioned within which the IGS is established.

Another internal control institution which is very independent of the above structure (i.e. the IGE, IGF, IGSEP, and IGM) and which is attached to the Ministry in charge of Finance is the ‘Contrôle Financier’. The Contrôle Financier can be translated as Financial Control but it represents a particular financial control and is not concerned with the broad coverage of the concept. In terms of decree No.93-178 (Article 1) the Contrôle Financier in Benin is concerned with *a priori* control, i.e. before the occurrence of any liability relating to transactions and events engaging the government or public organisations. This control comes in two forms. The first is called ‘regularity control’ which is to ensure that transactions and operations are concluded or conducted in accordance with legal and regulatory requirements. The second form is ‘materiality control’, i.e. physically ‘checking’ that the goods or services contracted on behalf of the government are properly delivered according to the agreed terms. The Contrôle Financier differs from the above internal audit institutions in the sense that the latter are concerned with ‘concomitant control’ – i.e. during the execution – while the former is concerned with *a priori* control.

5.2.1.3.External Oversight Institutions: The Chambre des Comptes (CC) or Chamber of Accounts and the Finance Committee of the National Assembly

The Chambre des Comptes (CC) is the external audit institution (the equivalent of the office of the auditor general) in Benin. The CC is one of the three chambers of the Supreme Court

established by Ordinance No.21/PR of 26/04/1966 and put into force by law No.90-012. These laws were renewed and replaced by law No.2004-07 enacted on 23/10/2007.

According to the Constitution of Benin and law No.2004-07 the CC has two main functions. One is concerned with the ‘Loi de Règlement’³³. In terms of this function, the CC conducts all control, as determined necessary, on the execution of the budget and “produces a report on the execution of each finance law. At the end of this control it issues a ‘general declaration of conformity’ between the individual accounts of the public accountants and the overall government accounts” (Article 1 of law No.2004-07). This is what is usually referred to as ‘Contrôle Administratif’ (or Administrative Control). This report provides Parliament with the information necessary to understand how the government has employed the funds that have been allocated to it through the finance law and enables the Parliament to pass the ‘Loi de Règlement’. According to the Constitution in its 99th article, the “Lois de Règlement” control the execution of the finance laws subject to the subsequent clearance of the accounts of the Nation by the Chamber of Accounts of the Supreme Court”. This means that the control is not completed with the vote of the ‘Loi de Règlement’. The accounts must subsequently be cleared through the other function of the CC. The other function is related to the judgement of public accountants through the accounts produced. In this regard, public accountants must provide their accounts to the CC within the prescribed deadline. The CC issues an opinion as to whether the accounts are ‘truly and fairly’ presented and “can fine the accountants for late transmission of their accounts..., judge and sanction [them] for mismanagement...” (Law No.2004-07 – Article 42).

In addition to these functions, and where necessary, the CC assists Parliament in the examination of the Nation’s accounts for “all investigations and studies relating to the execution of public receipts and expenses, or the management of the treasury of the Nation,

³³ Audited Budget Law (on the execution of the budget).

local governments, government departments or institutions subject to its control” (Constitution – Article 112). The CC is led by a President proposed by the President of the Supreme Court from among the magistrates and jurists of the highest rank with at least 15 years of professional experience and appointed by decree taken by the Council of Ministers (Constitution – Article 134). In terms of the 10th article of law No.2004-07, the President, Councillors and Auditors must take an oath before taking office.

The ‘Commission des Finances et des Echanges’ or Finance Committee (FC) is one of the committees of the National Assembly set up according to its internal rules. According to these internal rules, the FC is entrusted with the examination of all proposals that have financial consequences, in particular the finance law (government budget), the Loi de Règlement, the financial ratifications, and the reports from any financial investigations commissioned by the National Assembly. After the examination of any proposal, the Committee prepares and issues a report with an ‘opinion’ that is submitted to be voted on in Parliament. The National Assembly will therefore consider the report together with the opinion before any vote is made.

5.2.2. State of Accounting System in Benin

5.2.2.1. Brief Assessment of the Legal Framework

As discussed above, various laws and regulations govern the functioning of the accounting system at all levels. In addition to these legislations, there are also regional regulations that member countries are required to adhere to. These regulations are in the form of ‘directives’ which are issued and monitored by UEMOA. Benin, as a member country of this organisation, has put some of these directives into national laws but has still fallen short of incorporating

some of the key ones as discussed later in this chapter. So in principle, a legal framework exists.

In terms of framework, the legal framework exists and the necessary institutions also exist in internal control in order to control the procedures, and... [an] external control concerning the whole government [also exists]. [BC003]

However the framework is not well adapted to the environment and fails as a result to meet expectations, as expressed by a senior official:

The law and regulations that we've got until now are not really adapted. Therefore in that respect, it poses a legal problem. [BC002]

This is exacerbated by the fact that the Parliament which is the main institution in charge of ensuring an effective accounting legal framework does not give appropriate consideration to the matter.

The laws are not proposed to be passed by serious MPs; by a Parliament that shows the appropriate level of concern [BO003 – 59-60].

For example the format of the balance sheet and other statements included in the *Compte de Gestion* is not covered by any law or regulation as recognised by an accountant in the division responsible for the preparation of the accounts.

We must recognise that there is no law or regulation that govern that [i.e. the balance sheet and the revenue and expenditure statement] in detail. [BP010]

This situation leaves the accountants with no or little reference points when it comes to producing the government and public institutions' financial statements.

Another example concerns the 'Loi Organique relative aux Lois de Finances' or organic law relating to the finance law. The organic law governs the legal framework of the finance law in France and in most French speaking countries. This law is above all other laws in financial matters except the Constitution. In Benin, this law is very limited and somehow outdated. According to an MP who had served on the Finance Committee for several years:

The Organic Law that should include this provision [i.e. passing the Loi de Règlement of the previous year before voting the Loi des Finances of the following year] has not been passed by the Parliament. We are in the UEMOA system. The UEMOA directives must be translated into national laws, and that is what many countries are very slow to do. This causes a gap between what is expected and what is actually done... And for Benin it is even worse because the Organic Law dated 1986 is still applicable in our public finance. That is a gap which is not good. [BAN02]

The above impediment is a significant one since it contributes to the ‘negligence’ of the vote of the Loi de Règlement often seen as a “*bare formality with no real meaning attached to it*” according to the terms of a public official. It also hampers to some extent the adoption of the directives of UEMOA aiming at a harmonised accounting system across the region.

5.2.2.2. Assessment of the Institutions in Charge of the Functioning of the Accounting System

5.2.2.2.1. The TAD

The TAD as discussed in Section 4.2.1.1 is the government department entrusted with the State financial accounting. In order to play this role the TAD is organised to cover all the Départements³⁴ of the country although some townships are not yet covered due to lack of resources and their relative size. However, the activities of the department are primarily hampered by the effectiveness of its internal control bodies as explained by a senior official at the TAD.

The control bodies of the TAD do not even have a control manual. They don’t know [well] the areas that should be controlled in the system. There is a control cell at each division of the TAD that controls the operations of the division. [But it is] the lack of manual and the lack of knowledge of the areas to control that poses the problem of accounting... [BP006]

³⁴ The Départements are the administrative areas or regions of Beninese territory.

Moreover, the absence of a manual outlined in the above comment is not only limited to the internal control bodies. It is also found to be a general problem at the TAD level according to another official of the department.

There is also an institutional problem, that is, the manuals of procedures. The manuals are not produced and since things are changing it's difficult for people to follow instructions. As a consequence we come to a situation where the personnel are subject to improvisation. [BP007]

On the other hand, the TAD has been under various reforms to improve its performance since 1998. One of the latest of these reforms is the accounting software reform introduced in late 2004 with the aim of, among other things, placing the financial reporting system across government administrations throughout the country into a network in order to ease the centralisation of the accounts. However the problem of the system network remains unsolved.

At the moment all the accounting cells of the TAD should have been put in network with those of the Customs, Revenue Department and the other public administrations but it is not the case. [And] because of this, delay in the centralisation of the accounts persists. [BP007]

When the opinion of one of the key officials who had worked on this reform was asked on the success of the reform, he said:

Well, at some point they started saying that there is no more resource on the project... In addition, there should be technical resources available for the project [which was not the case]. For example, in the Départements there should be an inter-connection in place which was not done... We could help people from the Départements when they have problem directly from the centre here [head-office of the TAD] at the time the inter-connection was working... but it is not working anymore. [So] if they have problem you have to travel to Atacora [a Département in the North of Benin], that's over 600 kilometres! [BP001]

Furthermore, the TAD has, above all, a leadership problem from both within the department and external administrations that a senior official calls the 'actors' of the system:

The problem is about the actors [of the system] who do not perceive how far the reforms should go... These are the General Directors, the Chiefs Divisions [and] the Ministers. [BP007]

5.2.2.2.2. The IGE, IGF and IGM

The IGE, IGF and IGM are internal control institutions. There are more control institutions but the study focuses on these three due to limitations on access to respondents in the other control institutions. Despite these limitations, these three are representative of the internal control institutions in Benin. In fact almost all of the public officials interviewed only refer to these institutions as the main internal control institutions.

These days there are many control institutions that have been created. I mean the IGM, the IGE, the IGF, etc... More specifically each has a role to play in the normal course of things. The IGM is normally the primary internal control institution. It's in the absence of any suspicion that they should carry out internal audit and alert the Minister that 'eh, be careful! Things are not working well in here'. Apart from... [the IGM] there are the IGE and IGF which are nationwide institutions... They go beyond sectorial ministries to other institutions. [BC004]

These institutions are given authority to control all public organisations under their authority. More importantly, the nationwide control institutions have authority to investigate all public institutions and organisations across the country.

We [IGE] are a public control institution. We are a Service of the Presidency, [and] we have the ability to go anywhere. The President gives us power to go anywhere, even at the Presidency. [BIG01]

In principle, this authority confers to these institutions some respect and consideration from public officials that should strengthen their activities. However, in practice, they are limited. Despite their operational independence from those institutions and organisations that they control, all officials interviewed, including members of these institutions observe that the IGE and IGF – the most powerful control institutions in Benin – are not organisationally independent, and this impairs the effectiveness of their activities. Apart from the problem of technical competence, the key limitation lies in the fact that they are usually directed toward which institutions and who they should control. More seriously, the IGMs which are the first order control institutions established within each ministry have no procedures manuals to guide them in their work.

There is no [procedures] documentation. We rely on what was done in the past to replicate, i.e. what other people did in the past... [BIG04]

In addition, members of the IGM report that their skills are limited due to lack of training or continuing professional development [CPD]:

We don't do it [CPD]. It is a flaw. We have already told the PAIC [Control Institutions Support Project]. We told them that the government will only be useful when there is a reasonable control! From the leading control institution up to the IGM, I haven't undertaken any training. We never stop telling this during our meetings. [BIG04]

Moreover, when asked whether they are able to carry out their control activities throughout the ministries including the office of the Minister, a senior member of the IGM answered that it is not possible to report on the Minister.

We can't report on the Minister. Never!... Let me explain... we are under the Minister...; i.e. we are under his command. So while being under his command, we can't control him. We are not independent from the Minister. [BIG04]

The challenges of the IGMs that undermine their mission as first order control institutions are summarised by a senior official as follow:

...the IGMs at the ministries, first they are not organised institutions, they [members of the IGM] are not professional. It is those public officials that are no longer needed who are sent to the IGMs [as members]. Therefore they don't have adequate training. Second, when you are within a ministry it's the Minister who commands you to control something while in general the Ministers themselves are at the heart of the problems occurring in the institutions. You can understand that the Minister cannot ask his Inspector to control the person with whom he undertook a fraud. So the IGMs have this problem. Very few IGMs can prove that they are autonomous. It is only when a Minister wants to dismiss an FD [Finance Director] that he sends the IGM [to control him]. But when he [the Minister] and the FD get along very well, you'll never see an IGM carrying out such control. So these are some of the problems of the IGMs. [BC003]

Furthermore, they are deprived off access to resources to be able to carry out any substantial work.

When you look at the credits [funds] that are allocated to us to do this job you will cry. Moreover, we don't even use up these credits. You'll see that the fourth quarter is cut to nil or your budget is cut by 25%. [BIG04]

5.2.2.2.3. The Chamber of Accounts

The public accountants, in the Beninese system of financial management, are a ‘guarantee’ of good management of public resources, and the role of the Chamber of Accounts is to ensure that this ‘guarantee’ of good public resource management is properly fulfilled. It follows that the Chamber of Accounts is at the heart of the accountability chain. In fact, before the government accounts are sent to the Parliament or the citizens, they are required to be examined by the audit institution for the reasons explained by a senior auditor at the Chamber of Accounts:

...when the government complete the execution [of the finance law] they don’t send the accounts to the Parliament directly nor do they send them to the citizens directly. This system is simply justified by the fact that it is a technical matter and we need a neutral ‘check’ on it. So that’s two reasons: (1) it’s a technical matter and (2) there is a need to have a neutral ‘check’ on it. The financial jurisdiction has therefore been created to inform the Parliament and the citizens on the manner in which the resources have been effectively managed. [BC001]

In simple terms, the role of the audit institution within the overall governance system in Benin is described by the above official as:

...(1) There is the authorisation given by the Parliament in terms of public revenue and expenditures – it’s a public business, not private! Then, (2) there is the execution according to established procedures. And since what has been executed does not belong to those who have carried out the execution, (3) there is a need for accountability. These are the three democratic pillars... They are particularly crucial for public finance management. The accountability pillar is the responsibility of the financial jurisdiction [i.e. the audit institution]. [BC001]

Despite the existence of the above structure and the recognition of the core role of the audit institution, the activities of the Chamber of Accounts are seriously limited by the lack of organisational independence, which also impairs dramatically the institution’s access to resources to accomplish its mission.

...our Chamber of Accounts here is not operating due to its attachment to the Supreme Court. They are not independent! They don’t have resources. [BP006]

Overall, a senior auditor at the Chamber of Accounts concludes on the state of the institution in terms of discharging its mission as follows:

My personal appreciation is that, in general, very little has been done with regard to the main mission of the jurisdiction. And its contribution to good public finance management is very modest at the moment. [BC001]

5.2.2.2.4. The Finance Committee of the Parliament

The Finance Committee plays an important role in the accountability chain. The Committee is entrusted with the examination of all dossiers that has a financial consequence with the Finance Law at the centre of this role. In principle:

...as soon as there is a draft law with financial consequences it is sent to the Committee to examine. So the Commission [examines the proposal] and produces reports that are sent to the [National] Assembly plenary before a vote is taken. It proposes an opinion and the plenary votes for or against the proposed opinion. But in general, they vote for [the opinion]. [BAN02]

Therefore in principle, the Finance Committee should play a role:

...in maintaining a good State accounting system because the Committee has the right to control everything that the government or the institutions do. [BAN02]

However, in actual fact the Committee is very limited, as explained by the above MP, member of the Finance Committee.

Unfortunately, in practical terms there are no tools or qualified human resources to help them do the work. MPs are elected as I explained on the basis of political considerations. So we are requesting them to do some work they are not qualified for. [BAN02]

This observation has led another MP of the Finance Committee, when asked whether the Committee plays any role in controlling the State through accounting and audit, to conclude that the Committee does not play any such role. The situation is considered to be a significant blow in the performance of the overall accounting system owing to the fact that the Parliament has a great deal of oversight power over the executive for its management of State resources.

5.2.2.3. Assessment of the Accounting System Functions

Apart from the budget, management accounting in Benin is almost absent. There are periodic treasury statements in the form of weekly (and probably monthly) cash positions of the State that take into account the outstanding payments for the week. Therefore the assessment of the accounting functions focuses more exclusively on financial accounting and audit.

5.2.2.3.1. Financial Accounting

Although the objective of financial reporting is not explicitly mentioned in any legal documents, it is commonly understood among the leaders and public officials that financial reporting has a control objective for both the executive and the Parliament.

[Financial reporting objective is] first, to enable the government to see how the budget has been executed. Second, to allow the Parliament to assess the use of the resources allocated to the government... For the government the '*Compte de Gestion*' is the main document, but for the Parliament it's the '*Projet de Loi de Règlement*' that allows them to assess whether the budget has been executed as authorised. Therefore, the objective for both parties [the government and the Parliament] is control. [BP004]

However this objective is not often met because of delay in reporting.

For the Parliament... the fact that the accounts are examined with significant delay, how can they [the accounts] enable them to assess the government on the next budget? So for the Parliament it's just a formality because the current Parliament is examining the accounts of the preceding fiscal years, perhaps, the period when they were not MPs yet. So for me, it's not [effective]. If the system is such that the accounts are not examined by the Parliament timely, it cannot be of any use. [BP004]

The actual performance of financial reporting in Benin is assessed through the recording system in place, transparency of the accounts, and the quality and ethical stand of public accountants. Although transparency covers the recording system, the two are discussed here separately from the perspective of the interviewees.

5.2.2.3.2. The Recording System

Recording in Benin is a mix of computerised and manual system. The country tried to introduce a computerised system in 1999 and 2004 but it is not complete. Many data are still produced manually. Despite the initiative that would lead to a complete computerised system (that has actually contributed to improve the delay in reporting), record keeping at the grassroots and in ministries is depicted to be in a chaotic state by officials working in the system.

...unfortunately at our government level, I would say, in our institutions, i.e. all the organisations that receive public funds... no record-keeping is practically maintained. You cannot go to a Ministry and ask to see their receipts and expenditures, i.e. 'How much funding did you receive?' they will tell you approximately; 'What have you used the funds for?' No ledger is practically kept, no financial recap documents exist such that a control can be done on specific documents in government institutions and public organisations, except state-owned enterprises. But even in these state-owned enterprises there are a lot of problems. [BIG01]

Given this situation of the recording system, an instruction document has been issued to improve record keeping in the various public institutions. But it is observed that the instruction has not been followed and the situation remains identical compared to the period prior to its introduction.

We have issued a document to make people maintain accounting documents... The implementation should have started as from the beginning of 2010, but practically no institution or administration follows the instructions contained in the document. You see, just a very small aspect of public financial accounting is in place; and no-one keeps non-current asset registers. [BIG01]

However, the system at the headquarters of the TAD is quite computerised although some divisions are still not covered. But the fact that the input (data) from the ground lacks reliability affects the quality of the output from the system. The financial information produced is less likely to reflect the substance of government transactions. In addition, there is a further weakness in the system at the point of transfer of the manually recorded data into the computerised system.

It [the system] does not guarantee 100% reliability because if the accountant needs to record the transactions manually before inputting them into the computerised system instead of recording them straight in the system in the first place, the risk of error is there. They are obliged to do that because the computer system is not always stable. [BP004]

The weak recording system facilitates all sort of mismanagement or malfeasance practices such as inefficiencies, frauds and embezzlements at all government levels. However, the absence of records (and documents) together with the limited internal and external audit (covered later in the chapter) does not help to assess the extent of these instances.

5.2.2.3.3. The Transparency of the Accounts

One of the definitions of transparency provided by officials is that:

The government is like a business. And I think that the things we do at the government level... in terms of expenditures and revenue... in the end the government should give account of these. And we should be able to see whether the expenditures... have been correctly made according to what was authorised. It is in these terms I see transparency. Because transparency, in my view, is to see and understand whether what should be done with government resources is what has actually been done. [BAc01]

This definition highlights two key elements of transparency which are: (1) accessibility to financial information produced to see what has been done; and (2) sufficiency of disclosure to enable people to understand whether what is done is what should have been done. The third element observed by other officials is the timeliness of the financial information.

In terms of accessibility to the financial information produced in Benin, it is not possible for citizens to have easy access to this information. For example despite formal request to go through a set of government accounts in the course of this research, it was not possible for anyone to grant such access. And one of the officials at the TAD explains that:

When students come to us I must recognise that there is some resistance to giving information out. Certain information is not given out especially when it is concerned with financial information, financial operations, disbursements... [BP004]

The above official sent the researcher to the Chamber of Accounts which is legally mandated to make the report public. Even at the Chamber of Accounts, where the financial statements should be available to the public, the researcher's request was simply denied, and all other attempts failed.

A senior official at the Chamber of Accounts acknowledged:

We produce our reports well but we do not publish them... The publication is only possible through public reports. And the production of the public report is not progressing up to now... otherwise, we work, we've got a lot of reports that are not known to the population. [BC003]

Regarding disclosures in the notes to the accounts, although it was not possible to have access to the actual accounts to examine them, an official working on government accounts acknowledged that no disclosure is made to the notes of the accounts to explain what makes up the material accounts.

No we don't do it [the notes to the accounts]. In fact what's the problem? Often the Chamber of Accounts requests the notes to the accounts, but if we have to do the notes, we need to edit the accounts sheet in ASTER [accounting software] for them to see the transactions that have been recorded on each revenue and expenditure account during the year that led to the general balance... Well, it seems laconic but we are at our beginnings. [BP011]

The other element of transparency is the timeliness of the accounts. The law has defined the time-frame for the production of the financial accounts as the end of the June after the fiscal year-end. But in practice this deadline has never been met in Benin.

There is a legal deadline but we never keep to that deadline. That's why there is such delay. We are in 2011 but we haven't produced [the accounts] for 2009. It's a lot of effort we do. [BP010]

The seriousness of the delay in producing the accounts is appreciated by another official from the TAD.

There is a serious issue about that [timeliness]. There is a significant delay in the production of the accounts. The delay is very significant. As evidence, 2008 accounts were only transmitted [to the Chamber of Accounts] in July-August 2010, and the accounts for the fiscal year 2009 have not been completed until now when I'm talking to you. Normally, the accounts for 2009 would have been transmitted [to the Chamber of Accounts] by end of June 2010 at the latest. So we already have a delay of more than 6 months [and we still have not completed them]. So the production of the accounts is a serious problem. [BP004]

Furthermore, the delay itself causes a problem with the preparation of the accounts making them less reliable as observed by a consultant:

...the problem at the TAD is about the 'Centralisation' [of the accounts]... When the 'centralisation' is delayed, the accounts cannot be checked with credibility. In fact if the delay is six months for example, we are in a rush to issue the accounts and because of that we validate the irregularities and move on. [BP006]

5.2.2.3.4. The Quality and Ethical Stand of Public Accountants

Most interviewees are of the view that many public accountants in Benin meet the conditions required to be accountants.

In general, most of the public accountants have the profile of a public accountant. What does that mean? Being public accountant means having been nominated, having taken an oath, in some countries having provided a deposit which we don't have here, [and] having taken office. There are three criteria: being nominated, having taken an oath and having effectively taken office. Therefore, most public accountants in Benin fulfil these three criteria. [BP006]

However it is at technical competence level that problems arise, and this is recognised by officials, including the accountants themselves. Although there are few accountants who have outstanding training, the majority are found to lack technical competence, stemming from the recruitment stage.

There is a bias from the recruitment process – the profile is not well defined. At this level the recruitment is done as it is done for all civil services without any major difference. There is not much emphasis on the accounting background requirement... [BP015]

Even after being recruited, public accountants do not go through specific training programmes to ensure a certain level of technical skills.

I will say they [public accountants] don't have adequate competence because there is no training. It is on the job training. When you are recruited you come with your certificates, and you are allocated to a department or a service and you stay and work there. It is up to you to find your way. [BCA02]

With regard to ethical standing, public accountants in Benin are not subject to any specific ethical requirements apart from the ones that apply to all civil servants. The only piece of

legislation specific to public accountants is the aforementioned Ordinance No.69.5/PR/MEF but this Ordinance does not contain provisions for ethical requirements. It requires public accountants to provide a deposit before taking office. In some ways, the provision of the deposit aims to mitigate the potential unethical conduct of public accountants.

They require the provision of a legal deposit [to be public accountant]. Before the accountant assumes office he needs to provide the deposit. How the deposit works and I know, it is taken out of your responsibility allowance. If you are to be given 100 [CFA francs], they will take 30 out of that each time until the end of your term in office. If at the end no irregularity is found, you recover your deposit. Otherwise, it is used to compensate the government for your misconduct. [BP009]

But in practice:

The government does not pay the responsibility allowance. And that is why the government also does not request the provision of the legal deposit. [BP006]

Moreover, the Ordinance which dates to 1969, is said to be outdated and no longer covers most of the issues related to the current environment of public accountants in Benin; thus the proposal of a new piece of legislation to overcome the shortcomings of the Ordinance. But no substantial progress has been reached with this attempt, as reported by two senior officials at the TAD.

There is a document that we call 'The status of public accountant' – the law 69-5. It is outdated... Another law [decree] was drafted five years ago. It has never been tabled in Parliament. [BP006]

...up to now we [public accountants] don't have a status. We were using Ordinance 69-5. But the Ordinance is outdated and so another legal document is required for accountant status. And for long we've been doing everything, it [the new decree] is at the Presidency and not progressing. They call you, you go there and work and work. After that nothing comes out. [BP009]

The ethical environment of the public accountant is therefore very weak. It is actually observed that most public accountants have a poor level of integrity in performing their professional duty.

Very few [public accountants] have a good level of integrity. It is weird... I saw [an invoice of] purchased tyres and I screamed – 500,000 [CFA francs per unit]! He [the accountant] didn't know, so I put it in a joke and I told him 'Sir X, I've got a car and I need a tyre'; and he replied 'Ah, with 50,000 [CFA francs] I can help you buy one even a BRIDGESTONE tyre'. He told me that. During the course of the review I took the invoice out and said 'Sir, you just told me that I can buy

a tyre with 50,000, look I saw that you bought it 500,000 per unit'. At that point he told me 'Sir, you should understand – it's the government, when people sell to the government they don't get paid on time, so they increase the price'. But it's too much, 10 times! So they are in the system. Everywhere we go we find a lot of irregularities all over the chain. Very few of them have a good standard of integrity! [BC004]

Normally, the public accountant should not be involved in placing orders in the Beninese system. It is the '*Ordonnateur*' (i.e. the credit manager) who places orders and the accountant is concerned with the payment. But in reality, as observed by officials and the accountants themselves, the system does not operate like that. More importantly the non-performance of the whole system is caused by the lack of interest in maintaining an adequate financial reporting system in Benin, as concluded by a senior official.

...the problem is that no-one is concerned about a rigorous maintenance of [financial] accounting. What people are concerned about is to disburse money. [BP006]

5.2.2.3.5. Internal Audit/Control

There are a significant number of internal audit/control institutions in Benin as mentioned above. The existence of these institutions enables the performance of various internal audit activities at government and institutional levels as observed by interviewees. Some interviewees even comment that the various internal audit activities performed mean that the internal audit is not the main weakness in the Beninese accounting system. The credit for these comments rests with the relative critical weaknesses of the other elements of the Beninese accounting system. Despite being the relative 'strongest' link of the chain, internal audit/control does not have a significant impact on financial management in Benin.

In fact, for a long time this accounting in Benin has not been followed. An accounting system where people make expenditures which are not controlled, which are not controlled because those entrusted with this control are internal to the system, and so are not able to express their point of view, are not able to criticise as they should, and recommend sanctions as they should. There are small-scale sanctions that are taken, some small-scale controls that are made. But in the end this accounting is not rigorously followed. And if you see what happens, the expenditure chain – the governments have repeated it several times – the expenditure chain is undisciplined! There is a

huge indiscipline within the expenditure chain in Benin, simply because there is no rigorous control! [BO003]

Moreover, for some officials, internal audit and control are totally absent owing to the lack of effectiveness of internal audit activities allowing increasing misappropriations and misconducts by functionaries and State officials:

...these days, there has been an increasing trend in embezzlement... at the ministries. It's because there is no control. There is no control because after all accounting is a control mechanism... Even if the accounting/journal entries are automated using a computer system, the control is missing and this gives ideas to people. And this makes people ask whether there is any accounting system in place. [BP006]

In fact, as is further observed by the above official, people start their misconduct by putting the internal control system to test. If the system is not effective and responds appropriately to the test then misappropriations and irregularities flourish, as seen in Benin.

[The absence of control] gives ideas to people. First they always start by putting the system at test. A teller wants to see if the accounting system is able to detect [a misappropriation]. If it detects it, he will put it under the cover of an error and he will not do it again. But if it goes undetected, like a letter through the post, he immerses himself into it and this is what happens in general. [BP006]

Even a senior official at the TAD acknowledges this observation, which facilitates misconduct at various levels of accountants.

If we manage to conceive automated accounting entries it is a good thing. That's what we've tried to do with ASTER [current accounting software] in here... It's a good thing, but it is limited and people who use the system cheat or they begin to commit fraud. [BP010]

People cheat the system and commit fraud because the internal control is not working. The internal audit that is supposed to ensure effectiveness of the internal controls and helps the government in its management of public resources fails for various reasons covered in more details in Chapter 7.

5.2.2.3.6. External Oversight: External Audit

External audit in Benin concerns two forms of controls. The first control is the one that leads to the production of the ‘Report on the Execution of the Finance Law’ and the second one is concerned with the judiciary control. In addition to these constitutional controls, a third control has been added recently; that is, performance audit.

The control related to the Report on the Execution of the Finance Law, also known as ‘budgetary control’, has been carried out for the finance laws from 1998 to 2007 according to officials at both the TAD and the Chamber of Accounts. The purpose of this control is only to establish the extent of the conformity of the executed budget to the forecast budget without going through the supporting accounting documentation and evidence. The judiciary control has never been performed in Benin, and yet it is the ultimate control that would reduce the scope of wrong-doing and irregularities in the management of public resources.

The judiciary control is the actual judgement of the accounts. It’s like we judge someone in a tribunal. The Chamber of Accounts judges whether you have complied with the legal requirements, whether you have the proper authority to conduct the transactions, and whether you have conducted them efficiently. [BP006]

It is the judiciary control that is not done and it is this [control] that can dissuade people [from misconduct] and ensure [public] accountants’ accountability. [BP006]

Concerning performance audit, officials at the Chamber of Accounts define two types of performance audit: ‘direct performance audit’ and ‘attestation performance audit’.

...direct performance audit is where you assess the performance of the institution by yourself relatively to the elements [i.e. key performance indicators] established by the institutions. In contrary, attestation performance audit is where the institution produces its own performance report and you attest that the content of the report is reliable. [BC002]

According to this definition, it is the direct performance audit that provides greater assurance regarding the performance of the institution and the reliability of the information provided. However, this audit has never been conducted on any public institution management or government project in Benin. Only the attestation performance audit is performed. And even

here, it is very limited in terms of scope and results. An auditor provides an example of how this performance audit is conducted in reality:

...I was just back from an assignment where due to lack of vehicle... I could not go to the North. It is a performance [audit] assignment. I'm in charge of the Ministry X. Because of the lack of vehicle I got to revisit my work plan. I didn't try to go to the mountainous regions [centre of Benin]. There is no resource – anyway when it is about the Chamber of Accounts. I'm talking about human, material and financial resources. I take [the example] of this Ministry... for the performance [audit]... I've got two fiscal years' management to examine and each is 50 billion [CFA francs]. You see? No, it's too superficial. I couldn't go into any detail because I've got a deadline...³⁵ [BC004]

Furthermore, no follow-up is organised on those audits performed to check whether the recommendations made have been implemented and, if not, take further actions as necessary.

I must acknowledge that we do not organise well the follow-up [of our recommendations] because of lack of resources. The small number that we are, we are all very busy with our dossiers on a daily basis. There is no one to organise the follow-up of our reports. [BC003]

The overall state of the accounting system in Benin can be summarised with the following observation from one of the donor officials working on Beninese public finance management:

Accounting is very weak in Benin. It is very weak because there is an organisational problem, a competent human resource problem. There are problems with the centralisation of the accounts... There is virtually no financial reporting in Benin; the '*Loi de Règlement*' and the annual accounts are either badly produced or stuck at the [Chamber] of Accounts. So it's a domain where there is significant weakness... Concerning internal control... I've got the feeling that it is weak. On the other hand... internal audits – those performed by the IGE and IGF – exist and are perfectible but they are not the main weakness. And at the end of chain, if we take the external control, it is rather weak... even very weak. [BWB01]

The following section assesses the accounting infrastructure and the accounting system in Ghana – the second case study country.

³⁵ The details about the amount, years and name of the ministry involved in this comment have been modified by the researcher to avoid the interviewee being identified. This comment gives a rough idea of the substance of the interviewee's overall comment.

5.3. Accounting Infrastructure and Assessment of the Accounting System in Ghana

5.3.1. Accounting Infrastructure in Ghana

Accounting infrastructure in Ghana took its roots from its colonial history, i.e. from the British accounting system. This system is composed of a financial reporting institution which comprises the Controller and Accountant-General Department (CAGD), the internal audit institutions (Internal Audit Units, and Internal Audit Agency); external oversight institutions (the Audit Service and the Public Accounts Committee); and Audit Recommendation Implementation Committees – (see Figure 5.2).

5.3.1.1. Controller and Accountant-General's Department (CAGD)

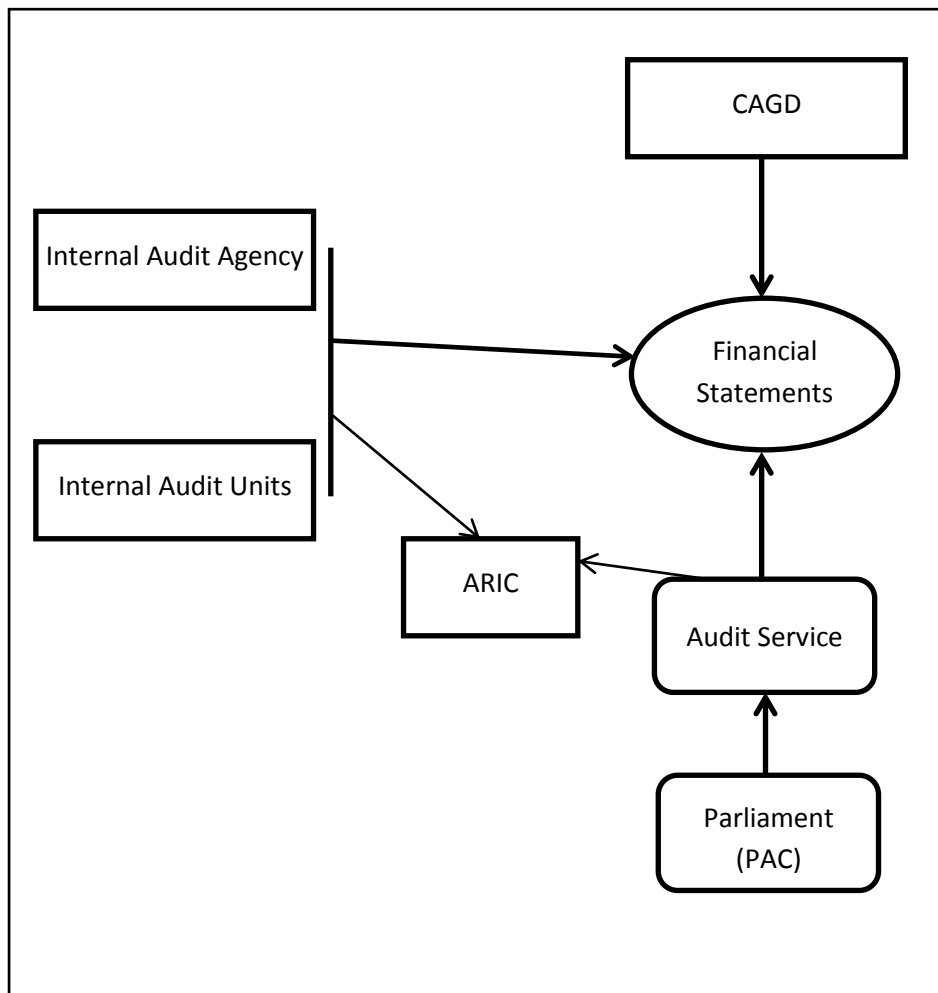
The CAGD was established as the Treasury under the colonial administration, and was re-named Accountant-General Department in 1937 as the institution responsible for financial accounting in Ghana. In 1967 the name changed again to become CAGD. The latter change in name was motivated by the need for the Accountant-General to exercise adequate financial controls over the budget execution process³⁶. Currently the institution is headed by the Controller and Accountant-General. According to the Financial Administration Act (FAA) 654:

The Controller and Accountant-General is responsible for the compilation and management of the accounts prepared in relation to the Consolidated Fund and other public funds... [He/she] is the Chief Accounting Officer of the Government who has responsibility to keep, render and publish statements of public accounts... [He/she] is the chief adviser to the Minister [of Finance] and the government on accountancy matters and is the person who approves accounting instructions of departments and promotes the development of efficient accounting systems within departments... [He/she] receives, disburses and provides secure custody for moneys payable into the Consolidated Fund and other funds.

³⁶ See www.cagd.gov.gh

The annual financial statements prepared by the CAGD as per Article 41 of the FAA 654 are composed of a balance sheet showing the assets and liabilities of the Consolidated Fund at the end of the financial year, a statement of revenue and expenditure, a statement of cash flow of the Consolidated Fund for the financial year, and notes to the accounts. The Consolidated Fund is the one into which revenue or other moneys raised or received for government business or on behalf of the government, and any other moneys raised or received in trust for or on behalf of the government are paid.

Figure 5.2: Ghana Accounting Infrastructure



Source: Developed by the researcher

5.3.1.2. Internal Audit Institutions

The two main internal audit structures in Ghana are the Internal Audit Units and the Internal Audit Agency (IAA). The latter was created as part of the public financial management reform programme by the Internal Audit Act 658 in 2003 to be the central internal audit agency to improve efficiency, accountability and transparency in the management of public sector resources. The IAA acts as the supervisory body of internal audit activities and performance within the public sector and is governed by a Board of nine members appointed by the President of the Republic. The IAA does not in the first place carry out the continuing internal audit work directly in the MDAs (Ministries, Departments and Agencies) and MMMDAs (Metropolitan, Municipal and District Assemblies). The continuing internal audit work on the ground is carried out by the Internal Audit Units, which then report to the IAA.

According to Article 16 of the IAA Act 658, there shall be established in each MDA and MMMDA an Internal Audit Unit to carry out internal audit and submit their reports to the IAA, copied to the management of the concerned MDA or MMMDA. However, the internal audits established in the autonomous bodies of Constitution shall rather submit their reports to the Auditor-General. The IAA Act 658 also provides that the Internal Audit Units shall be staffed with the personnel required to ensure the effective and efficient internal auditing of the MDA and MMMDA concerned.

5.3.1.3. External Oversight Institutions: The Audit Service and Public Accounts Committee

The Audit Service was first established as the Audit Department in 1910 by the colonial administration (Britain). It became the Auditor-General's Department in the 1950s, and then the Audit Service in 1969, which is still the name currently in use. The institution is headed

by an Auditor-General and governed by a Board of seven members appointed by the President. According to Article 187 of the Constitution, the Auditor-General takes an oath before assuming office.

The functions of the Audit Service are defined in both the Constitution and the Audit Service Act 584. According to Article 187:

The public accounts of Ghana and of all public offices, including the courts, the central and local government administrations, of the Universities and public institutions of like nature, of any public corporation or other body or organization established by an Act of Parliament shall be audited and reported on by the Auditor-General.

In addition, in terms of Article 16 of the Audit Service Act 584:

The Auditor-General may in addition to the audit of public accounts, carry out in the public interest such special audits or reviews as he considers necessary and shall submit reports on the audits or review undertaken by him to Parliament.

In the performance of these functions, the Constitution grants total access to the Auditor-General and the Audit Service's personnel to all books, records, and documents considered related or relevant to the accounts being audited.

The ultimate external oversight rests with the Parliament via the Public Accounts Committee (PAC). The PAC is one of the eleven standing committees of the Parliament and is composed of a maximum of twenty-five members under the chairmanship of a member who does not belong to the ruling government party. In actual practice, the PAC is chaired by the leader of the officially designated '*minority party*' in Parliament (Parliamentary Centre, 2009).

In fact according to Article 187-6 of the Constitution "parliament shall debate the report of the Auditor-General and appoint where necessary, in the public interest, a committee to deal with any matters arising from it". Hence the constitutional underpinning of the role of the PAC as the ultimate external oversight body for State financial and other resources management in Ghana. Moreover, in order to strengthen this power, there shall be a Financial

Administration Tribunal “to enforce recommendations of the Public Accounts Committee on the Auditor-General’s reports as approved by Parliament” (Article 67-b of the FAA, 654)

5.3.1.4. Audit Report Implementation Committee

Since 2003 an Audit Report Implementation Committee (ARIC) has been required by the Audit Service Act 584 in each institution, body or organisation subject, to auditing by the Auditor-General. Despite being instituted by the Audit Service Act, the ARIC does not serve only to implement the recommendations of the Auditor-General, but also those from the internal auditors. According to Article 30-2 of the Audit Service Act:

It shall be the duty of the Audit Report Implementation Committee to ensure that the head of an institution, body or organisation (a) pursues the implementation of matters in all audit reports as well as the Auditor-General's reports endorsed by Parliament as well as financial matters raised in the reports of internal monitoring units in the institution, body or organisation; and (b) annually prepares a statement showing the status of implementation of recommendation made in all audit reports as well as the Auditor-General's reports which have been accepted by Parliament and any other related directives of Parliament.

The same article in its Point 3 further states that: “The [above] statement shall show remedial action taken or proposed to be taken to avoid or minimise the recurrence of undesirable features in the accounts and operations of the institution, body or organisation and the time frame for action to be completed”; hence, the crucial role of the ARIC in the implementation of recommendations resulting from audit findings.

5.3.2. State of Accounting System in Ghana

5.3.2.1. Brief Assessment of the Legal Framework

Ghana has a huge legal arsenal that governs each component of its accounting system. In fact, the Ghanaian legal framework governing the accounting system is seen by the various officials as significantly in line with international standards and requirements, despite the existence of some weaknesses.

I would say it [the legal framework] is not different to what you expect internationally because they have the documents – public financial regulation through [to] the Financial Administration Act. On that there is a clear authority and direction for stakeholders to play their role. That is at the legal documentation level. [GNG06]

Concerning the audit institutions in particular, a consultant working with both the internal and external audit institutions in Ghana commented that:

Legally, laws back all of them. Legally there are no issues... As for legality, there are enough laws and regulations to give them [support], so that's not a problem. [GCO01]

However, the application of the framework in practice is limited, as if the law has been enacted as an end in itself. There has been some progress in application, but in substance, few legislative documents have been properly and fully implemented. For example, it is observed by donors that:

The law requires that the financial statements of all these entities be produced within 3 months off the annual fiscal year and the audit should be completed 3 months after that, that's 6 months off the fiscal year – end of the June after the fiscal year. While this is done for most of the MDAs, it's not done for all of the MMDAs. And even there Ghana has suffered from maintaining its financial management arrangement on the basis of a non-harmonised chart of accounts. Different MDAs use their own charts of accounts. [GWB01]

These legal requirements have been prescribed by the 1992 Constitution (Article 187-5) and the FAA 654 (Article 41) since 1992 and 2003 respectively. But by 2011 the requirements are still yet to be fully implemented. Despite the fact that the last part of the above donor

official's observation is a legal requirement, a high ranked official at the CAGD acknowledges that each MDA still uses a different chart of accounts, and that:

...[it] is now... [they] are building capacity to be able to propose the format and content of the accounts of ministries. [GC001]

On the other hand, a key requirement of the FAA 654 to establish a Financial Administration Tribunal to enforce recommendations from auditors' findings in order to curb misappropriations and misconducts is still yet to be implemented, about nine years after the Act was enacted.

5.3.2.2. Assessment of the Institutions in Charge of the Functioning of the Accounting System

5.3.2.2.1. The CAGD

The CAGD is the government department in charge of State financial reporting. It covers the government (both central and local) and all public organisations.

...the CAG provides accounting staff or accounting supervision for the staff in the ministries, departments and agencies for them to be able to account for the monies that they are given. So you find that even though we have Ministry of Finance, the accounting unit is supervised by the Controller [i.e. the CAGD]. And you'll find that most of the staff have been seconded and been sent from the Controller's department to the particular ministries. [GCO01]

It is observed that the department has a good organisational structure with an adequate profile regarding the leading officials.

...there's responsibility placed on the Controller and Accountant-General at the government level... when you come to administration of the payroll [for example], first of all, they make sure that the payroll processing department is headed by a professional who has worked in the system of the Controller for some time now without any adverse findings. So they make sure that they have people who are in charge. [GA001]

Nevertheless, in spite of this structure, the department lacks effectiveness, as controls are seen to be lax. For example, in the area of the main bank reconciliations, review is reported to be overlooked.

...there was some issue of un-reconciled non-performance of bank reconciliation, we realised that... most [of the] bank reconciliations prepared at the national level are being done by professionals, they have contributed in them such that sometimes they limit the extent of review of those statements. [GA001]

Moreover, the CAGD oversight of the accounting personnel and functions seems to be weak and needs to be strengthened in order to enable the department to effectively discharge its responsibility for State financial reporting.

...there is a need for strong oversight by the Controller. The Controller should not leave them [accounting personnel]; because [the] Controller is the Public Accountant he should be seen to be giving direction, giving support. [GA010]

5.3.2.2.2. The Internal Audit Units and Internal Audit Agency

By the law, all MDAs and MMDAs are required to have an internal Audit Unit to carry out internal audit work and report to the IAA with a copy to the head of the MDA or MMDA. In actual practice, this requirement is met by some MDAs and MMDAs but a significant number are found not to be complying with the requirement. Moreover, for even those MDAs and MMDAs that have internal audit units, staffing the units is still a critical issue which undermines the effectiveness of the internal audit unit.

They don't all have internal auditors. For some of them we have recruited and are waiting for their appointment. But for others they don't [60-61]... You know in Ghana you can't recruit without the clearance of the Ministry of Finance. If you recruit without their clearance they won't pay them. So they are now working for a grant to be able to recruit. If you don't get financial grants, it's difficult to recruit. The government has to budget for all these before anything is done. [GIA01]

With regard to the IAA in its supervisory role, it also faces similar problems relating to staffing. The agency is yet to be well enough staffed to effectively play its supervisory role. In addition, the fact that the internal auditors on the ground are not the agency's staff

compromises both the proper performance of this role and the work of the internal auditors. Because of this, the Internal Audit Agency Act requires some amendments to make internal auditors and internal audit units part of the agency:

We are trying to amend the law so that the internal auditors become part of us, become our staff so that we can have direct control over them... They rather feel comfortable reporting to us. If you are to report to the head from there, before the information comes to us the head would compare [it] to another query and you'd have to feedback... [GIA01]

It is problematic to see this amendment due to happen in the near future given the fact that the current Act has been only partly implemented, nearly ten years since its enactment, and officials are sceptical about major changes in the short term.

5.3.2.2.3. The Audit Service

The Audit Service plays an important role in the Ghanaian resources management system because of its specific oversight mandate, that is, to review and report on the management of the various public institutions, and by doing so, ensure that these institutions are held accountable for their use of public resources.

When you look at the overall governance system, officially, in Ghana we are seen to be an oversight body to other institutions. Especially, throughout the budget process we are to ensure that for all department expenditures, they all know the importance of budget; and apart from that, all department account for their budget expenditure. We ensure that the departments spend smoothly under the provisions of the law. [GA004]

This mandate has given the Service important power in the eyes of the public because its reports are sent directly to the Parliament, as mentioned by the above auditor.

...I would ...say that the way our mandate [is defined] we carry more power or strength based on where our reports get to; because we report straight to Parliament and individuals are called by PAC to answer all the queries. [GA004]

The power of the Audit Service is further strengthened by the perception of the independence of the Auditor-General vis-à-vis the other State institutions.

The Auditor General as you know in Ghana has security of tenure so the position is extremely independent because the occupant has the same term of office as the Justice or the Court of Appeal. So you can't just remove the person in that office. So that's the line of independence of that office. [GNG02]

However, despite being provided by the Constitution, the independence of the Auditor-General and the Audit Service as a result is called into question, even by senior auditors at the Audit Service.

...the major challenge we even have is with regard first to the independence of the Audit Service. How independent are we, and how do people recognise us, and do people leave us – they don't interfere? All these must come into play. [GA001]

Also, on organisational grounds, although the Service does not face any interference in its actual audit work plan and performance, the possibility that the President can request it for any investigation has some impact on the performance of the institution.

...looking at the organisational independence, the Auditor-General has the right to choose whatever audit he wants to carry out. But then the Constitution still gives the President, he can also direct the Auditor-General on request, he also requests the Auditor General. But then, it's a request but it's not imposition. OK. So in our selection of our audit works, we are not actually guided..., nobody interferes in what we decide or what we do, but knowing that the President can request us to, [and] ...he tries to. There was a moment the President requested us to do an audit which was a due diligence audit. We were trying to ascertain the level of indebtedness that the former government... had left... when the government was voted out, he wanted to establish the liabilities that they left behind... The only think is that sometimes it conflicts with our own work. And we need to anticipate some of these things. [GA007]

Moreover, when taking into account the financial constraints of the institution, one can ascertain the significance of the above impact on the effectiveness of the Audit Service.

...very often [in] Ghana Audit Service we don't get the required budget that would help us to do our job. We often fall on the donors to also impress on government to help us in these terms. So they are aware of the challenges that we face on a continual basis regarding financial support. [GA003]

For example:

...this year [2010] our budget is cut by 52%! So it's like we are not getting the funding we need to perform our work [GA007]

In fact, the Audit Service is not financially independent. The budget of the Service is controlled by the Ministry in charge of Finance which, from the view of senior officials at the Audit Service, impedes the effectiveness of the institution to a great extent.

...our budget is controlled by the Ministry of Finance. You see, when we are auditing the Ministry of Finance and they are responsible for your budget; that is also an impediment. And that same affects the engagement of staff. You need to engage [and] you have to put them on payroll, and the payroll is only paid by the [Ministry of Finance]. So this is what is happening. It's like you cannot engage people that you think you need because you don't control the salary budget. So that is the problem with budgeting. [GA007]

5.3.2.2.4. The PAC

The PAC plays a crucial role in the accountability chain in Ghana, being the only authority (representing the Parliament) to examine the Auditor-General's reports and call on the Executive and other public institutions members to answer queries arising from the Auditor-General's findings. In this respect, it is noted that the PAC is making an impact on the promotion of accountability in Ghana.

The PAC is making a lot of impact especially since they started doing public hearings. Now these things are being heard all over the country and people are following. When the auditees are coming, we know that they'd come well prepared, and PAC would not entertain any ministry or agency who does not come with the sector Minister. So the sector Minister, because he is in charge of overseeing overall direction, would have to be sitting in person before PAC looks at the Auditor-General report on that particular ministry. And it shows the seriousness that is attached to the work of the PAC. [GA007]

However, the effectiveness of the PAC in promoting accountability in terms of addressing issues of mismanagement and system failure beyond its authority to conduct public hearings on the findings of the Auditor-General is limited.

In practice, if I have to talk [about] when I was there from the Public Accounts Hearing in the Parliament, I find it not to be [strong] enough in terms of addressing system wide failure, wide as in careless in service, mismanagement or misappropriations or maladministration and so forth – I don't think it is addressing that. What it does now is to take the Auditor-General Report, identify the issues that are there and call [out] individuals who have not accounted in full in terms of receipts and payments and those [things]. However why it keeps happening is not being addressed. [GNG06]

In fact, the power and authority of the PAC to implement its recommendations and to bring people to account is seen to be limited.

Implementation [of PAC's recommendations] is not very well. PAC hasn't got the power, it cannot set charge or put people before court. [GA007]

Moreover, the PAC itself is too under-resourced to work effectively. It also has a capacity problem in terms of accounting and finance skills and knowledge of its members.

It is not well resourced. There are the Clerk, the Assistant, they are just 4 people. It is not well resourced. [GA007]

And

...in the PAC they don't all have [accounting skills or knowledge], and you can count the number [of those who have]... very often what you see is that, yes, you'll find a very few qualified accountants. [GNG05]

Concerning the last point in particular, it is seen not to be a significant impediment because the auditor's reports are prepared in a way that is not too technically challenging for them.

Also the PAC is assisted by the Audit Service in all its hearings.

...the public sector account is also prepared in such [a way] that the audit reports don't go very technical into the accounting issues. But then when that is required, the Audit Service is there to brief the PAC on what the case [is] as far as accounting issues are concerned, as far as technical issues are concerned. [GNG05]

In addition, the Chair of the PAC is a chartered accountant by tradition which also helps in overcoming, to some extent, the capacity problem of the Committee.

5.3.2.2.5. The ARIC

The ARIC plays the important role of ensuring the implementation of audit recommendations whether external (from the Audit Service and PAC) or internal (from the IAA). Nevertheless, it is observed that ARIC has not been established in many public institutions despite being a legal requirement.

There's supposed to be what they call [an] 'Audit Review Implementation Committee' which is supposed to be established within each government department and implement[s] some of these reforms. What you find is that for some departments and some local government agencies, these bodies don't even exist. [GNG02]

For example in 2009, an audit at the Tamale Metropolitan Assembly concluded that "the Assembly had not constituted an Audit Reports Implementation Committee" (Audit Service, 2009a: 138). A similar conclusion was made for the Tema Municipal Assembly despite the Act being in force for over a decade.

Even where these departments and agencies exist, their composition is called into question.

...the recommendations of the PAC [are] supposed to go to the Audit Report Implementation Committees. But how have they been instituted? How have they been constituted? Are they effective? Again it's like the same groups of people, the same institutions implementing or calling one of them to account or effecting a corrective measure... So then whatever's been taken out it can go back to the same group of people who are failing the system. [GNG05]

Moreover, it is observed that some of the existing ARICs in government departments and institutions are not functioning:

They [ARICs] are not functioning well. In the management they are not meeting. ARICs have to be operational and functional. Some of them are right put in place but they are not meeting; it means that they are not functioning. Some are functioning, some are not functioning. [GIA01]

This observation is also corroborated in the Auditor-General findings. For example, the audit of the MOFA (Ministry of Food and Agriculture) headquarters in 2009 found that:

...the Department had established an ARIC but it was not functional. Management attributed this condition to time constraints and inadequate personnel. (Audit Service, 2009a: 11)

With regard to the overall role of the Committee in ensuring the implementation of audit recommendations, it is perceived that the Committee has not made any significant improvement to date.

...we have in our Audit Service Act the creation of Audit Reports Implementation Committees (ARICs). That is a creation, so they are supposed to implement the Auditor-General reports and report back to the Auditor-General and to Parliament. So they are supposed to implement these recommendations... But then, you see, the reason I'm saying that it's like almost our reports reflect the same problems years in years out. And if they were implementing the extent of these issues would have reduced significantly. [GA007]

5.3.3. Assessment of the Accounting System Functions

5.3.3.1. Management Accounting

The management accounting function in Ghana is limited to budgeting, and often, to some monthly financial statistics. In fact the over-riding focus of the management accounting function is budgeting, as explained by a senior accountant at the CAGD.

If the thing is not budgeted you cannot spend it. So if you need that in budget preparation, that is where the information is compiled by the accountant on the project, and they also [justify] what they want to do and why they are doing it... In the various ministries like the government institutions we have accountants there who are actually [the] Controller's [i.e. the CAGD's] staff... So their duty is to see through the information given to them which they compile to budget [so that it] can be justified. [GC003]

However, despite the involvement of accountants, the management accounting function is limited by political considerations and the quality of leadership:

Interesting, in my limited knowledge and observation, the management accounting level in the public sector appears rather weak because we realise that sometimes the politicians or the person who is supposed to have the ultimate responsibility for the accounting stuff may not even have a clear understanding of the operations of accounting stuff. [GNG05]

5.3.3.2. Financial Accounting

5.3.3.2.1. The Recording System

The Ghanaian recording system is composed of a mixture of manual and computerised systems. The system is

...partly automated and partly manual. The automated part is supported by [the] software called ACCPAC. It is a data collection system used to capture detailed transactions from all the treasury units from the country. The system is available at the central department [CAGD]. The data comes in the form of manual transcripts... At MDA level, they have some software and spreadsheets to collect reports from cost centres ... To a great extent, the department [CAGD] has a manual system. [GC001]

In terms of relative weight:

...up to today the predominance of recording is manual... it is only consolidation which is generally more electronic. [GWB02]

It is noted that at the MMDA level, record-keeping has improved with donor conditionalities.

However, at the MDA level which represents the main government outlays, the recording system is a huge challenge.

Regarding recording I think that recording at the lower level [MMDAs]... with the support from DFID they manage to prepare their accounts. So they are doing well on that area... But for the MDAs who are like the Ministries of Education, Offices in Accra and so on, with those [ones] we have a huge problem. Only a few have been able to prepare [accounts]... But a large number of the ministries have not. Again, getting their offices in the regions to account to Accra to have a consolidated figure at ministry level is also a challenge. And so it makes the consolidation at the Controller level of the public accounts a huge problem! [GA010]

Similarly, according to another official:

[The recording system] is not satisfactory; especially at MDA level it's not satisfactory. What I see there often, there's a lot [more] interest in raising payment vouchers, processing payment... than keeping financial records – I mean keeping accounts, good books of accounts... That's what I see. That's why you see almost all the MDAs are not preparing accounts. Because the MDA is more [concentrating] on disbursement than keeping records. [GA003]

Recording is a critical issue reported through the Auditor-General reports over the years with no material improvements. The major recording issues involve falsification of records, destruction or withholding of records, and simply absence of recording altogether. At the central government level, taking the case of the ministry in charge of overseeing recording and reporting for example – the Ministry of Finance and Economic Planning (MoFEP) – one of the reported instances reveal that:

...[a] review of inventory records disclosed that assets made up of office equipment and furniture acquired by the Ministry since 1997 had not been recorded in any Fixed Assets Register to safeguard them. Besides, [it is] observed that there were no inventory lists displayed in any of the offices in the main building and the annexes. (Audit Service, 2007: 39)

Another more recent instance shows that the:

MoFEP's delay in providing [the Auditor-General] with information on transfers into GoG [Government of Ghana]/Vodafone's escrow accounts resulted in [his] inability to verify the assertions and review the underlying records supporting the transfer of an amount of GH¢983,025,000 into the GoG/VODAFONE escrow accounts. (Audit Service, 2009c: 8)

At the lower level of government, an example of recording cases reported reveals that:

Stores worth ₺12.49 billion, including a fuel component of ₺4.90 billion were not recorded in appropriate records by 38 Assemblies before they were allegedly used, contrary to existing store regulations. The non-recording of store purchases before their usage is one of the methods used in covering up non-delivery, theft and misuse of stores, as stressed in my previous reports. (Audit Service, 2009b: 8)

Even at the CAGD, officials recognise that the recording system poses problems for the accounts to the extent that significant discrepancies appear between accounts. Various causes are suggested to explain the discrepancies, all pertaining to recording.

The major challenge we are having is that we should match the consolidated accounts and the accounts prepared by MDAs. We do not do that but we should. For 2010 we had a working committee to work on it but we do not do that... There are some differences or discrepancies. The accounts do not match. It's not necessarily about misappropriation. Some of the causes are clerical errors, omissions, and more importantly direct debit! [GC001]

Furthermore, the maintenance of the records that have been captured is also observed to be a problem. According to a senior auditor's estimation, nearly half of records go missing or are misplaced once an audit has been conducted. This makes retrieving the records for further audit and subsequent needs a huge challenge.

The maintenance, I would say, if I'm to rate I would say there are 53% in terms of [maintenance] because we have laws covering the maintenance of those public records, and you have to keep the records... and again, yeah I would say somehow OK. The other 47%, some the moment the audit is finished, the records, they don't manage; [there were] times even before we came [there were] missing payment vouchers and so on. So records maintenance is a problem and maybe updating the financial statements is a challenge – that's the 47%. [GA010]

This is corroborated by various instances in the Auditor-General reports' findings. For example a recent audit of the Accra Metropolitan Assembly reported that:

Payment vouchers and their respective supporting vouchers covering expenses incurred in 2004 amounting to ₺2,041,524,969, and ₺3,752,528,901 in 2005 could not be made available during the audit. This was due to improper filing of payment vouchers and other documents. (Audit Service, 2009a: 116)

A similar conclusion is drawn during the audit of the Shama Ahanta East Metropolitan Assembly. In fact, the earlier satisfaction with recording at the lower level of government is the grounds for the move from a stage of non-reporting to a stage of reporting in local

governments. Although this move is an improvement in itself, the underlying problem remains unchanged in substance; i.e. the reports produced do not reflect the underlying transactions and events occurring in these governments.

Nonetheless, the Ghanaian government is now considering a harmonised system across all government levels, which is confirmed by many officials, including donor officials. But the expected improvements in the outcome are still ‘a dream’, given previous practices.

...the government is working towards having [an] ORACLE system – IFMIS [Integrated Financial Management Information System]. So we are hoping that may minimise this reporting [problem]. This is a dream! We are hoping! [GA010]

The reason for caution regarding over-optimism about the expected outcome of the new government project is that:

...people benefit from chaos, recording chaos. Corruption thrives with chaotic systems. If the systems are clear-cut it's very difficult for somebody to put a transaction and yet not have such a transaction proven to be correct or wrong; somebody will be able to get it correctly. [GWB02]

For example:

...because the recording system up to today is still fundamentally manual, people still do not want to record certain things [where] they believe by recording them, it could actually cause problems where perhaps... the system is chaotic itself [GWB02]

5.3.3.2.2. The Transparency of the Accounts

The transparency of the accounts is assessed through (1) accessibility of financial information produced, (2) sufficiency of disclosure to facilitate understanding of the information, and (3) timeliness of financial information.

The financial accounts are supposed to be publicly available – to any interested user and the general public at large – once the accounts are audited.

The annual report is available to every member of the public, once it's been audited by the Auditor-General and the audit report is published it's available to the general public. Until it's audited and the audit report published it's not available, but once that is done it's available to the general public. [GC004]

Specifically,

[The Government financial reports] should [be accessible] because first of all I think copies are supposed to be available in the library, they should be on the internet, etc. [GC005]

But, in practice, accessibility to government financial accounts is rather limited, mainly due to lack of awareness and logistics.

...the annual financial reports come out, but then the issue is how many of us know where those annual financial reports are; particularly..., many would not know where the financial reports are, how to find them. Interestingly, when you go to the Controller nobody will lead you to the annual financial reports. [GNG05]

Logistics is a serious issue in accessing government accounts in Ghana. At various occasions the researcher has been directed to public libraries and the CAGD and the Audit Service websites to access government financial reports. All attempts to access the reports online failed and it was only possible to consult four copies in one of the libraries the researcher was directed to, i.e. at GIMPA³⁷. It was via the intervention of a senior official that the researcher was able to obtain some copies of the Auditor-General reports.

Similarly, the technical language of the government financial reports is another factor that limits their accessibility to the public. According to some officials, one needs to be accounting literate before being able to understand the reports.

If you're not understanding the report maybe you're not accountant literate and I think in that regard in any other country I believe it is so. It is financial statements and definitely... you have to be an accountant first [to understand them]. If you cannot appreciate accounting then I suppose you won't be able to understand. [GC004]

As for proper accounts... it gives a lot of information; but the problem is that... people don't understand financial reports. If you give a set of the accounts of an organisation to most people even some accountants they can't read them and understand. [GCO01]

With regard to disclosure in the notes to the accounts, it is observed that there is some resistance to disclose, but the situation has been improving over recent years, with more disclosures being included in the financial reports. For example:

³⁷ Ghana Institute of Management and Public Administration.

...if you look at the issues that we've been raising over the past 5 years for instance in 2007 some of the issues were... about disclosures. Over the years Controllers have been convinced down on that: because they are using cash-basis some of the issues cannot be disclosed. We were able to challenge them and in the accounts from 2007 there [has] been more transparency. [GA001]

Although disclosure has improved, there are still, however, some practices that hold back transparency in that respect. Instances of non-disclosure include for example:

Divestiture receipts of GH¢159.4 million lodged into the Consolidated Fund were neither acknowledged nor disclosed in the Public Accounts by CAG [Controller and Accountant-General]. (Audit Service, 2008b: 5)

[Auditor-General's] review of the accounts disclosed that programme loans totalling GH¢183.2 million which were routed through MDBS during the year [2008] were not disclosed as part of the borrowings in the Public Accounts. (Audit Service, 2009c: 6)

The increasing use of 'direct debit' to pay third parties directly from the Consolidated Fund by the CAGD on behalf of an MDA is another practice that reduces the transparency of accounts in Ghana, because:

In terms of transparency... If it is something that an MDA ought to and we do it on their behalf the tendency of an MDA not reporting on it is very high... so accounting for it would be difficult. [GC002]

In 2007, direct debit transfers made for overseas travels and purchases alone not confirmed by ten MDAs totalled GH¢286.2 million (US\$162.3 million). This could not be traced to the treasury records of the related MDAs (Audit Service, 2008a:3).

With regard to timeliness, there has been a significant improvement in the production of the main public accounts, i.e. the Consolidated Fund, in recent years. While there is still some delay in the monthly financial reports, the CAGD has been able to meet constitutional deadlines for the production of the annual financial statements on the Consolidated Fund.

If I were to give a mark out of 10, maybe I would give between 6.5 and 7 for monthly and maybe 9 for annual; because the annual accounts have always been on time for the last 4/5 years. So in that regards, they're [making] a major improvement. [GC004]

Despite this improvement in timely reporting, there is, however, a significant delay between the time the report is produced and the time it is published. But the late publication of the annual reports is outside the control of the CAGD.

5.3.3.2.3. The Quality and Ethical Stand of Public Accountants

Most senior public accountants, especially at the CAGD, are either professional accountants or in the process of professional qualification. When recruited, the public accountant is expected to go through an induction programme with some level of encouragement for CPD.

First of all we have a training section for the Accountant-General department and they [public accountants] would normally be taken through things like induction, things like emerging issues in financial reporting... they encourage them to participate in CPD programmes organised by the institutes of accountants and other organisations. And generally the Accountant-General department would sponsor them. [GC005]

This organisation helps maintain the skills and professional competence of public accountants in carrying out their roles across the government.

In Ghana, it is observed that there are no specific requirements for being public accountant apart from being appointed. Of course, one needs to have some accounting competence before being appointed but this is not covered specifically in legal provisions – it is rather left to the discretion of the Controller and Accountant-General.

However, at the operational level, the skill and competence of some accountants is rather weak. For example an audit at the MOFA notes that:

Accounts Personnel at some cost centres lacked the skills to keep the books of the cost centre but had taken up accounting roles and functions through promotion. Their recording of transactions in the vote ledger and preparation of accounting returns were inaccurate and contained errors. (Audit Service, 2009: 8)

As for ethical standpoint, there is no code of ethics designed specifically for public accountants in Ghana. They are required to comply with the code of conduct designed for all

functionaries. Given the particularity of the role of public accountants, especially with regard to the management of public funds, the absence of a code of conduct to deal specifically with this role is a limitation. This limitation is, however, improved by the fact that most senior public accountants belong to a professional body with a code of ethics.

[There is no such code of ethics] because in the public sector we have the code of conduct for civil servants. And then individually because the accountants belong to professional bodies they are also bound by the individual professional body. [GC003]

But the effectiveness of the professional bodies' code of ethics in Ghana, in terms of enforcement and sanction, it is limited, and as a result, impairs somehow the quality of public accountants in the public perception.

For us professional, our institute is not strong! The institute disciplinary measures are not strong. [For example] ACCA in Ghana, I don't know if it's because they don't get the information... so that they take things as professional body. [GCO01]

A former board member of the Institute of Chartered Accountants made a similar observation with some caution:

If there's a breach [of the code], there could be internal discipline within the organisation itself... if you are a member of a profession, the profession may also take it up and then pursue it through its disciplinary procedures. There have been a couple of cases. I don't even know whether they were processed to a logical conclusion. But the safest side would be to say that in theory there are mechanisms for tracking down on members and maybe taking disciplinary action as and when necessary. [GC005]

This laxness in enforcing ethical rules/standards clearly has an effect on the integrity of some accountants who are found to be involved in unethical behaviours at various levels of their functions. For example, as an illustrative case:

An audit conducted in 2007, revealed that in June 2004, the [Ghana Statistical] Service purchased one Land Rover Defender 110... from Mechanical Lloyd Company Limited at the cost of GH¢45,019.50 [paid with] cheque No.376708... [The Auditor-General], however, noted [that]... the former Deputy Financial Controller, Mr William Ofori-Konneh, allegedly raised a second payment voucher numbered 11/10 in September 2004 for GH¢45,019.51 supported by the original invoice No.03/LR/04 and a demand notice from Mechanical Lloyd Company Ltd as well as a duly signed Stored Received Advice... which would have been attached to the initial payment voucher. (Audit Service, 2008: 39)

In the same year it was noted that:

A Schedule Officer at the Treasury failed to produce payment voucher No.0415640 for GH¢351,900 dated 29 December 2006 for audit. As a result, the purpose for which the amount was paid vide cheque No.058741 could not be ascertained. [The Auditor-General was] informed during the audit that the former CTO [Chief Treasury Officer], Mr Francis Aryeetey, allegedly effected the payment using falsified documents aimed at misappropriating the amount of GH¢351,900 [US\$200,000] from the MoFEP Contingency Fund Account. (Audit Service, 2008: 38)

5.3.3.3. Internal Audit/Control

Internal audit and control is weak in the Ghanaian financial management system despite the enactment of the Internal Audit Agency Act for nine years now. Due to the weaknesses in internal controls, it is observed that there are many leakages throughout the accounting system, causing substantial loss in the disbursement process. An illustration was provided by an official:

Yesterday we just had a meeting in this office where we discovered that transfers from the national [government] to the Districts and regional [governments], sometime the transfers, say a million dollars from the original or from the national level, then before it gets to the District it's no longer one million dollars, it becomes 6 hundred or 7 hundred [thousands]! Where's the backlog of the 3 hundred [thousands]?... It got lost on the way! So the leakages in the accounting systems [are high] [GNG04]

The other major weakness was reported to be in the commitment control.

I think one of the greatest weaknesses is capturing commitments for the purpose of determining what the potential expenditures areas will be: [a] weak system of commitment controls which impacts [on] the expenditure areas which is in itself an in-transparent financing of the budget. [GWB01]

Interestingly, the observation regarding internal control weaknesses was not only made by officials with accounting literacy, but also by NGO officials with no significant background in accounting. According to one of these officials:

...if you look at the Auditor-General report, it tells you one picture, it's called something 'internal control mechanism'; one thing that you'll take away from reading these reports is that the internal control mechanism within the accounting system is quite weak! [GNG02]

For example, in 2009 at the MOFA the Auditor-General qualifies the weaknesses in the internal controls as ‘systematic weaknesses’ by concluding that:

...in most of the cost centres visited, the Auditors found Veterinary Services were distanced from the Agricultural Development Units [ADUs] in terms of functions and management, and performed their own activities that in some instances the management of the Agricultural Development Unit (ADU) was unaware of. At other cost centres there was a reluctance to report to Directors of the ADUs. This has led to many Veterinary Service Units at the ADUs handling their own finances or receipts from IGF [Internally Generated Fund], though their staff had not had any training in bookkeeping. Controls over the collection, recording and banking of IGF were therefore generally weak, and in some instances fraudulent practices were identified. (Audit Service, 2009a: 7)

The above control weaknesses are not limited to the MOFA but are found in most MDAs, as reported by the Auditor-General:

Interim reports issued during the period under review suggest that internal controls have, as in the previous years, not improved significantly. Duties and responsibilities have not been clearly spelt out in some of the MDAs and record keeping and custodial responsibilities have, generally, not been satisfactorily handled. Those recurring shortcomings have resulted in improper cash management, poor tax administration, payroll irregularities and inadequate procurement control functions. (Audit Service, 2008a: 2)

However, the internal audit that is supposed to help maintain and monitor the effectiveness of internal controls is not in place in many MDAs and MMDAs.

They don't all have internal auditors. For some of them we have recruited and are waiting for their appointment. But for others they don't. [GIA01]

For those MDAs and MMDAs that actually have an internal audit, it is not effective due to lack of capacity and resources, subject to management perceptions of internal audit function.

Currently now I think it [internal audit] is not as effective because the capacity is not up to speed... They don't have that many staff. Additionally they put in a lot of low-level staff at the [internal] audit services. [GCO01]

5.3.3.4. External Oversight: External Audit

The external audit in Ghana involves various audits including financial, performance, revenue, forensic and IT audits. According to officials and the researcher's observation all of these audits are carried out under specific divisions. This arrangement aims to increase the effectiveness of the work through use of specialised skills, dedicated resources, and independent planning (though coordinated at the top level). There have been significant improvements in staff resource in the overall audit.

If you look at the skills level at the Audit Service I'd say that currently most people who are employed are more skilled. [GA004]

In financial audit, the division in charge has made significant improvements in its work allowing it to meet constitutional deadlines for audited financial reports.

...if you come then and look at the audit that we carry out in our department we [have been] able to meet constitutional deadlines [from] 2006 to date, for the last 5 years... It's other reports that lack deadline. This shows the level of timeliness of all these reports... So once we have been able to report on time, we can say that there is improvement in terms of reporting. [GA004]

The financial audit is the traditional audit in Ghana and given its limitations in the areas of resources uses, operations and decision-making, it has been complemented by performance audit since 2001. As noted by a high-ranked official at the Audit Service "*the major area these days is performance audit*". This is so because:

The huge expense government incurs has to do with projects, contracts, and the functioning, the system that has been set to guide the regulatory framework; that has to do with the implementation of procedures... for achieving the major goals of the government – even government programmes are more important than mere financial audit. The programmes with performance approach – these are the areas of concern. That's where our resources go. [GA002]

Specifically:

...now take a scenario: you go to the office, you audit everything that has happened with the implementation of government programmes, let's say highway, you've got to know roles – this is that, this is that – and then you just go, they put you in a[n] air-conditioned car on the road; you see the road – the length is this, this and that – and as auditor you have no technical level to know about the component of the road. In recent times we have machines which you can apply [to] walls, you can apply [them] on [the] road and get to know the compaction – what level of compaction, what gravel has gone in there – then you'll be able to say whether the cost that they

say was applied is commensurate with it or not. You see the tendering standards but the component of the concrete – all this. So that is why this performance audit has come in. [GA002]

Until early 2011 about 35 performance audits performed have been performed at the MDA and MMDA levels, covering various areas such as health, environment, agriculture, mining, sanitation, the infrastructure, road, disaster management, police service, and education. Like the other audits carried out at the Audit Service, many impediments have hindered the effectiveness and the impact of the work. Some of these impediments are internal while others are external. Internally:

I think that our problem is collaboration within our institution because where we need support from our counterparts I mean the other branches [of the Audit Service at the MDAs and regional levels], because we can't sit here and look at the whole country. We can only look at the country when there [is] collaborative support from them. Because they see differently from what we see because of the various objectives that they may have. We see a big challenge, so we find ourselves overstretching our resources. So that's our own big challenge. [GA003]

Externally, a major impediment is around access to information from the entity being audited in certain circumstances.

The main difficulties have to do with getting information from corporations, from auditees when it has to do with fraud issues. We don't get the documentation that we want to get. It is not released. Some had been destroyed. [GA006]

Also, it was noted that there is a lack of commitment from management and other officials regarding audit matters.

And then, our clients often respond to audit issues as long as it's an academic exercise rather than being committed... what I'm trying to say is they try to give response because you need one but not because they are committed to solving the problem! So you find them saying this and then when you put it in the report, they say that no it's not good, let's change that. Then you begin to ask yourself whether the people are really committed to change. [GA003]

The issue has always been when you come with the management letter exhausting all the avenues in terms of resolving the issues in their office, when they have to respond, when they go to Parliament – the PAC, they'll say that when the [management] letter came they responded but you didn't capture. So when they are responding there you'll be astonished. [GA009]

In fact, the impediments are many and can be summarised as follows.

...the impediments are many. You come up with an audit report and someone is supposed to be prosecuted..., then the lawyer should be there and this should be there to handle the situation and

all that; so there are a lot of things that are not working. And it can be very frustrating if you're an auditor. You spend all your time and come up with substantial evidence and nothing is done about it; or maybe it concerns a big guy who has to do with the President. [GA002]

Moreover, the late reporting – though not under the auditor's control – is seen as a key problem. The Auditor-General sends his reports to Parliament:

And by the time it [the report] goes to Parliament, the previous person has retired or has gone and the new person also doesn't feel responsible. [GA009]

5.4. Brief Comparative Analysis of the Accounting Systems in Benin and Ghana

Accounting systems in Benin and Ghana have various similarities and differences. The main similarities and differences are discussed in this section. Both Benin and Ghana have accounting infrastructures made up of three components, i.e. (1) a financial accounting institution (in Benin the TAD, and in Ghana the CAGD); (2) internal audit and control institutions (where the oversight body is the IGE in Benin, and the IAA in Ghana); and (3) external audit and oversight institutions (the Chamber of Accounts and Finance Committee in Benin, and the Audit Service and PAC in Ghana). There is, however, a major difference at the infrastructure level; in Ghana there is a specific body – ARIC – responsible for the implementation of audit recommendations whether from internal or external auditors. Despite, the ineffectiveness of ARIC in most government institutions (either not functioning or absent altogether), the mere existence of such an institution in some organisations is in itself a major difference, as further improvements can be leveraged on this and then expanded to other institutions.

The TAD and CAGD are in charge of treasury and financial reporting, with the Head of department depending directly on the Minister of Finance. However, while the Head of the CAGD is the Chief Accountant of the State in Ghana, the Head of the TAD is not the

principal accountant in Benin; it is rather the '*Receveur Général des Finances*' who is the State Chief Accountant under the authority of the Head of the TAD. With regard to functioning, both departments have a good internal organisational structure and are now producing financial reports, with the CAGD having improved more than the TAD in this respect. Nevertheless, the effectiveness of the institutions is hampered by what some consultants see as a 'leadership problem' in terms of supervision and direction of both the accounting personnel and the accounting work. Further, the internal control within each department is found to be lax, which impairs the quality of the department's outputs. There is, however, a significant difference in the main output which is the timeliness of the financial reports. While the CAGD has been able to meet constitutional deadlines for the Consolidated Fund, the TAD is still very late in producing the '*Compte de Gestion*'.

In internal audit (and control), there are a number of internal control organisations in the case countries, with a greater number in Benin (about five) than in Ghana (only two). These institutions are established in each country with important pre-audit and internal control missions. However, in both countries internal audit institutions lack capacity and resources to effectively perform their function. As a result, instances of inefficiency, fraud, embezzlement and mismanagement are rising in these countries. It follows that in terms of outcome or impact of internal audit institutions and auditors, there is no major difference between the two countries.

With regard to external audit, there is a difference in institutional arrangements between Benin and Ghana. The Chamber of Accounts – the external audit institution in Benin – is part of the Supreme Court with, in theory, power to impose certain sanctions on public accountants and '*ordonnateurs*' and to get its recommendations acted on. This is not the case with the Audit Service in Ghana. The lack of power of the Audit Service limits the extent of its impact, with almost the same issues being reported again and again. Another important

difference lies in the performance of the audit function. There has been no actual audit of public accounts in Benin since the establishment of the Chamber of Accounts, making it impossible to assess the real state of public finance management in the country (which is acknowledged by all of the auditors interviewed), while in Ghana financial audit has been conducted for decades now. However, a budgetary review is being carried out by the Chamber of Accounts on the accounts from 1998; but this review is not performed on a timely basis and does not go through the accounting books.

Overall, in terms of results and impact, there is not much difference between these two countries. In particular, the integrity of government financial reports is found to be very limited. A similar observation is made by Chan (2006) regarding developing countries in general, who notes that “considering the vulnerability of the government in developing countries to financial misconduct, the reliability of numbers in their financial statements cannot be taken for granted” (p.9). The evidence gathered suggests that audit recommendations are rarely implemented. Moreover, Beninese government accounts are not audited. This is the situation in most of francophone Africa where ‘government accounts are rarely verified by the supreme audit institution’ (Moussa, 2004). In both case study countries, accounting misapplication and financial misappropriations have increasingly been reported.

A further assessment of the differences in accounting systems between Benin and Ghana in terms of impact (information) and quality of accountants was conducted by surveying 117 research participants, i.e. 62 in Benin and 55 in Ghana. The comparison of the results of the two independent surveys using a *t-test* is presented in Tables 5.1 and 5.2.

Table 5.1: Independent Sample Test with Accountants Responses included

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	T	Sig. (2-tailed)	Mean Difference
Extent of availability of information on the work of the State accountants and auditors	Equal variances assumed	1.697	.195	-1.869	.064	-.57889
	Equal variances not assumed					
Extent of belief that the State accountants are proficient in carrying out their work	Equal variances assumed	6.081	.015	-.105	.917	-.02727
	Equal variances not assumed					
Extent to which the State accountants show good standards of integrity and professional behaviour	Equal variances assumed	.207	.650	-1.387	.168	-.37478
	Equal variances not assumed					
Extent to which the State accountants are not part of governance problems	Equal variances assumed	2.245	.137	-.751	.454	-.24242
	Equal variances not assumed					

The t-test was conducted to find out whether there are any significant differences in the means of the unrelated samples. As discussed in Chapter 3, the sample includes respondents from civil servants non-accountants and accountants, civil society or NGOs, and the private sector. The results in Table 5.1 include all of these respondents in each sample. The first two columns of the table present the results of the ‘Equality of Variances’ test. The results indicate that *equality of variances* can be assumed except for ‘State Accountants’ Proficiency’ (SAP). As a result, the corresponding *t-test* statistics (except for SAP) are used, which indicate that there is no significant difference between the impact of the accounting systems in terms of information in the two countries.

However, asking accountants to assess their own effectiveness runs the risk of introducing bias in the result. Because of this risk, they are removed from each sample. When the accountant respondents are removed (Table 5.2), the *t-test* shows that there is a significant difference between Benin and Ghana in respect of information on accountants and auditors work (at 5% level). There is more awareness of the work of accountants and auditors in Ghana. There is however no significant perceived difference in the quality of State

accountants between the two countries. This result is not surprising. In Ghana, despite the logistical problems, the government accounts are publicly available which, in addition to the public hearing on the Auditor-General findings held by the PAC, contributes to increasing awareness of the work of accountants and Auditors. This is not the case in Benin. The government accounts are not accessible, and there is no open hearing on the auditors' work which, as a result, limits the awareness of public accountants and auditors' work.

Table 5.2: Independent Sample Test without Accountants' Responses included

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	Sig. (2-tailed)	Mean Difference
Extent of availability of information of the work of the State accountants and auditors	Equal variances assumed	.085	.772	-2.562	.012	-.81587
	Equal variances not assumed					
Extent to of belief that the State accountants are proficient in carrying out their work	Equal variances assumed	4.942	.029	.208	.836	.06277
	Equal variances not assumed					
Extent to which the State accountants show good standards of integrity and professional behaviour	Equal variances assumed	.285	.595	-.794	.430	-.23968
	Equal variances not assumed					
Extent to which the State accountants are not part of governance problems	Equal variances assumed	.123	.727	-.208	.836	-.07684
	Equal variances not assumed					

Table 5.3, below, is provided as a summary of the main similarities and differences between the Beninese and the Ghanaian accounting systems.

Table 5.3: Similarities and Differences Between Accounting Systems in Benin and Ghana

Legal framework	Similarities	Implementation of legislative provisions is poor in both countries
	Differences	Legislation regarding the accounting system is more advanced in Ghana than in Benin
Institutional framework	Similarities	Single accounting and treasury institution in both countries
		Independent external audit institution in both countries
		Both the TAD and the CAGD have a 'leadership problem' in terms of direction and supervision
		Internal control to the TAD and the CAGD is reported to be weak
	Differences	The head of the treasury and accounting institution in Ghana is the Chief Accountant of the State, but in Benin it is rather the <i>Receveur Général des Finances</i> who is the Chief Accountant under the authority of the Head of the institution
		The authority of the external audit institution in Benin is rooted in the Judiciary while in Ghana the institution obtains its authority from the Parliament
		Too many internal audit institutions in Benin (about 5) compared to Ghana (only 2)
		There is an audit reports implementation institution in Ghana to oversee implementations of audit recommendations, while there is no such institution in Benin
Financial Accounting	Similarities	Quality of middle and low level of accountants is poor in both countries
		Recording systems are poor in both countries
	Differences	Financial reports are somewhat accessible in Ghana while they are not in Benin
		Financial reports are now produced in a timely manner in Ghana while they are still significantly delayed in Benin
Internal audit/control	Similarities	Both countries lack resources and capacity
		Internal audit and control in both countries are poor
External audit	Similarities	Non-financial audit reports are delayed in both countries
		There is non-financial audit conducted in both countries, though it is less effectively conducted in Benin.
	Differences	There is a financial audit in Ghana while in Benin there is not. Only budgetary control is carried out in Benin which does not follow the requirements of financial audit.
		Financial audit reports are produced in a timely manner in Ghana, while the budgetary control production is significantly delayed in Benin
Overall impact	Similarities	Despite all the above similarities and differences, there are increasing accounting misapplications and financial misappropriations in both countries
	Differences	The major difference in terms of impact between the two systems is related to the extent of information. There is more information about the work of accountants (including auditors in Ghana than in Benin

5.5. Chapter Summary

In this chapter, the research question regarding the state of accounting systems in Africa has been addressed by using the case of Benin and Ghana. The chapter first examined the accounting infrastructure and the assessment of the accounting system in Benin. An analysis was conducted of the financial reporting department, the internal audit and control institutions, the external audit and oversight institutions, and the accounting system functions in Benin.

A detailed analysis was carried out of the accounting framework, namely the financial reporting institution, internal audit institutions, external audit and oversight institutions and audit recommendations implementation institution, in Ghana. Also, the accounting functions – financial reporting, internal audit and control, and external audit – in Ghana were examined.

A comparative analysis of the accounting systems in Benin and Ghana was conducted by drawing from the analysis carried out in the prior two sections and the results of a small scale survey. It was found that accounting systems in both countries are very weak at all levels. The main difference in accounting system impact between the two countries is around the greater awareness of the work of public accountants and auditors in Ghana than in Benin. The next chapter continues with the presentation of the empirical results by examining the link between governance and accounting systems.

**CHAPTER 6: THE LINK BETWEEN GOVERNANCE AND ACCOUNTING
SYSTEMS AND THE APPROACH OF THE WORLD BANK AND DONORS TO
THE DEVELOPMENT OF GOVERNANCE AND ACCOUNTING IN AFRICA**

6.1. Introduction

This chapter presents the findings on the link between governance and accounting and their development in Africa. Using the governance index, and accounting index (developed in Chapter 3) and data from interviews and surveys in Benin and Ghana, this chapter examines the link between governance and accounting systems in Africa. To establish a causal relationship between governance and accounting certain conditions must be fulfilled. The approach suggested by de Vaus (2009) was used to demonstrate the potential causal relationship between governance and accounting, after examining the extent to which accounting systems information is captured in the current governance indexes. Furthermore, the chapter presents the findings related to donors' approach to the development of governance and accounting systems.

The analysis conducted in this chapter aims to address two research questions. The first relates to the link between accounting and governance. The second is about the World Bank's and other donors' approach to the development of governance and accounting systems in Africa.

The chapter is structured as follows. In Section 6.2 a brief critical assessment of the state of governance in Africa is conducted. This is followed by an examination of the extent to which accounting is captured in the current governance measures in Section 6.3. Then the causal relationship between governance and accounting systems is investigated in Section 6.4. In section 6.5 the approach of the World Bank and other donors to the development of governance and accounting in Africa is examined. Section 6.6 provides a brief discussion of the findings of the chapter. Finally, Section 6.7 provides the concluding comments.

6.2. Brief Critical Analysis of the State of Governance in Africa

6.2.1. Snapshot of the State of Governance from the Current Governance Indexes

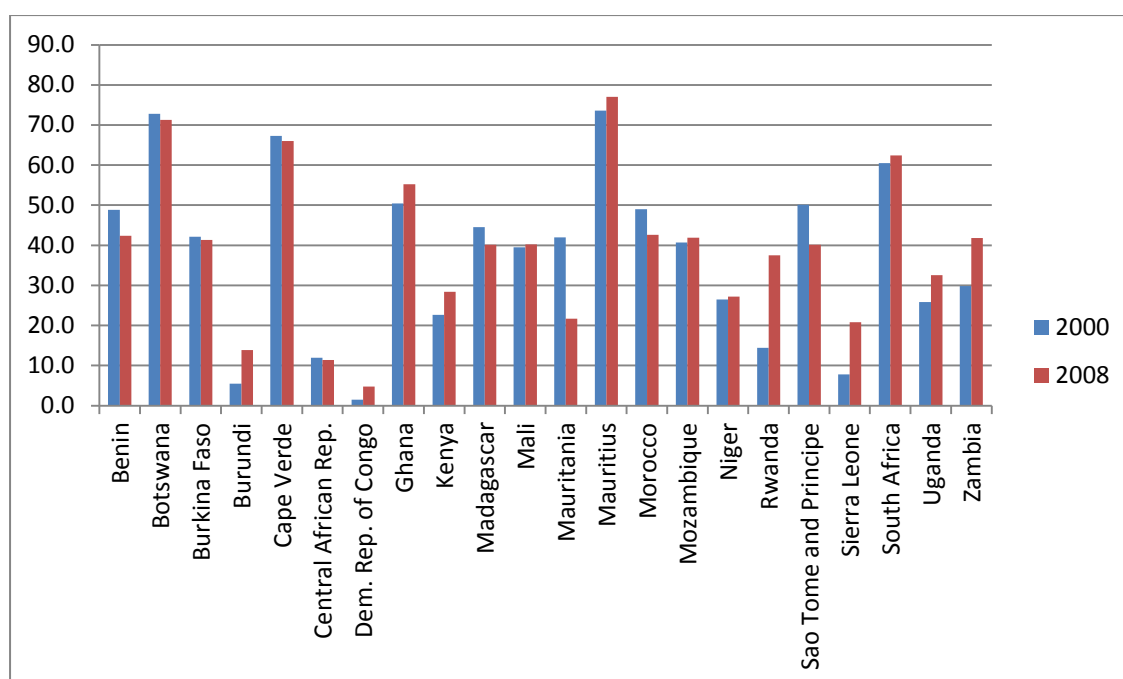
The analysis is based on the current governance indexes subject to the limitations of the indexes discussed in Chapter 2. In the absence of a more reliable set of governance data, these indexes are used for a preliminary analysis. Further illustrative evidence is drawn from the case study data for Benin and Ghana.

Table 6.1: WGI Average for the Sample Countries from 2000 to 2008

Country	2000	2002	2003	2004	2005	2006	2007	2008
Benin	48.9	44.8	42.5	41.7	38.2	43.2	43.4	42.4
Botswana	72.8	71.7	75.6	73.6	73.3	69.8	70.8	71.3
Burkina Faso	42.1	39.4	42.9	41.2	40.1	38.3	40.0	41.3
Burundi	5.5	8.3	8.9	8.1	12.1	12.9	12.8	13.9
Cape Verde	67.3	59.7	62.6	63.3	58.5	66.7	68.0	66.0
Central African Rep.	11.9	10.4	6.1	8.2	9.3	8.8	10.3	11.4
Congo, Dem. Rep.	1.5	2.1	2.9	3.3	3.1	3.7	4.3	4.7
Ghana	50.4	46.8	46.9	46.5	51.5	55.7	54.9	55.3
Kenya	22.6	24.8	28.2	29.2	27.0	29.1	28.5	28.4
Madagascar	44.5	45.1	49.9	48.4	47.4	44.6	46.1	40.1
Mali	39.5	43.0	45.7	46.0	46.9	43.1	43.3	40.2
Mauritania	42.0	49.1	46.1	37.9	38.7	31.5	31.9	21.7
Mauritius	73.6	73.3	75.1	74.3	73.1	71.0	74.1	77.1
Morocco	49.0	46.6	44.8	45.8	42.2	43.3	43.4	42.6
Mozambique	40.7	40.0	36.7	36.6	38.2	40.4	40.9	41.9
Niger	26.5	26.4	28.2	28.7	32.4	27.5	25.8	27.2
Rwanda	14.4	17.7	20.4	24.6	20.3	32.8	34.7	37.5
Sao Tome & Principle	50.1	45.3	38.6	36.3	34.6	38.9	41.3	40.1
Sierra Leone	7.8	16.5	15.0	21.4	18.7	18.7	20.2	20.8
South Africa	60.5	61.0	61.0	64.6	64.4	65.6	63.7	62.4
Uganda	25.8	25.6	30.5	30.8	30.7	32.8	33.1	32.6
Zambia	29.8	30.3	30.8	32.2	30.3	34.7	37.9	41.8

Source: Computed from the WGIs 2010

Figure 6.1: Comparison of Average WGIs 2000 with 2008 for the Sample Countries



Source: Developed from WGIs 2010

Table 6.1 shows the WGI averages for the sample countries from 2000 to 2008. It is observed that governance scores for most countries are below average, i.e. 50. Only few countries are above average (Botswana, Cap Verde, Ghana (at some points), Mauritius, and South Africa). Furthermore, while some rep. countries have achieved improvements over the review period such as Burundi, Rwanda and Zambia, the governance quality of many countries has deteriorated over the review period. For example, Beninese governance was rated 48.9 in 2000 as against 42.4 in 2008. Eight other countries recorded a similar trend. The overall trend is illustrated in Figure 6.1 by comparing the WGI average scores in 2000 with the average scores in 2008 for the sample countries.

Surprisingly, almost all of the sample countries achieved improvements in their governance quality in 2008 compared to 2000 according to the IIAG (Table 6.2). In fact, according to the IIAG from 2000 to 2008, the governance quality of most sample countries is above average, suggesting good governance development in most Africa. Moreover, comparing 2008

governance scores with 2000 shows an improvement in governance for all of the sample countries except for Mozambique (which was somewhat static). Compared with the WGI, the same countries such as Benin and Madagascar which show worsening governance under the WGI now show improving governance according to the IAG. Such contradicting analysis from these governance indicators makes drawing conclusions about the actual governance quality in specific countries difficult, if the objective of the analysis is to inform policy decisions between countries.

Table 6.2: IAG for the Sample Countries from 2000 to 2008

Country	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Benin	55.70	56.01	54.97	54.18	55.49	56.58	58.88	58.20
Botswana	72.10	72.01	72.07	71.35	72.81	73.55	73.86	73.59
Burkina Faso	50.12	50.90	51.10	51.50	51.95	52.08	51.05	51.58
Burundi	35.09	36.16	36.31	37.20	39.17	41.73	44.45	45.27
Cape Verde	73.99	73.02	73.59	73.60	73.70	72.70	75.10	78.01
Central African Rep.	29.53	30.19	29.22	28.31	30.71	29.07	30.94	35.00
Congo, Dem. Rep.	25.77	25.62	25.97	25.40	28.54	30.02	30.84	33.25
Ghana	61.77	62.73	62.92	62.79	61.93	63.06	64.08	65.96
Kenya	52.28	53.13	53.01	53.45	53.20	54.18	54.03	53.74
Madagascar	56.73	57.03	55.50	55.87	56.83	56.58	59.81	58.37
Mali	50.34	51.53	52.22	51.51	52.46	52.97	53.40	54.54
Mauritania	48.12	49.26	50.17	50.36	49.87	49.62	52.07	50.57
Mauritius	76.37	76.53	76.43	76.78	77.47	77.96	79.23	82.83
Morocco	52.82	55.36	55.47	56.79	57.51	57.23	58.71	57.83
Mozambique	52.95	53.35	53.84	53.79	53.36	53.83	53.79	52.38
Niger	43.44	44.16	44.21	43.88	44.49	45.60	44.99	46.59
Rwanda	44.04	44.07	45.13	46.45	47.05	47.91	47.90	48.53
Sao Tome and Principe	58.48	58.99	55.64	56.57	58.86	58.74	60.44	60.23
Sierra Leone	39.20	41.50	43.30	43.28	43.38	43.67	47.10	48.91
South Africa	69.41	68.98	69.17	69.06	69.12	70.16	70.62	69.44
Uganda	49.24	50.21	50.05	49.79	50.12	51.07	53.07	53.57
Zambia	49.77	50.55	50.65	51.08	51.55	52.98	54.96	55.30

Source: IAG for 2009.

6.2.2. State of Governance in Africa: Evidence from African Leaders and Cadres

6.2.2.1. The General State of Governance

When leaders and cadres including governance activist NGO officials were asked to comment on the state of governance on the continent, all agreed that most public officials or leaders know the requirements of good governance, but they lack the will to put these requirements into practice. As a result, governance quality throughout the continent is reported to be poor. This point was clearly made by a public official:

In Africa like in Benin, it's all about bad governance. It's not because we don't know what it [good governance] requires, but we never do it, we look for ways to get around it. [BAc01]

The situation is not materially different between authoritarian regimes (via a *coup d'état*) and democratic ones, as observed by an NGO official:

It starts with the method by which people get in a position of trust. In the past 'military coups' were very common in Africa. So somebody thinks that he can move you and manage well and he can come by force and you go. He may have good intentions, yes, that things aren't running well and you want to change the system. You come with good promises for you to be acceptable to the country [i.e. to win the support of people]. And so people are now watching how are you going to implement those promises. On the other hand, through democracy you come [with] a manifesto and raise hope 'these are the things I can do for you or for the country'. Unfortunately, most people who come into power by either regime – coup or democracy – want to stay on. [GNG03]

Leaders are able to stay in power because of the weak State institutions and governance.

...institutions are very very poorly developed and not very well entrenched. And because there are weak institutions... in places where there are democracies there are still problems with patronage, clientelism and corruption. The problem here is the weakness of the institutions in such that in most African countries we haven't really given an opportunity for institutions to properly crystallize and consolidate and rather be a problem. [GNG01-NGO]

Leaders, therefore, have an interest in deliberately keeping institutions in their weak state. For example, a survey of 119 cadres, civil servants or other officials conducted in Benin and Ghana reveals that about 66% observe that there is an abusive exercise of power in these countries ranging from fairly abused to very abused power.

As a result, there is a lack of accountability, lack of public participation in government process, and a quasi-absence of control over government business and public officials altogether.

The governance problem [in Africa] is especially about the difficulty to account. The difficulty in involving the population for whom we are doing development, we have difficulty in involving them. There is also the problem of being controlled. And that is what makes our Presidents to want to stay in power. [BO003]

Interviewees also provided their views without much difficulty on the state of governance in Africa through key governance dimensions, namely corruption, rule of law, electoral system, accountability and citizen participation. Corruption in all its forms was a common problem mentioned by all interviewees as one of the major governance problems in Africa. As noted by an MP:

The first [governance] problem is corruption, nepotism, and of course the mismanagement of public finance. [BAN01]

Indeed, the major motive for people to get into power, in the words of some interviewees, is to loot the State finances for their private wealth.

...When you're observing you come to realise that people get into politics, into government as a short-cut to richness, to have power; because if you have power you can access anything you want. You can negotiate a [government] loan, collect it and take it to a Swiss bank and leave it there and nobody will say anything! That's the shock! [GNG07-NGO]

Another governance problem is the rule of law. The formal legal system is relatively strong. The survey conducted in Benin and Ghana found that 40% of respondents observe that the strength of the formal legal system ranges from fairly strong to very strong in Benin and Ghana for example, against only 36% for whom the strength of the system varies between fairly weak to very weak. However, interviewees noted that the actual application of the rule of law is weak, and this weakness contributes to the development of corruption and lack of accountability. One official made this observation with reference to the system in the developed world. For example, following the 'MP expenses scandals' in the UK in 2009

where some MPs were involved in fraudulent expenses claims, those MPs found guilty were sanctioned, including imprisonment³⁸ for some of them. The official observed, however, that in Africa this is yet to be seen.

Staying with abuse of office, corruption and lack of accountability, an MP described the situation together with public tolerance of the abuse of government resources:

We've got a colleague – Rosine Soglo³⁹ – she used to tell anecdotes. There is one that she used to tell. She said that Houphouet Boigny [former President of Cote d'Ivoire] told them that when you give [public] money to someone to manage, you can't prevent them from using part of it for themselves, but the problem is that they use all the money that you give them for themselves... [BAN01]

He added that:

Here [Africa] people think that when it is a public thing it's not for anyone and they can use it as they want – and it is no one's business. As a result, they use everything [for themselves]... When you give [public] money to people to manage, they don't do anything and all the money disappears... People say 'well, you can't ask someone to prepare some sauce and prevent them from tasting'. So people think it is normal for those responsible for managing government resources to use them for themselves. [BAN01]

This is confirmed by the results of the above survey which found that 79% of respondents observe that the level of financial accountability in Benin and Ghana, as illustrative examples, varies from fairly weak to very weak. This percentage is 72 for political accountability. Unfortunately, to the interviewees, rule of law does not seem to work in these countries. This was further emphasised by an NGO official:

...in developed countries corruption is... minimal... and anybody found to be corrupt is dragged to the rules, so that they allow their regulations to work effectively when it comes to such things. But how many of our politicians who are found to be corrupt during their [term] have been dragged to the law to be judged? [GNG07-NGO]

She added that:

...the 'rules of law' do not work effectively. We have them in the book but we don't use them. People see things but they can't talk, because when you are not in government you have to be careful when you speak. [GNG07-NGO]

³⁸ See http://www.guardian.co.uk/politics/2012/may/11/mps-expenses-scandal-what-next?CMP=tw_t_gu [Accessed on 11/05/2012]

³⁹ Former First Lady in Benin. She has been an MP in the Beninese Parliament from the first legislature to date.

This suggests that the rule of law is selective in its application, being used as a tool to silence people who are critical of the ruling elite. In other cases, it is noted that the rule of law is not followed, irrespective of how well it is designed.

...no matter how strong the rules are, they are followed at best at 60%; at 40% you miss the essence – that's Africa. As a result, no one follows the rules. [BCA01-Chief Cabinet Minister]

Concerning the electoral system, interviewees noted that elections in Africa are not really free and fair.

...even though the electoral commission is supposed to be neutral, in Africa to be able to ensure free and fair elections, it seems that it doesn't work. [GNG07-NGO]

According to the survey results 44% of respondents found that the integrity of the electoral system is weak (fairly weak-very weak) against 37% who observed the opposite, while 19% did not pronounce either way. Relatively, a higher proportion of respondents are of the view that the electoral system is weak.

Tribal affiliation and cronyism were mentioned as one of the contributing factors. It was found during the interviews that the citizens themselves contribute to some extent to the weakening of governance. In fact citizens from certain regions or ethnic groups are not willing to sanction misbehaviour of leaders of their own kind. This undermines governance improvement.

One other thing is the 'citizens' involvement'. I also think that when people have support in the population, localities; we realise they have developed loopholes in government and people in government know that whatever happens they have support and they are safe and won't be disturbed. So when you [the citizens] also get involved in supporting misbehaviour because they are from your region or ethnic group you cannot hold somebody to control for you. [GNG07]

In summary, to control the electoral system, leaders use a combination of various means:

...what they do is to try to find ways of staying either by changing the law or by generating funds to buy patrimony for political patronage to prepare for the next elections, to buy votes, to buy officials involved in electoral process; so that they'll help you to win the next elections. [GNG03-NGO]

Further illustrative evidence on the state of governance in Africa was provided from the two countries used in the case study, i.e. Benin and Ghana.

6.2.2.2. Illustrative Evidence from Benin and Ghana

6.2.2.2.1. Benin

In Benin, most institutions required by good governance are in place in one form or another. Also, the formal functioning of these institutions is observed by most interviewees. But fundamentally, no substantial result is achieved. This is what a Chief Cabinet Minister noted:

...there is a systematic renewal of government institutions when the term comes to an end. In the past, it was not obvious. However there is still always a weakness. When the renewal is done, we don't have the same results. Those who come are not prepared enough. There are examples where the laws are complied with, [and] we talked about governance, we follow everything; but those who come are not prepared, and it is the institution that suffers... We do everything to follow the rules and good governance principles but in the end there is no result, and it's just a waste! [BCA01]

In other words, in theory, governance in Benin is good, but in practice it is yet to be seen, because implementation of governance requirements is not properly effected.

Governance in Benin, from a theoretical standpoint, is good. There are laws that exist. Intellectual efforts have been made to require good governance from our government institutions... If we take all the successive governments, they take some laws that comply somehow with good governance principles: the international conventions which are ratified... whether from the African Union, the UEMOA, the ECOWAS, there are a lot of laws and rules that require good governance. They put in place the [Annual] Peer Review mechanism via the NEPAD. All that is good. Internally, there are some rules. For example, some work has been done in respect of the appointment of people. It's not complete, but we know more or less the profile required; otherwise decrees are taken to specify that this must be done in this way... [But] these laws and rules are not well implemented – they are not well applied. [BO002]

This leads many officials to conclude that governance in Benin is weak because what is done in practice does not reflect what should be done, i.e. actions do not follow governance principles:

There is no governance in Benin. Because you cannot talk about governance if the institutions are not adapted for that; if the actions you take every day do not go in that direction... [BP006-Consultant]

Similarly, a public official noted:

Although it may seem contradictory, I said that in Benin we only talk about 'good' governance as it is the case everywhere in Africa... but I notice that it's much easier to find instances of 'bad' governance than 'good' governance [BAc01]

Specifically, corruption, for example, is escalating, according to the various officials interviewed.

When I take for example one of the important aspects of governance which is the control of corruption, in 2008 Benin was ranked 96th according to the report of Transparency International, in 2009 Benin ranked 106th, in 2010, 110th. It speaks for itself. [BO001]

These rankings have been checked and confirmed by the Corruption Perception Index reports of Transparency International⁴⁰. Corruption scandals involving the government are rising, and maintained in an opaque system.

Corruption, forget about it... if the system was working... it is not only a CEN-SAD⁴¹ scandal that we would have heard; we would have heard about dozens of scandals. That one is what has become public for one reason or another. All the scandals that have become public, it's because they have reached such a level that people could not keep silent on them. It's because there had been some facts, and then some reactions followed, etc., that we had been able to know what was going on. If a Minister was not dismissed with harsh criticism from everywhere and he felt the need to justify himself, we wouldn't have known that such scandals were going on. Yet every day, there are many scandals happening. When I said that a Pastor is given an OP [order of disbursement without supporting documentation], who knew? This is serious. What was the OP used for? No one knows. [BC001-Auditor]

The CEN-SAD scandal is confirmed in the Human Rights Watch 2010 report⁴² about the involvement of high ranked government officials. To conclude on the impact of corruption on Beninese public finances, one official made the following comment:

I always tell people - we always say Benin does not have money, we don't have money - I say 'well, if we want the river Ouémé to dry, it's very simple. It goes through several villages before it reaches here [Cotonou]. If each village drains the river into their farms you won't have any water

⁴⁰ Available for the various years from www.transparency.org

⁴¹ This is a scandal involving billions of CFA francs (Beninese currency) in which the government is alleged to be involved. The acronym CEN-SAD stands for Community of Sahel-Saharan States.

⁴² See <http://www.state.gov/j/drl/rls/hrrpt/2010/af/154331.htm>

in here'. And the government budget is like that. If everyone takes the government money in their wallet, the government will have no money to spend. But this is what happens. [BP006]

It is noted that the overall financial governance system is not working. The audit institution is handicapped in terms of effectively playing its overseeing role according to governance principles. The situation is more explicitly described by an official:

The system of public finance governance in Benin is not working for the reason that I am going to explain. Because, in general, there is an absence of accounting [i.e. rendering accounts]. The mission of the Judge of Accounts is not being carried out because it is he who is ultimately responsible to say whether things have been done well or not. So the system of public finance management is not working as expected. That's the situation basically; i.e. the logic of rendering account is not in place. Moreover, the non-functioning of the [audit institution] makes the three [governance]... pillars be reduced to two in reality. Hence we have the two big pillars which are in place because the MPs continue to vote the budget every year, and the Executive continues to execute it without respecting the established procedures: there are a lot of OPs, there are scandalous things that we hear. But because there is no accounting, we cannot see what is done wrong in that system. So if the third pillar exists, it is a pillar that is worth ten times less than the other two pillars, so that the system cannot be balanced. The system is very very unbalanced. [BC001]

The same observation is made by an NGO official:

For us, the budget has never been a guidance document. We have the budget on one hand, and we execute what we want on the other... They themselves [i.e. the government] recognise that there is indiscipline throughout the expenditure chain. There is no accountability. [BO003]

6.2.2.2.2. Ghana

Governance in Ghana has improved compared to its state under the former authoritarian regime. So in that respect, the general opinion is that Ghana is doing relatively well. For example, when asked to comment on the quality of governance in Ghana, a public official responded that:

I would say that now there is a slight improvement in terms of governance. Because now we have many 'western' institutions which can even criticise certain open decisions. The President for example occasionally gives some address to the nation and after that the media are allowed to question him. But during the military rule this wasn't there. Nobody even has the courage to confront or to question any military boss on certain things. So I would say to some extent there is improvement in the governance system in the country. [GP003]

Also, by comparing Ghana to other countries such as Togo, for example, (Togo is a neighbouring country with no or limited progress in the free press for example⁴³), then Ghana can be said to be making improvement in governance.

...if you compare Ghana to other countries we are also making progress [GNG01-NGO]

However, when looking at these improvements in the country's own context, interviewees reported that they are occurring more at the political level than at the economic or financial level. In that respect, an NGO official said that:

Generally on the political governance indicators there's been improvement and you'd notice that the level of improvement in political governance outstrips the level of improvement in economic and sort of public financial management indicators... In other areas such as local governance almost no improvement there, such as public financial management very little improvement, corruption not enough improvement. [GNG01-NGO]

A similar observation was made by another official:

Our governance at the moment is overwhelmingly dominated by political governance... If we talk more on the political side where I'm interested and where I know a bit about, the political side is very active. It is active because there [are] very active citizens who are involved in politics with an active media notwithstanding their own biases... [However] you expect governance to improve economic governance that makes public sector and private sector relationship very collaborative in pushing the country and the economy forward. I don't see that much. [GNG06]

With regard to corruption, it is observed to be high, and even higher than what is actually reported in formal corruption indexes.

Personally, I think it's high. But when you look at reports it's also high but not as high as we tend to perceive it. Like we release corruption perception and for the past 3/4 years it appears to be: It was 3.3 in 2006, 3.7 in 2007, 3.9 in 2008, and again another 3.9 in 2009, and last year it was 4.1. That's the perception out of 10. If you score 10 it means you are not perceived as corrupt at all. But then 4.1 is still even below 5 [average]. So we still think that it's high. But then you also move into the streets, you go into the main streets and you are witnessing services, things which should have been done on a timely basis, people on the road frustrated, and all the misuse cases, then you begin to think that score [is better than reality]... The news is reporting corruption cases and you don't even see the government arrest or even ordering investigations [and] you begin to see that the score is even much better than what is happening on the ground. [GNG03-NGO]

Interviewees also noted increasing political patronage across government institutions and agencies, which undermines the sustainability of the effective governance of these institutions:

⁴³ See for example <http://www.afrol.com/articles/16869>

...in the past two years we had these party stakeholders, people who worked... hard for the current government to win elections. In the end they have to be rewarded in terms of jobs; so sometimes the government pressured hard to put them in places where they don't fit. In the public sector economy, most directors of the various state-owned institutions are appointed by the President mainly partisans, except where the law has a certain provisions that there must be representatives of workers, representatives of this and that, even that the law also provides that the President will elect or appoint about four people on the Board. So virtually every state institution, it's a party person who is the Chair of the Board and even some of them are part of the government. They put them across. So it's rewards for loyalty for contributions in terms of time, funds for the campaign process... And this doesn't encourage good governance. [GNG03-NGO]

The rule of law is also found to be weak and this undermines public trust in the legal and judiciary system to obtain justice. The consequence on public behaviour can sometimes be dramatic, as noted below:

In Ghana so many cases have been before court for so many years, so some people don't want to think their judiciary is working. They would say go and come this and that... [for] so many years! So when somebody [says] 'eh this is a robber' people would just jump to you and beat you to death. [GNG07-NGO]

The following section examines the extent to which accounting information is captured in the current governance metrics prior to analysis of the causal relationship between accounting and governance.

6.3. Test of the Extent of Accounting Contribution to Variations in the Current

Governance Metrics

Examination of the data sources used to construct the two main governance metrics in Africa showed that almost no accounting related sources are included. This is an evidence to conduct a causal relationship analysis between governance and accounting because if accounting information was included in the governance measures, such an analysis would be redundant and therefore not necessary.

Data on the various variables are collected as presented in Chapter 2. In order to determine the appropriate econometric model that fits the data, a graphical analysis was carried out by

plotting the current governance measures (WGI and IAG) against accounting and the other independent variables. As shown in Appendix 5.1, the association between governance and the predictor variables is suggested to be linear. The two models (one for each governance index) used for the examination are described below.

$$IAG_{i,t} = \alpha_0 + \beta_1 EcoDev_{i,t} + \beta_2 Language_{i,t} + \beta_3 Acc_Index_{i,t} + \beta_4 t_1 + \beta_5 t_2 + \mu_{i,t} \quad (1)$$

$$WGI_{i,t} = \alpha_0 + \beta_1 EcoDev_{i,t} + \beta_2 Language_{i,t} + \beta_3 Acc_Index_{i,t} + \beta_4 t_1 + \beta_5 t_2 + \mu_{i,t} \quad (2)$$

Where $IAG_{i,t}$ is the Ibrahim Index for African Governance for country i at time t ; WGI is the Worldwide Governance Index (constructed as the simple average of the Worldwide Governance Indicators); α_0 is the intercept, i.e. the value of $IAG_{i,t}$ when all the β s and $\mu_{i,t}$ are zero; the β for each of the independent variables (except for Language and Time dummies) indicates the amount of change expected in the governance variable when there is a one-unit change in the value of that variable, holding constant all other variables in the model; the β for Language (being a dummy: 1=English, 0=French) indicates the amount of change in the governance variable if the country is an English speaking country; and $\mu_{i,t}$ is the error term representing factors not captured in the model that contribute to governance improvement. t_1 and t_2 are time dummies to control for time.

Since the data structure is a panel, the models are estimated by Random Effects (RE) Linear Regression. Owing to the fact that the variable of interest (accounting) only varies across countries over the measurement period (i.e. time invariant), Fixed Effects (FE) regression is not appropriate. As a result, RE was used subject to further diagnostic test for random effects (see later).

If the hypothesis that accounting is not a determinant of the current governance measures holds for either of the governance indexes, then the accounting coefficient will be insignificant for that governance index, otherwise, the coefficient will be positive and significant.

6.3.1. Preparation of the Data for Analysis

6.3.1.1. Descriptive Statistics

Table 6.3: Descriptive Statistics

Variable	Obs	Mean	Std. Deviation	Min	Max
IIAG	62	0.5423	0.1282	0.2540	0.7796
WGI	62	0.3894	0.1921	0.0306	0.7429
GDP/capita (Eco Dev)	59	990.22	1376.99	88.25	4419.91
Accounting Index	62	0.3921	0.2220	0.0787	0.8920
Language	55	0.3455	0.4799	0.0000	1.0000

Table 6.3 above shows descriptive statistics of the variables used in the regression analysis. The mean governance score is above average according to the IIAG, while it is far below average according to the WGI. This difference could be explained by differences in measurement methodology and coverage. The average scores for accounting systems are poor: the scores are below 40%. The mean real GDP per capita is close to US\$1000 but this masks huge differences between countries which are reflected in the large standard deviation and the wide gap between the minimum and maximum values.

Table 6.4: Correlation Matrix

	IIAG	WGI	EcoDev	Language	Acc_Index	t1	t2
IIAG	1						
WGI	0.9585 0.0000	1					
EcoDev	-0.8635 0.0000	-0.8250 0.0000	1				
Language	0.5667 0.0000	0.4489 0.0006	-0.5186 0.0000	1			
Acc_Index	0.6709 0.0000	0.6360 0.0000	-0.7815 0.0000	0.6867 0.0000	1		
t1	-0.0399 0.7583	-0.0101 0.9380	0.0257 0.8469	0.0312 0.8210	0.0126 0.9227	1	
t2	0.0031 0.9811	-0.0047 0.9713	-0.0049 0.9705	-0.0158 0.9087	-0.0064 0.9604	-0.5000 0.0000	1

6.3.1.2. Normality Test of distribution of the variables

A normality test was performed for various transformations of each of the variables included in the models using the Stata ‘ladder’ command. This test suggests that the transformation with the lowest chi-squared statistic be selected. After the test, the transformed value used for each variable is summarised in Table 6.5 below. A further numerical normality test is performed on the transformed value for all of the variables. The results are shown in Table 6.6.

The Pr (Skewness) and Pr (Kurtosis) columns of Table 6.6 give the P-values for the skewness and kurtosis of each distribution respectively. The last two columns (right) give the combined statistics and the corresponding P-value. On the basis of the combined results, the null hypothesis that the variables are normally distributed is not rejected, and there is no evidence that variables are not normally distributed.

Table 6.5: Variables Transformation

Variable	Transformation
WGI	Identity = No transformation
IIAG	Identity = No transformation
GDP/capita (Eco Dev)	1/Square
Accounting Index	Square root
Language	Identity = No transformation

Table 6.6: Numerical Normality Test Results

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint	
				adj chi2(2)	Prob>chi2
WGIs	62	0.7699	0.1500	2.25	0.3244
IIAG	62	0.9240	0.7736	0.09	0.9551
EcoDev	59	0.6910	0.7070	0.30	0.8610
Acc_Index	62	0.9568	0.3062	1.09	0.5812

6.3.1.3. Test of Outliers

A graphical examination of the data is carried out to identify potential outliers that may have some impact on the results of the regression. As shown in Figures 6.2 and 6.3 in Appendix 6.1, there are no data points that are considerably far away from the rest of the data points.

In addition to this, however, the impact of potential influential outliers was examined using DFbeta by using an OLS regression. The DFbeta for a predictor (independent variable) and for a specific observation is the difference between the regression coefficients with that specific observation included and excluded, the difference is scaled by the standard error of the coefficient. Although a cut-off point of $2/\sqrt{n}$ (n being the number of observations) is suggested in theory, Bollen and Jackman (1990) suggest that in practice it is common to use a

cut-off point of 1. Accordingly, no observation was identified as significantly influential in predicting the governance score. The DFbetas are far below 1.

6.3.2. Regression

Table 6.7: Regression Results for Model 1 and Model 2

	Model 1 - IAG (Obs=62)		Model 2 - WGI (Obs=62)	
	OLS	RE	OLS	RE
Cons	0.7300***	0.7446***	***0.6112	*0.5634
Std error	0.0717	0.1247	0.1460	0.3140
t-stat/z-stat	10.18	5.97	4.19	1.79
EcoDev	-1.6167***	-1.6842***	***-2.5130	** -2.3700
Std error	0.2708	0.4901	0.4145	0.9341
t-stat	-5.97	-3.44	-6.06	-2.54
Obs	59	59	59	59
Language	0.0242	0.0225	-0.0229	-0.0320
Std error	0.0228	0.0378	0.0488	0.0814
t-stat/z-stat	1.06	0.60	-0.47	-0.39
Obs	55	55	55	55
Acc_Index	0.1163	0.1058	*0.2711	0.3126
Std error	0.0736	0.1294	0.1507	0.3103
t-stat/z-stat	1.58	0.82	1.80	1.01
Obs	62	62	62	62
t1	-0.0103	-0.0091**	0.0061	0.0097
Std error	0.0219	0.0039	0.0373	0.0067
t-stat/z-stat	-0.47	-2.36	0.16	1.44
Obs	66	66	66	66
t2	-0.0040	-0.0039	-0.0030	-0.0032
Std error	0.0220	0.0036	0.0389	0.0080
t-stat	-0.18	-1.09	-0.08	-0.40
Obs	66	66	66	66
(Adjusted) R2	0.7386	0.7625	0.6441	0.6763
F	49.94***	118.12***	***43.27	***59.46
Stat/WaldChi2				
RESET	Passed		Passed	

*** significant at 1%; ** significant at 5%; *significant at 10%

Prior to the analysis, the potential effect of influential observations on the results was examined as aforementioned. A further robust option was used which helped to control for heteroskedasticity.

6.3.2.1. Diagnosis Test for Random Effects, Autocorrelation

The Breusch and Pagan lagrangian multiplier (LM) test for random effects was performed after the regression as a diagnosis test. The results (Chi-square of 50.75 for Model 1 and 51.15 for Model 2, both with a P-value of 0.000) indicate that there are significant differences across countries, suggesting that the use of RE regression is appropriate. Because of this presence of cross-country differences, the OLS is not suitable for estimating the models.

In addition, the Wooldridge test for autocorrelation was conducted to ensure that the results are efficient. According to Drukker (2003), the Wooldridge test is a good test for detecting first order autocorrelation in linear panel data models. The results of the test are presented in Table 6.8. According to these results there is no evidence of first order autocorrelation.

Finally, the models were estimated with and without the language variable⁴⁴ (because it is relatively highly correlated with accounting) and the time dummies for robustness check and consistency of the estimates as a result. The results are presented in Appendix 6.2. These results do not show any significant change in the coefficients of the accounting variable in either model.

Table 6.8: Wooldridge Test for Autocorrelation

	Model 1 (IIAG)		Model 2 (WGI)	
	F-stat	P-value	F-stat	P-value
EcoDev	0.010	0.9230	0.103	0.7515
AcclIndex	0.836	0.3719	0.103	0.7510
Language	0.881	0.3610	0.166	0.6884
t1	0.011	0.9167	0.133	0.7194
t2	0.790	0.3852	0.152	0.7007

⁴⁴ As a dummy variable the presence of language also adds to the time dummies

6.3.2.2. Analysis of the Regression Results

It is important to explain the negative sign of the coefficient of economic development. As a reminder, the value of this variable used in the models is the transformed value. The transformed value is $\frac{1}{EcoDev\ squared}$. Therefore, a small transformed value reflects a large economic development, which is indicative of good performance. So a negative coefficient of the variable means that a decrease in the transformed value leads to an increase in the governance score. In other words, improvements in economic development lead to improvements in governance quality.

In both models (WGI and IIAG), as shown in Table 6.7, economic development is found to be significantly associated with governance quality in the expected direction. In other words, these results indicate that improvements in this variable would lead to improvements in governance quality. The magnitude of the effect of economic development on governance quality is not of much concern in the study; it is rather the overall effect which is considered. The effect of this variable on governance is positive. This conclusion is expected and is in line with the current governance literature.

The results also suggest that there are no significant differences in governance quality between English and French Africa. The results remain the same even in the presence of time effects (i.e. when excluding time dummies from the model). The results are also consistent across both models. These results are surprising given the suggestion of the literature at both micro (La Porta et al., 1998) and macro (Al-Marhubi, 2004) levels of governance that English Common Law countries have ‘better’ governance quality than French Civil Law countries. However, when focused specifically on Africa, the findings of this study do not support this literature on the difference between country governance on the basis of legal origin.

Interestingly, the results of both models show that the current governance measures (both WGI and IAG) do not capture accounting system related information. It can be concluded that the hypothesis is confirmed. In this regard, a consultant noted that:

...the people [who] produce governance indicators do not know much about accounting – accounting is too technical. They tend to be people whose background is in political science... and not really accountants. There is a famous saying ‘if the only tool you’ve got is a hammer, you treat everything as if it a nail’. Maybe this is the problem. [UB001]

It is important, however, to draw attention to the limitations of these results. The main limitation is the limited data available on accounting system data across the continent which has constrained the analysis. Only 22 observations were available, which is quite small. More extensive data is likely to provide more insight into the extent of the effect of the various variables on governance and the magnitude of accounting contribution to variation in the indexes. Also the number of control variables (existing determinants of governance) available for the sample countries is limited. This could significantly invalidate the results and conclusions drawn. Moreover, there is a very high correlation between some of the control variables specifically economic development and accounting which could also invalidate the results of the regression analysis. Due to these limitations, an alternative approach is used to examine the causal relationship between accounting systems and governance as presented in Section 6.4 below.

6.4. Examination of the Causal Relationship between Governance and Accounting

The causal relationship sought in these settings is not sufficient in its own right but is necessary. Improvements in governance can be produced in more than one way. Accounting may contribute to the improvements but it is not the only cause. In other words, it can be the case that improving accounting by itself is not sufficient, so it has to be accompanied by something, else such as effective legal system, and can get quite complicated. Thus, the examination conducted in this section attempts to suggest whether there is a potential causal relationship between accounting and governance.

This examination is based on the approach suggested by de Vaus (2009). According to de Vaus (2009) two conditions must be satisfied before establishing a causal relationship between two phenomena, i.e. governance and accounting in this study. The two conditions are: (1) governance and accounting must co-vary; and (2) the causal relationship must make sense. The second condition is further split into three sub-conditions, i.e. both variables must be capable of change, there needs to be a time sequence, and the causal relationship must be theoretically plausible. However, the condition that both variables must be capable of change can be linked to the first condition, because if they co-vary it implies that they change over time or across units. Another condition attached to causal relationship is time sequence of the variation.

Therefore, to establish a causal relationship between two phenomena four aspects need to be established:

- 1) An association between the phenomena (measured by correlation coefficient, R^2), i.e. is variation in accounting linked to variation in governance?
- 2) Time sequence, i.e. variation in accounting has to come first, followed by the effect on governance. The changes expected are not deterministic but rather probabilistic (i.e.

if accounting improves by 10% on the index, for example, how much is the probability that governance improves?).

- 3) A potential or simple plausible mechanism to explain how a change in the causal variable (accounting) is linked to improvements in the caused variable (governance).

This is the theory.

- 4) A deliberate attempt to vary the causal variable (accounting) in order to create a change in the caused variable (governance).

Concerning the third condition, i.e. the theoretical condition, it is difficult to establish a universally accepted theoretical explanation of why a change in one variable causes a change in another variable. This is because of the creative tendency of human nature to always find a reason to explain something as far as it is convincing. For example studies such as Al-Marhubi (2004) find that governance is determined by economic development and find plausible reasons to explain why this happens in this way, while other studies argue for the opposite point of view, that governance determines economic development, and then explain this with plausible reasons (see, for example, Kaufmann and Kraay, 2002). Because of this issue, the theory condition is considered in this study as a ‘catch up’ game. However, an attempt was made to reduce this limitation by seeking the theoretical explanation externally from the perspective of practitioners, policy-makers and policy advisers. Also, the second and fourth conditions require an experiment design which, given the nature of the subject of the study, and particularly the time frame of the PhD (3 years), is not feasible.

Therefore, the crucial matters considered are 1) the association between accounting and governance, and 2) an explanation, not from the researcher’s perspective, but from donors, governments and other organisations, as to how accounting contributes to improvements in governance.

6.4.1. Association between Accounting and Governance and Time Sequence

The association between governance and accounting is measured by the covariance, correlation and R^2 statistics. By definition, covariance is the extent to which two random variables co-vary or vary together. The random variables concerned here are governance (WGIs and IIAG) and accounting (Accounting Index). Mathematically, the covariance between these two variables can be written as:

$$E\{[Gov_{i,t} - E(Gov)][Acc_Index_{i,t} - E(Acc_Index)]\}$$

Where $Gov_{i,t}$ is the governance index (whether IIAG or WGI) of country i at time t ; $E(Gov)$ is the mean value of the governance index; $Acc_Index_{i,t}$ is the accounting index of country i at time t ; and $E(Acc_Index)$ is the mean value of the accounting index.

The assumption is that there is a positive relationship between governance and accounting. If this is the case, then the covariance between the two variables will be positive, indicating a linear relationship between governance and accounting. But it will be difficult to tell how strong this relationship is from the covariance statistic, owing to differences in data scales. To address this problem, the correlation coefficient is calculated. If the correlation coefficient is close to 1 (because a positive relationship is expected), then it indicates a strong positive linear relationship between governance and accounting. Otherwise, such a relationship will be seen as a weak one. However, the data available on governance (and to some extent on accounting) are limited, which will certainly affect the results.

Covariance between the WGI and accounting and between the IIAG and accounting is 0.026 and 0.018 respectively. This result suggests that the relationship between accounting and governance is positive and linear.

Table 6.9: Correlation between IIAG, WGI and Accounting and R2

	Correlation Coefficient	R ²
IIAG	0.6696	0.4484
WGI	0.6602	0.4358

The coefficient correlation (R) is 67 and 66 for IIAG and WGI respectively. The square of the R gives the effect size, i.e. the common variance between governance and accounting, which is more indicative than the covariance statistic calculated earlier. As shown in Table 6.9, the R² for both WGI and IIAG is about 44%, which relates to the association between governance and accounting. Hence about, 56% of the variation in governance is explained by other factors. It is important to note that these proportions (44% and 56%) are also indicative of the wobbliness or messiness of the measures (both accounting and governance). It is not expected to find very high correlation owing to all of the weaknesses pointed out about the governance (and accounting) measures, including the judgement involved regarding the weighting of the dimensions or indicators included in the measures. However the 44% of covariance or association between governance and accounting is considered large enough to proceed to the next step, which is the time sequence.

Regarding the issue of the time sequence, ideally it would have been done so as to add strength to the finding and the argument of the causal relationship. Despite this, an attempt was made to expand the analysis related to the R² above by dividing the sample countries into two groups in order to observe the mean governance score of each group. The first group (observed group) is composed of countries with an accounting score of 45% or above. The second group (control group) is composed of countries with accounting score below 45%. The adoption of the 45% cut-off point is motivated by the need to get the maximum possible number of countries in the observed group. Thus, nine countries were selected on this basis as

the observed group. To form the control group, nine countries were randomly selected from the remaining thirteen countries. The mean governance scores of both groups are provided in Table 6.10 below.

As shown in Table 6.10, the mean governance score (both WGI and IIAG) of the observed group is much higher than the score of the control group. This also confirms the conclusion drawn from the R^2 statistic above that an improved accounting system is associated with improved governance. Furthermore, a t-test statistic was calculated to test the significance of the governance difference between the two groups. The results, as presented in Table 6.11, indicate that the governance difference between the two groups is statistically significant at 1% for both the WGI and the IIAG.

Table 6.10: Governance Mean

		Obs	Mean	Std. Deviation
WGI	Control group	9	0.275	0.153
	Observed group	9	0.511	0.182
IIAG	Control group	9	0.466	0.108
	Observed group	9	0.632	0.112

Table 6.11: Independent t-test of Governance Difference

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	Sig. (2-tailed)	Mean Difference
WGI	Equal variances assumed	1.068	.317	-2.965	.009	-0.235
IIAG	Equal variances assumed	.135	.718	-3.199	.006	-0.166

6.4.2. Explanation of the Contribution of Accounting to Governance Improvement

6.4.2.1. General Link between Governance and Accounting

According to the various officials involved in the study, accounting systems contribute considerably to governance improvements. Put it simply, the quality of accounting has an impact on the quality of governance. In fact accounting is perceived to be:

...an ultimate governance tool. Because if the various controls that organise the recording system are well established, it should be a tool that would contribute to good governance. [BP006-Consultant]

The relevance of this to operational performance was emphasised by NGO and World Bank officials who explained that:

Accounting helps manage better the financial resources, and thus allows public authorities to better meet the needs of the peoples. [B61-NGO]

...the management accounting meaning cost-benefit analysis, issues being tackled in terms of ...say, whether you should make or buy, this accrues from information related to whether in actual fact you should develop certain things yourself or you should actually buy those things using the cost-benefit analysis; it's using financial information for good decision-making. [GWB01]

Such a contribution is noted to be obvious given the various functions that an accounting system performs in government processes.

Obviously, accounting has a role to play in governance. Simply because at least accounting maintains the records of what has been done, i.e. the history, records what is being done, and helps to evaluate [government] activities, and control procedures. [BAN02-MP]

For example,

The execution of the budget that is voted [by Parliament] should be tracked to ensure that the [government] financial operations, i.e. collection of receipts and payment of expenditures, are well executed. All these must be tracked, and this is the role of accounting. Therefore we cannot talk about governance without talking about accounting. [BO002-NGO]

Another example where accounting contributes to governance improvements is the budget processes, as observed by the good governance activist NGO official:

One of the key governance processes in many countries, especially in Ghana, is budget and budget processes. So this is one sort of key areas where an improvement in accounting mechanisms can assist. Because if we have better or more widely understood, more widely implemented accounting standards, if we have more accounting professionals within the public services in our [government], institutions and agencies it will certainly help to improve governance in a number of countries. But that means that certain areas, tracking of government expenditure etc., areas such as helping parliamentarians monitor the executive are all concerned. [GNG01-NGO]

This role makes accounting a key governance pillar without which it would be hard to sustain improvements in governance over time. This point was made clear by officials who suggest that in the absence of a sound accounting system, public managers will struggle to sustain effective governance. For example, a Chief Cabinet Minister noted that:

Accounting is the central element. Without accounting there is no governance. I gave an example of board members [of an institution] who awarded loans to themselves; how did we come to know that it had happened?... If there was no accounting, we wouldn't know... An institution without quantified history cannot develop. It is a fundamental element. It [accounting] is also a decision-making tool. It is accounting that provides the basis for both an ad hoc and a prospective analysis of an institution or an organisation. Only accounting provides us with the raw materials. [BCA01-Chief Cabinet Minister]

In addition to being a decision-making tool, accounting also helps uncover and deal with inefficiencies in government system and the excesses of government officials and functionaries that deteriorate governance. Dealing with these inefficiencies and excesses therefore help to improve governance.

In our system today, everyone begins to realise that without accounting we cannot talk about governance. The beginning of [government] information is the role of accounting. It is accounting that permits to reveal the financial shortcomings; it is accounting that permits to reveals the excesses of [public officials]. [BCA01-Chief Cabinet Minister]

In fact, it is observed that the limited contribution of accounting to governance improvements in Africa is not due to accounting system per se, but to the way the accounting system is implemented. For example, in Benin, research participants comment that:

Accounting is an important governance tool but it is also badly used. [B80P]

More specifically:

The contribution of accounting to good governance is well understood but limited because the leaders do not want good governance. They show some good will and apply a bit of it under

pressure from the development partners, but very little action [is] really undertaken to improve governance. For example, Benin does not have a Court of Accounts to date. [B73-NGO]

Interviewees have also provided specific examples of contributions of accounting systems to governance quality improvements, as presented in the following section.

6.4.2.2. Specific Contributions of Accounting to Governance

In addition to addressing how accounting improves governance in general, the officials interviewed also provided specific areas in which accounting plays its role. These areas include accountability, transparency, and control of corruption. The areas are broadly synthesised by two NGO officials.

A strong public accounting sector is critical to ensuring public accountability and the promotion of government transparency. [GQ-NGO]

Accounting has a direct role as far as combating corruption is concerned. By revealing the quantity of money in the spending system to the general public, transparency and accountability are achieved. [G14-NGO]

In fact, the contribution of accounting to governance improvement is primarily via accountability, seen as the ultimate objective of governance framework.

Accounting and governance are closely linked in the sense that every good governance issue ends with accountability. Without accountability, governance will not be effective since the main objective of governance is to ensure that roles and principles are applied and resources are well accounted for. [G44-Accountant]

For example:

If you pay tax, one should be able to see how those taxes are used for [their] intended purposes. And you can only do that by having a good accounting system...yes we in the beginning want to buy a computer, yes we've got the computer; nobody bothers whether it's of good quality or it will serve the purpose or not, is it the best of the market at the price that we use?... This role is the essence of having an Audit Service! [GNG03-NGO]

The role of accounting in accountability is further highlighted by public officials:

It's like the words, isn't it? The words accountability and accounting, same roots, so definitely you have to report back or give a detailed report on what you have been tasked with. So if you have been tasked with some money to manage, at the end of the period you are supposed to tell whoever gave you the role how you did it and then what effect happened. So in the public sector

definitely, once public funds have been collected in the form of tax... somebody at a point should tell whether the money government [collected] is spent on such and such... Definitely accounting is central, providing financial reports. [GCO01-Consultant]

The role of accounting in accountability is to actually ensure that you know the funds that we use belong to some people, funds are properly accounted for and there is probity in our operations and that gives the taxpayer some sort of relief that the tax he is paying is going for the best purpose. [GP001-Public official]

Another contribution of good accounting systems to governance quality is transparency:

Normally, the role of accounting is to contribute to government transparency. [BCA01-Chief Cabinet Minister]

An NGO official explained how this works:

Accounting can play a very important role in all the issues... That has to do with use of the resources that are at hand and making the information available so that we can be able to say whether this year we are able to generate some amount of money, how much has been spent in what? We are in debt? Or we've been able to save? and all that... The government organisations, if you leave them alone some of them will do their own things. So everybody should be audited to create the climate to do the right and then people [will] begin to trust that you are using their resources judiciously, and it promotes transparency and integrity. [GNG07-NGO]

This means that when accounting is able to produce financial reports in a timely fashion that are accessible, then government transparency will be improved.

...if accounting is able to prepare reports accurately and timely and available to all, then accounting is helping transparency. [GNG05-NGO]

Concerning control of corruption and fraud, accounting has an important contribution to make as noted by various officials.

Accounting can play a very useful role in the sense that if there are good internal controls, we should be able to stop some of the fraudulent practices. [GP003-Public official]

Because,

...if [accountants] can ...do the right things, they can help reduce corruption because they work to detect misuse of moneys. [GNG03-NGO]

In fact,

In reality, when it is required to ensure a good management of public finances, it is to ensure that corruption is absent in public finance; and the primary institution that has been thought of to carry out this role is the financial judiciary [i.e. the audit institution]... Because if there is a jurisdictional control [audit], it is because we want to ensure that the procedures are followed. It is compliance with procedures that deters corruption. For example, a product with a price list should not be charged at four times its price. If the [audit institution] was working properly, these are

some of the things that should be done, therefore fighting corruption on a permanent basis. [BC001-Auditor]

Unfortunately, this role of accounting through its audit dimension is less understood which explains to some extent the marginal place accorded to accounting when it comes to addressing governance problems in the country. For example:

In Benin, the role of the [audit institution] in fighting corruption is very badly perceived. And this misunderstanding explains everything [that is happening]. The citizens do not understand; and not only the citizens; even the decision-makers do not understand anything about this role... That's the reality. [BC001-Auditor]

Apart from accountability, transparency and control of corruption, some officials observe that accounting also helps improve resource allocation, which is an important part of governance.

In making reference to this point, an interviewee observed that:

In fact... the government tries on resources both human and material, but the accounting aspect looks at the material [including financial] resources and their allocations. Although the management takes crucial decisions about how these resources are allocated, [accounting] is also key because where wrong decisions are taken about the allocation of resources, where priorities are misplaced [it] can have negative impact on development [and governance] [GNG04-NGO]

Furthermore, it is observed that the contribution of accounting to governance development is crucial, because its role goes beyond the common understanding of its impact to address how to improve governance for development for human security.

Accounting is very very important. Now let's talk about, I talked about human security. Well, the accounting can play [an important role], because if there's transparency, there's accountability and a portion of the society does not feel cheated, I mean there is security, there is stability; so accounting is very important! Wherever it has been mismanagement of resources there has been human insecurity. Look at Nigeria... So accounting – the management of resources – has a very important role to play in human security. [GNG04-NGO]

The contribution of accounting systems to governance improvement for development is further emphasised by a World Bank official in these terms:

It is the effective use of ...funds [that] reduce[s] corruption, [promotes] better procurement activities for services or goods ...that will all add to achieving a state of outputs, and then ensure[s] that there is accountability across the board to reporting, external auditing and public oversight meaning legislative oversight... Without those the concept of accountability is incomplete. Because if you only produce final report on spending for development and this is absolutely done

through the [financial] accounting and reporting process and there is no oversight in terms of admonishing those responsible for implementation as to whether in fact the funds were properly utilised through an audit process that has not been conducted, then the goal of development is threatened. [GWB01]

The findings of this section suggest that there is a potential causal relationship between accounting and governance. The first test about the association between governance and accounting was successful. The second test, to demonstrate that the causal variable should come first then the outcome variable second, could not be conducted as suggested by de Vaus (2009), since this requires an experimental setting. However, it was shown that countries with improved accounting systems also have better governance quality. In addition, from the evidence from various officials, it was seen that improvements in accounting functions/roles help improve governance. For example, as noted by the following official (reported above):

...if we have better or more widely understood, more widely implemented accounting standards, if we have more accounting professionals within the public services, in our [government], institutions and agencies it will certainly help to improve governance in a number of countries. [GNG01]

6.4.3. Contribution of Accounting to Governance Quality in Benin and Ghana: A Survey Analysis

On the basis of the conclusion above, an assessment was conducted on the extent of the contribution of accounting to governance improvement in Benin and Ghana based on the results of a small scale survey of 46 respondents in Benin and 42 in Ghana. As a reminder, these respondents were drawn from civil servants, managers in the private sector, and staff of good governance activist NGOs. The results are shown in Tables 6.12 and 6.13 below.

The results in Table 6.12 show that on a scale ranging from 1 to 7, 1 meaning a very limited contribution and 7 a very high contribution, the mean of accounting contributions to governance quality is 4.8 and 4.4 in Benin and Ghana respectively. This score is above average and indicates a relatively strong contribution of accounting to governance quality in

both countries. This perception also suggests that improvements in accounting system quality are expected to result in improvements in governance. In the absence of accounting data over time to allow for this observation, a comparison was made between the accounting index and the corresponding governance index between the two countries using the WGI. The accounting index in Benin is 0.17 for a WGI of 0.41, while the accounting index for Ghana is 0.45 for a WGI of 0.55. It can be seen that an improved accounting system – i.e. that of Ghana compared to Benin – is related to an improved governance quality, despite the limitations of the WGI as discussed in Chapter 2.

However, the extent of the contribution of accounting to governance quality in Benin is suggested to be higher than in Ghana as reflected in the mean difference. This apparent difference is tested statistically using independent sample *t-test* statistic. As shown in Table 6.13 the Levene’s test for equality of variances indicates that equality of variances can be assumed at 5% significance level. Therefore the *t-test* can be used to assess this difference. The test shows that there is no statistical difference between the contributions of accounting to governance improvement in these countries (P-value of 0.337). This result is not surprising, because a statistical test conducted in Chapter 5 based on the survey indicates that the main difference between accounting systems in Benin and Ghana is that there is more information about the work of accountants (including auditors) in Ghana than in Benin. However, fundamentally, the accounting issues, and governance issues as a result, are the same in both countries.

Table 6.12: Mean of the Contribution of Accounting to Governance Quality in Benin and Ghana

	Obs	Mean	Std. Deviation
Benin	46	4.7826	1.84888
Ghana	42	4.4286	1.56397

Table 6.13: Comparison of the Contribution of Accounting to Governance Quality Between Benin and Ghana

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	Sig. (2-tailed)	Mean Difference
Evaluation of the role of accounting in the country governance	Equal variances assumed	3.494	.065	.965	.337	.35404
	Equal variances not assumed			.972	.334	.35404

6.5. Examination of the Approach of the World Bank and Donors to the Development of Governance and Accounting Systems in Africa

This section critically examines the approach of the World Bank and other donors to the development of governance and accounting systems from the perspective of African leaders and cadres, and officials from donors themselves.

6.5.1. The Development of Governance

Donors or development partners have been playing a significant role in the development of governance in Africa by putting pressure on governments to reform existing institutions or adopt institutions which are thought to be important to improve the management of the country's resources for development. Acknowledging these pressures for governance improvements, an NGO official noted that:

Definitely pressures are coming from outside to improve... External pressures are coming from outside from donors or international agencies. [GNG01]

With specific regard to the World Bank's role, traditionally its institutional supports have been geared towards institution building, irrespective of the nature of the regime in place. However, recently these supports are rather directed towards institutions arising from a democratic process. This complements the pressure from or the 'push' of the other

development partners for the democratic process itself and the institutions that support this process. A World Bank official explained,

...It's only recently that we're having a trust fund normally to support building of institutions arising from a process of democratisation in particular countries. And the only institutions we're looking at [are] institutions of governance rather than the institutions of democratic ...strengthening or whichever. That is only done by the United Nations –UNDP – as well as by the bilateral partners. [GWB02]

However, while democracy is an ideal system subject to certain conditions, the way it has been pushed through States in Africa is seen to cause problems rather than improve governance and development as a result.

The way democratisation of the States is being carried out should not be homogenous in all countries; especially in Africa, things should be done differently. That governance, democracy could slow the achievement of the Millennium Goals... could slow development. [BO003-NGO]

In fact, the observation of the above official can be better understood when one examines the development of democracy in the developed countries and compares it to the type of democracy being developed in the developing countries, and in Africa in particular.

...all of today's rich countries initially gave voting rights only to those who owned more than a certain amount of property or earned enough income to pay more than a certain amount of tax. Some of them had qualifications related to literacy or even educational achievement... which were, of course, closely related to people's economic status anyway and were usually used in conjunction with property/tax conditions. So, in England, the supposed birthplace of modern democracy, only 18% of men could vote [as a result of those conditions]...In France, before the introduction of universal male suffrage in 1848 (the first in the world), only 2% of the male population could vote due to restriction regarding age (you had to be over 30) and, more importantly, payment of tax. In Italy, even after the lowering of the voting age to 21 in 1882, only around two million men (equivalent to about 15% of the male population) could vote, due to tax payment and literacy requirements (Chang, 2007: 173).

This means that those who are called to exercise their 'democratic' right are those who first understand the meaning of their action (the vote) through the minimum level of education or qualification requirements; and second have a stake in the process (represented by the minimum tax contribution requirements) which would make them vote for the political programmes that best reflect their stake. Even though voting rights are now given to anyone

aged 18 and over (or even 16 under certain conditions) in most Western countries⁴⁵, it is also a legal requirement in these countries that children must go to school for a minimum number of years – up to the age of 16 in the UK⁴⁶. However, in Africa most of those⁴⁷ who are called to participate in the democratic process are illiterate, and therefore do not really understand the importance of their action in the democratic process. There is no minimum number of years of education in most African countries. Voters also do not feel that their contribution to the government budget as taxpayers is a stake. For example an NGO official in Benin reported that:

...last year on 6 January 2010, FONAC organised a press conference to condemn the appointment of a lady in a position of responsibility – a lady who had already been involved in embezzlement... The following day, I went to a restaurant... and people were discussing the issue: ‘Elias... has again denounced that the lady has embezzled [CFA francs] 100 million... is that money? People embezzle more than that, and nothing happens...’ That day I remained quiet and then said ‘excuse me Sirs, 100 million is not money. Can you see the extent to which we tolerate corruption?’... 100 million, and it doesn’t bother our compatriots – the taxpayers; they are told that their money is being stolen and it doesn’t bother them! [BO001-NGO]

These observations lead the interviewees to note that:

In fact, Africa has inherited a system of governance which is not its own with some rules that cannot be implemented given our level of knowledge, our cultures... [BO003-NGO]

Furthermore, the cultural characteristics as mentioned above are ignored in most of the current governance and democratic systems in Africa. Failure to accommodate the local traditions and cultural characteristics has led to a clash with the democratic system. This contributes to governance deterioration.

...You go to a region for example where people are used to kings... we know that by principle the king does not tell lie because when he says something, he does it... People easily confound elected

⁴⁵ For example in the UK the age to register to vote is 16 but you cannot vote until you are 18, or you will be 18 within the lifetime of the electoral register (see:

http://www.aboutmyvote.co.uk/who_can_register_to_vote.aspx). In France, from 1974 all French citizens aged 18 and over have the right to vote (see: <http://www.vie-publique.fr/decouverte-institutions/citoyen/participation/voter/droit-vote/quelles-sont-conditions-pour-voter.html>)

⁴⁶ This is stated by the British Council in these terms: “By law, all children in England and Wales between ages 5 and 16 must receive a full-time education, while in Northern Ireland, children must begin at age 4” (See <http://www.britishcouncil.org/usa-education-uk-system-k-12-education.htm>)

⁴⁷ For example a study in 2009 found that West Africa had the highest number of illiterates in the world – see http://www.africanews.com/site/West_Africa_has_world_highest_illiteracy_rate/list_messages/26827

officials who, like the kings, only tell the truth and they cannot be called to account. And so, people don't call them to account, and they find it normal. Those who call them to account are seen as those who are against the elected official. And this is what happens in our countries here. That is a trait of Africa that will make us fall back with regard to the basics of democracy and good governance. [BAN01-MP]

This cultural problem is also underpinned by an education problem. The preceding observation suggests that the basics of the democratic system are not well understood by the citizens, presumably due to lack of education on the system and the high illiteracy rate.

Moreover, the foundations necessary to maintain democratic systems should precede any democratic initiative, not the opposite. The former President of Ghana, Jerry Rawlings, noted the importance of these foundations to any democratic system, particularly in Africa, when questioned on the matter, by replying firmly as follows:

...we can vote people in and out... it's OK. But... what we need to do in this country is to establish a situation where even if it was the devil who should come and sit on top of us in Ghana, by virtue of certain procedures and certain practices, the devil cannot get away with doing whatever he wants, he will necessarily have to do what the people expect⁴⁸.

Institutional reforms and policies to strengthen governance require some accommodation to local reality, without which progress will be hard to achieve. As reported above, the absence of this feature has undermined progress in governance building. However, when asked why the current governance and democratic system in most of Africa are not making significant progress despite the various supports from the World Bank and other donors, a World Bank official responded that '*people want chaos to thrive*'. The same official made a similar comment when asked why accounting reforms are not succeeding, by noting that it is because of:

...the general desire to maintain chaotic systems in support of sustained fraud and corruption. [GWB02]

A similar view was expressed by another donor's official that people have vested interests in maintaining poor systems. This suggests that leaders are corrupt and it is because of this that

⁴⁸ M'Bokolo et al. (2010).

institutional reforms are not successful. However interviewees object to the fact that the current state of governance in Africa is, to some extent, the result of the failure of the donors' (including the World Bank) approach.

This is further emphasised by Chang (2007) who reported that the development partners are:

...using corruption as an unwarranted 'explanation' for the failure of neo-liberal policies (for they believe that those policies cannot be wrong) but the solution to the corruption problem that they have been promoting has often worsened, rather than alleviated, it (Chang, 2007: 168).

In fact, using the failure of the 'shock therapy' strategy of transition proposed by the West as an illustrative example, Stiglitz and Chang (2001) note that:

The 'transition orthodoxy'... maintains that transition failed not because the policies of the Washington consensus were wrong, but because they were poorly implemented by corrupt and incompetent governments (Stiglitz and Chang, 2001: 8)

Such position was challenged by the former World Bank Senior Vice President, Professor Stiglitz, by arguing that "transition therapy failed because the conventional neoclassical model, on which shock therapy was based, was fundamentally flawed... [and] that the process of institutional reform is not something that can be achieved through utopian social engineering..." (Stiglitz and Chang, 2001: 9).

More specifically, officials noted that the failure of donors' approach is mostly due to their lack of understanding of the local environment. For example, when an official was informed of the current research project, he advised the researcher that:

...if we are going to solve governance problems you have to have the right analysis ...I hope you'll be able to do something different that is based on our reality and context; not like those experts or consultants from the World Bank or IMF, etc. [GCO02-Consultant]

He added that:

They don't understand the environment in which they come with their suitcase of solutions. How do you expect them to understand why it's not working? That's why the first and only obstacle they find is corruption and low capacity... Since more than 20 years they haven't come up with a single good solution. It would be a complete different result if they got the analysis right at some point. So try to work outside of books... and the common path. So go and listen carefully to people and don't get in the traps of conventional [frameworks]. [GCO02]

It is observed that to get out of this trap regarding the current governance initiatives (both reforms and policies) relative to the local context and reality, leaders will need to make courageous decisions to challenge reform programmes from donors and redesign these reforms in line with local environment conditions. So:

It will require some difficult decisions. You know why? Some people would have to say ‘you know we can’t afford this so we’re not interested in it’. But you can’t imagine who our politicians are, telling people ‘we need to implement, yes we’ve just received [US\$] 10 million’ [GCO02]

6.5.1.1. Monitoring of Progress in Governance in Africa

Interestingly, the WGIs (Worldwide Governance Indicators) and the IIAG (Ibrahim Index for African Governance) are initiatives from the World Bank (for the WGIs⁴⁹), although the Bank disclaims responsibility for the results⁵⁰, and the Mo Ibrahim Foundation (for the IIAG) to monitor progress in governance across Africa over time. The limitations of the measures have already been discussed in Chapter 2 and in Section 5.3 above. In this section, awareness of the measures is examined through the results of both the interviews and survey of cadres, civil servants and other officials.

Assessment of the awareness of the governance index conducted during the interview with public officials, consultants and NGO officials found that very few public officials have in-depth knowledge of these indicators. For example, when asked whether he knows about the WGIs, an interviewee responded:

I’ve heard about it, but I don’t know much about it... [BCA01]

He has no awareness of the IIAG at all. Some of the consultants interviewed acknowledged having some awareness of the indexes, especially of the WGIs. They clearly pointed that the governance indexes measure governance performance within a country. The results for the

⁴⁹ The WGIs monitor progress in governance quality across the world including Africa.

⁵⁰ See Olowu (2010) for more detail.

NGO officials are mixed. For example in Benin, only two NGO officials declared they have some awareness of the WGI and very limited knowledge of the IIAG. In Ghana, four NGO officials were able to make similar comments.

Figure 6.2: Awareness of the WGIs

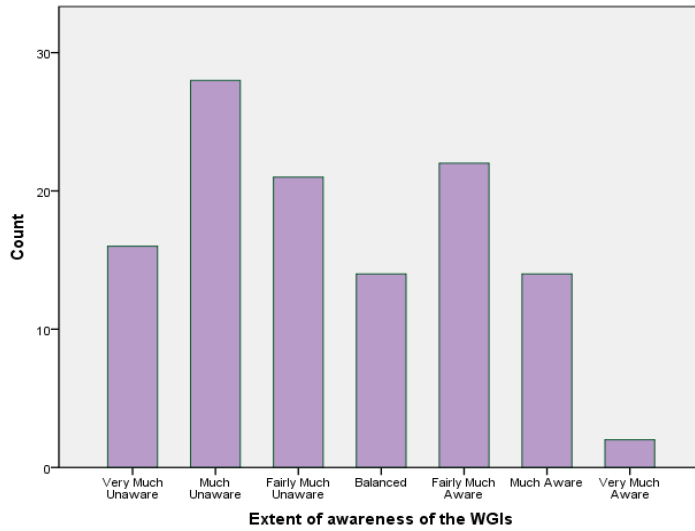
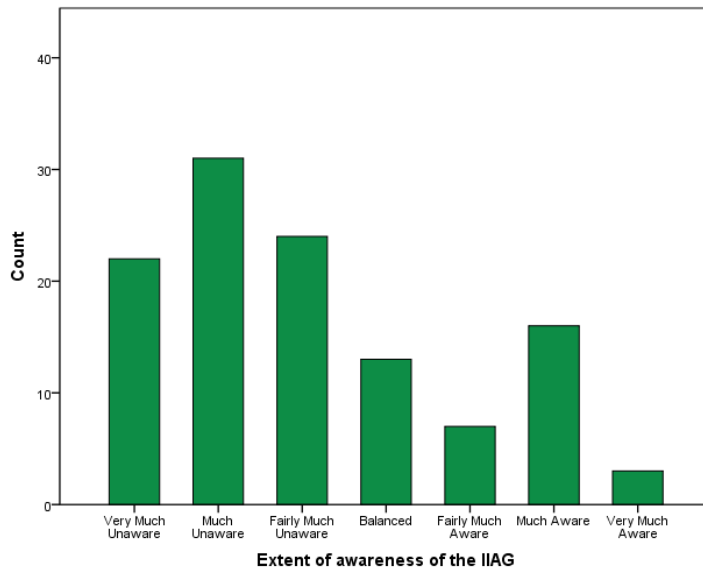


Figure 6.3: Awareness of the IIAG



From the results of the survey, most respondents have limited awareness of both WGIs and IIAG, as shown in Figures 6.2 and 6.3. It can be seen from the figures that the number of respondents who are unaware (from ‘fairly much unaware’ to ‘very much unaware’) are

greater for the IIAG than for the WGIs. In percentage terms, 66% of respondents are unaware of the IIAG, as against 56% for the WGIs. When the proportion of respondents who did not state the extent of their awareness is taken into account, only 22% are aware of the IIAG and 32% of the WGIs. This finding is surprising, given the importance of the issue of governance and its monitoring. The survey was conducted in the main cities of Benin (Cotonou) and Ghana (Accra) where there are better infrastructures, and thus better access to information and news. If the level of awareness is that low in the main cities, then its level would be very limited in the other cities and towns of the respective countries. More surprising is the level of awareness of the IIAG. In fact, the Mo Ibrahim Foundation awards good governance prizes to Heads of State across Africa who have “demonstrated excellence in office”⁵¹ and complied with constitutional rules. This is expected to increase the awareness of the organisation and the IIAG. A subsequent measurement of the awareness of the IIAG will help assess whether these activities help improve the awareness of the index.

5.5.2. The Development of Accounting Systems

Accounting systems in Africa are poorly developed, as evidenced in the previous chapter and illustrated by the accounting index computed for some 22 countries. Given the involvement of the World Bank in accounting development in Africa, a World Bank official explained the root of the problem as follows:

...What we can observe is that, the trend, if we go back 20 or 15 years on average, the World Bank approach to public finance rather focused on the upstream of the public finance management cycle. So the focus was on budget preparation, the creation of programme-budgeting, multi-year budgeting. There is an explanation for that. For a long time, it was economists, pure economists who were in charge of these issues. And these people only work with an approach that focuses on the allocation of resources to sectors; i.e. sectors to reduce poverty, sectors of priority, etc. [BWB01]

⁵¹ See <http://www.moibrahimfoundation.org/en/section/the-ibrahim-prize>

So it is economists rather than accountants who have been designing accounting policies and reforms for most African countries for decades. The danger with such an approach is the lack of specific technical skills and knowledge, and limitations in the application of accounting (including audit and management accounting) principles both at framework and implementation levels. As a result, the approach did not incorporate sound accounting principles adapted to the context in their framework to improve either the practices on the ground or the outcome in terms of results, i.e. value-for-money and good use of public resources, for example.

Nevertheless, it is noted that there has been some improvement in the World Bank's approach recently that focuses somewhat on accounting.

The downstream approach that tries to focus on accounting, budget execution, internal and external controls, is more recent. And this is also due to the fact there has been some evolution in the profile of the staff of the Bank with more specialists of public finance... There are people who have work experience with... [audit institutions], treasury departments, etc. Their approach is more legal and practical on the matter... For example, on public expenditure, we ensure that some limits or caps are voted by the Parliament; the finance laws are followed in execution. This means that there should be systematic mechanisms in place to block overspending in the information system, etc. These matters were not addressed by economists, but are now dealt with by public finance specialists. [BWB01]

Again, this new approach is seen not to be producing results, because practice in the area has not changed much. For example a budget officer in Benin noted that:

In here, budgetary allocations follow historical characteristics rather than the requirements of the new techniques [of] result-based management... [BB001-Public official]

This suggests that not much has changed in terms of practices. Furthermore, another World Bank official observed that reform initiatives leading to the MTEF and programme-based budgeting, for example, referred to as some of the key improvements in recent public finance management reforms and innovations, have failed:

You'll find that it's a Medium Term Expenditure Framework that most countries have started developing which [is] not based on any realism, or [is] 'donor-driven'. While the MTEF – Medium Term Expenditure Framework – or the Programme-Based Budget may well [serve] in

theory as a basis for the budget of government but having got their cue from the planning side, this turns to be a white elephant in most cases [GWB01]

The World Bank's approach to accounting development is further limited by the fact that the 'new' public finance specialists of the Bank are also replicating what economists did in the past, and, in addition, replicating best practices as a standard approach to accounting across countries and environments.

The idea is that there is no reason why Africa cannot, or Francophone Africa cannot, go toward *these best practices*. [BWB01]

'These best practices' mean:

...what we call the 'new public management', i.e. programme-based budgeting, multi-year budgeting, accruals accounting, performance control. These are what we call 'second generation reforms' which are realisable for many countries. [BWB01]

Programme-based budgeting and multi-year budgeting were part of the economists' approach to accounting according to the same World Bank official, but these are now being repeated again for Africa by the 'specialists' of PFM, suggesting that the context-based knowledge of these PFM 'specialists' should be called in question. More concerning is the push towards 'accrual' accounting in environments where the basic infrastructures are so weak. The reason for pushing these reforms through is that they have been successful in developed countries like France, and yet:

[in France] there are much more resources than in most [African] countries. And two, there is a technical level in France that is too high for most of the countries. [BWB01-World-Bank official]

Despite that, the:

...idea is that there is no reason why Francophone Africa cannot go toward these standards. [BWB01]

Such an approach is conflicting and demonstrates a lack of understanding of the real problem within its environmental context. This point was made by a consultant who noted that the specialists or consultants who design accounting systems in Africa do not really understand the problem of accounting in its real context in Africa, and do not even have the capacity to

understand it, suggesting that, to some extent, the flaw in the design of accounting systems in Africa is not necessarily deliberate.

On their side [i.e. donors] they have very intelligent people with suitcase of solutions! But they have no understanding of the problem... [They do not] even have the capacity to understand the problem. [GCO02]

The point made here is that donors and their specialists and consultants have PFM skills and experience in different systems and environments with different cultural traits that 'blind' their understanding of the developing world, especially in Africa where even the basic infrastructures they ever think of do not exist. Describing a typical donor expert, the above consultant noted that:

...when you are explaining you cannot just assume people will understand, you have to spend a lot of time describing our context that he doesn't understand. When you say there's no power he says what are you talking about? Where are you living?... He doesn't know that we can stay 8 months with no power. He has never seen something like this. So when you say that the system isn't working, you need to take account of these [things]. He doesn't understand what you're talking about. [GCO02]

Similarly, another consultant commented that:

I don't think they [donors] understand the environment in which we live here... [BP006-Consultant]

This is because in the developed world, power is so basic that it is almost impossible to imagine how people could live eight months without power. In the developing countries not much attention is given to such basic needs as adequate power systems. For example, one of the main reasons advanced for the limited results, and possibly the failure, of the new accounting system being developed in Benin since 2005 was described by an official as follows:

...there should be an inter-connection in the 'Départements' but it is not the case. The internet connection does not work, and this made the programme worthless... If people have a problem [with the system] you have to travel... 600 kilometres [to help]. [BP001-Public official]

Another official added:

What happens very often is that the power system fails or it is unstable; and this causes the equipment to break-down often... [BP004-Public official]

In order to accommodate this everyday reality people have developed certain habits. However, the lack of understanding of such habits embedded in local culture, i.e. how things are done in the society to accommodate the environment, led to accounting not working because its design does not suit these realities.

Public account[ing] is not the [drivel] that we've been asking to do. That's the reality. To look at it from the other side, you want to run the public account[ing] system that is accommodating with the culture or you want to run a public account[ing] system that will even constrain that culture. [GCO02-Consultant]

When questioned, all the Bank's officials interviewed noted that accounting systems in the case study countries are still in a chaotic state. However, they did not note that this 'failure' is due to some extent to the Bank's approach to accounting reforms and policies. According to them, the factors that account for the limited progress in accounting development are:

Capacity deficiency, that's one. Number two is the inability to implement well-sequenced reforms or policy related reforms to support implementation of the accounting systems. Three, I think the general desire to maintain chaotic systems in support of sustained fraud and corruption [GWB02-World-Bank official]

The first two factors, i.e. 'capacity deficiency' and 'inability', are both related to the same issue, that is, weak capacity which together with corruption are the main two excuses the World Bank and donors find for the lack of progress in accounting. Even the lack of sequence in reforms and policies in the area is also attributed to weak capacity. Officials challenge this by noting that:

...because there is poor capacity and so much corruption, any time it [reform/policy] doesn't work, automatically it's corruption or it's low capacity... Accounting is so poor because we don't understand how to apply accounting in a country where infrastructures are so weak. [GCO02-Consultant]

Another consultant supported the above observation by noting that failure of accounting reforms in Africa and other developing countries occur because they are not built in context.

There is another issue. With regards to experience, accounting reforms are often failures. Why is that? One reason is that accounting reforms are given to the big accounting firms... [or] consultants [who also] provide accounting services to implement... So they come into a country and look at the accounting system and say you don't have accrual accounting or a double entry accounting at all, or you have computerised at a very low level, you certainly have not integrated your accounts with other systems like payroll, purchasing, etc. And then they propose a quite elaborate and ambitious reform of the accounting system by moving to accrual accounting, computerised and integrated everything (payroll, accounts payable/receivables, etc.) and that projects goes on forever and typically fails because there is a shortage of programmers, shortage of good accountants, and you trying to make a big jump from very, very far... So if DFIC comes to me and say we are working in Malawi and someone comes up with an accounting project, what do you think... as an independent advisor or observer? I will say, clearly [about the] accounting project without even reading it, on the balance of previous experience, [that] the chances are that it won't work... [UB001-Consultant]

Furthermore, one consultant noted that, in addition to their limited ability to understand the real issue in the African context, donors also face other challenges represented by the lack of reliable feedback on their approach from African leaders.

On our side we are such beggars that we don't listen and even the few of us that are listening and know there's a problem and would think effectively... will stand up and be saying 'oh yes it's good, oh yes it's good'. So, on this side we're not giving accurate feedback because we are afraid that they will stop [giving funds]... Either we understand and we are afraid or we don't have [the] confidence to think about it. So either we're too busy begging or we are too busy being afraid. Look at [the] reality... Because they always say we are corrupt, we have low capacity, it's true we are corrupt but it is not the reason why we have these problems. So let's find a new reason [based on our reality] to solve them. And when we solve them, you know what I mean, corruption will go down. Corruption is the consequence of weaknesses; the weaknesses are not the consequence of corruption! [GCO02-Consultant]

This is supported by another consultant who acknowledged that donors do not understand the local context well but:

...I cannot blame everything on them because they rely on information given to them from our people... [BP006-Consultant]

In addition to the limitations of the donors' approach, the accounting system itself is not of much interest to them. For example, following the observation of one of the World Bank's officials on the weaknesses of accounting systems in Africa, he was then asked how these weaknesses inform future reform programmes of the Bank with specific regard to accounting. He responded that:

We don't have a programme in that area. [BWB01]

But at the same time, he acknowledged that having a good accounting system would help improve the management of financial resources:

...we have interest in having a good accounting system in place in order to ensure that people don't misuse donors' funds, as well as having an external control [i.e. external audit]. In that perspective it is important, because what we do is to try to use the national system instead of separate operations that complicate their management of which the [audit institution] or the Parliament is not aware at all... [BWB01]

It stands to reason that, if donors recognise that accounting could help at least to improve public finance management, their lack of interest in the matter in governance initiatives has other explanations which are rather considered as complementary explanations. This is covered in the next Chapter.

6.6. Brief Discussion of the Findings

Overall, the findings from this chapter complement existing studies on governance, beginning with the limitations of the current governance metrics (see for example, Apaza, 2009; Olowu, 2010; Thomas, 2010). Although, Grindle (2004: 525) argues for 'good enough governance' by asserting that "...all good things cannot be pursued at once", the role of accounting in governance, as shown in this chapter, is so crucial, given its effect on government resources management, that ignoring or marginalising it in any governance initiative and framework would result in serious flaws.

Interestingly, Grindle (2004: 525) also suggests that the focus should be on "...learning about what's working rather than focusing solely on governance gaps". This means that if the current governance framework being implemented across Africa was working, there would be no need to question it much. But the reality on the ground as reported in this study, and in various recent studies (Lynch and Crawford, 2011; Andrews, 2010) shows that it is not working as expected.

The analysis carried out in this chapter complements, extends and challenges existing studies in many ways. In the area of elections, the study gathers evidence that electoral systems in the case study countries and in most of Africa, are not generally free and fair, with tribal affiliation and cronyism serving as contributing factors to flawed elections. This study complements, for example, the findings of Branch and Cheeseman (2009) about the Kenyan elections in 2007, and those of Lynch and Crawford (2011) about Ivory Coast's 2010 elections and across Africa in general. Also, the rule of law in the two case study countries is found to be weak and often selective in its application. A similar conclusion was made by Joseph (2008) who observes that "the struggle to cross the frontier from personal rule to rule-based governance is still far from over in much of Africa" (p.100). Governance is most likely to be limited without a sound and neutral legal system that is consistently applied.

With regard to approach to democracy-based governance, a key condition for a sustained democracy is the design and maintenance of a good education system accessible to all citizens irrespective of their family background and state of wealth (Chang, 2007). The maintenance of such an education system is costly and not many African countries can afford such costs at the current stage of their development. The Beninese government, for example, tried to introduce a 'free primary school' education policy in late 2006 which soon revealed its limitations, as parents were required to contribute to school budgets, to provide in kind contributions or both.

This is not, however, to suggest that 'dictatorship' or 'authoritarian regimes' are preferred to democracy. The suggestion from the evidence gathered in this study is that there are different levels of democracy. Moreover, the foundations for a sustained democratic system and governance are not well established in most of Africa. The implication for policy and practice is that efforts are required to build the foundations with strengthened accountability systems

and to adapt democracy to the reality of African and other developing countries, and possibly give voting rights only to people with a certain level of literacy.

Furthermore, donors' argument that the limited results from or the failure of their approach to governance are due to increasing corruption and low capacity (see, for example, Schacter, 2009) that are present across Africa was suggested to be unwarranted in this study. Similar findings are reported by Chang (2007). It is rather the donors' lack of understanding of the environment in the case study countries that accounts for these failures. Similarly, various prior studies such as Andrews (2010) and Rodrik (2000) observe that understanding of local environment and context is of significant importance to the success of governance or institutional reforms.

Concerning accounting, the evidence gathered revealed that despite, for example, the evolution in donors' approach, the subsequent reported improvements in accounting were still insignificant. For example, the MTEF and Programme-Based Budgeting have failed altogether in essence. Moreover, the tendency has moved towards the replication of 'best' practices in accounting reforms. Practices are only 'best' in context. The contextual settings within which 'best' practices are 'best' are unlikely to exist in a similar nature and form and to the same degree elsewhere. This means that before an attempt to reproduce a 'best' practice in an environment, one must primarily ensure that pre-conditions exist which are similar to the settings of the environment where the best practice was initially identified. However, donors' approach is to reproduce identified 'best practice' from one environment to another, irrespective of the existence of pre-conditions. In a similar way, having examined PFM reforms in Africa, Andrews (2010) reports that "...existing reforms face limits that can only be overcome with adjustments in reform approach..." (p.ii). As a result, he recommends "...less emphasis on reproducing the same reform models and more on better understanding what context-appropriate reforms look like" (p.ii). Also Rodrik (2000: 3) is at pains to note

similar limitations and thus advises that "...a strategy of institution building must not over-emphasize best-practice 'blueprints'".

This research also extends existing studies related to donors' approach in general. Existing studies such as Andrews (2010) and Rodrik (2000) assume that donors can obtain a better understanding of the local reality by themselves if they wish to. However, the findings of this research suggest that donors have limited 'capacity' to actually understand the context, even if they wish to. In most Africa, infrastructures are reported to be poor, and basic facilities such as power and internet facilities, etc., are very limited. This reality causes well designed reforms in 'normal' environment conditions, such as those existing in the developed world, to fail when implemented in the context of many African countries.

6.7. Chapter summary

This chapter has presented findings on the link between governance and accounting systems in Africa. Before the presentation of these findings, the findings on the state of governance in Africa were reported. Governance in Africa was found to be weak with a high level of corruption, weak financial accountability, weak rule of law and weak electoral systems. Also, the research findings suggest that accounting information is not captured in the current governance metrics. This led to the examination of the causal relationship between governance and accounting. The findings suggest that there is a potential causal relationship between governance and accounting systems based on data from twenty-two African countries and data from the case study countries. This suggests that an improvement in accounting systems is likely to result in an improvement in governance.

Furthermore, the chapter reported findings on the approach of the World Bank and other donors to the development of governance and accounting in Africa. The study found that the

way democracy is being 'pushed' through in States in Africa is not consistent with how democracy has evolved in today's developed countries. Moreover, the lack of understanding and accommodation of local culture in governance initiatives undermines governance improvements. Concerning accounting, it was found that initial accounting system reforms and policies were designed by economists more concerned with resource allocation than accounting per se. However, despite the evolution in the profile of those in charge of accounting reform at the World Bank, the practices have not changed significantly, which explains to some extent the limited results from or failure of the subsequent reforms such as the MTEF and programme-based budgeting. Also, it was found that donors' experts and consultants have limited capacity to understand the environment and local reality in Africa in order to be able to design suitable accounting systems for such environment. This is further complicated by the absence of accurate feedback on donors' approach from African leaders.

**CHAPTER 7: DISCUSSION: GOVERNANCE AND ACCOUNTING AND THE
POLITICAL ECONOMY OF BENIN AND GHANA**

7.1. Introduction

This chapter discusses the findings from the research drawing on the Political Economy theoretical framework presented in Chapter 4. Analysis of the data is carried out on the basis of the elements of political economy that emerged most commonly from the interviews with African cadres and elites as well as officials from donor agencies, and from documentary evidence. This analysis, in turn, guided the organisation of the findings.

The analysis conducted in this chapter aims to address the research question related to what factors are preventing the development of sound governance and accounting systems in Africa despite the various reform initiatives. Evidence is sought from African cadres' and leaders' perspectives of the various forces and factors that are generating dysfunctions in the development of good governance and accounting in the case study countries in particular, and in Africa in general. Where possible, additional evidence, mostly documentary, is sought.

Although an initial analytical framework is adopted following preliminary discussion with officials from the case study countries and then formalised using elements of political economy framework presented in prior studies, the actual framework used in this chapter as an organising approach for presenting the findings is based on the themes and elements that emerged from the analysis of the data (see Figure 7.1). The adoption of such an approach is aimed at avoiding force-fitting the data into a pre-defined 'box', ignoring the dynamic nature of the data itself and of the political economy framework.

The chapter is structured as follows. The next section presents the elements of internal political system and institutional forces in the case countries. The third section deals with the internal economic interests and forces, while the fourth section deals with the various international political and economic interests and forces at work in the area of governance

and accounting systems in the studied countries. The final section presents the concluding comments from these findings.

7.1. Internal Political System and Institutions Forces

7.1.1. Transition to Democracy

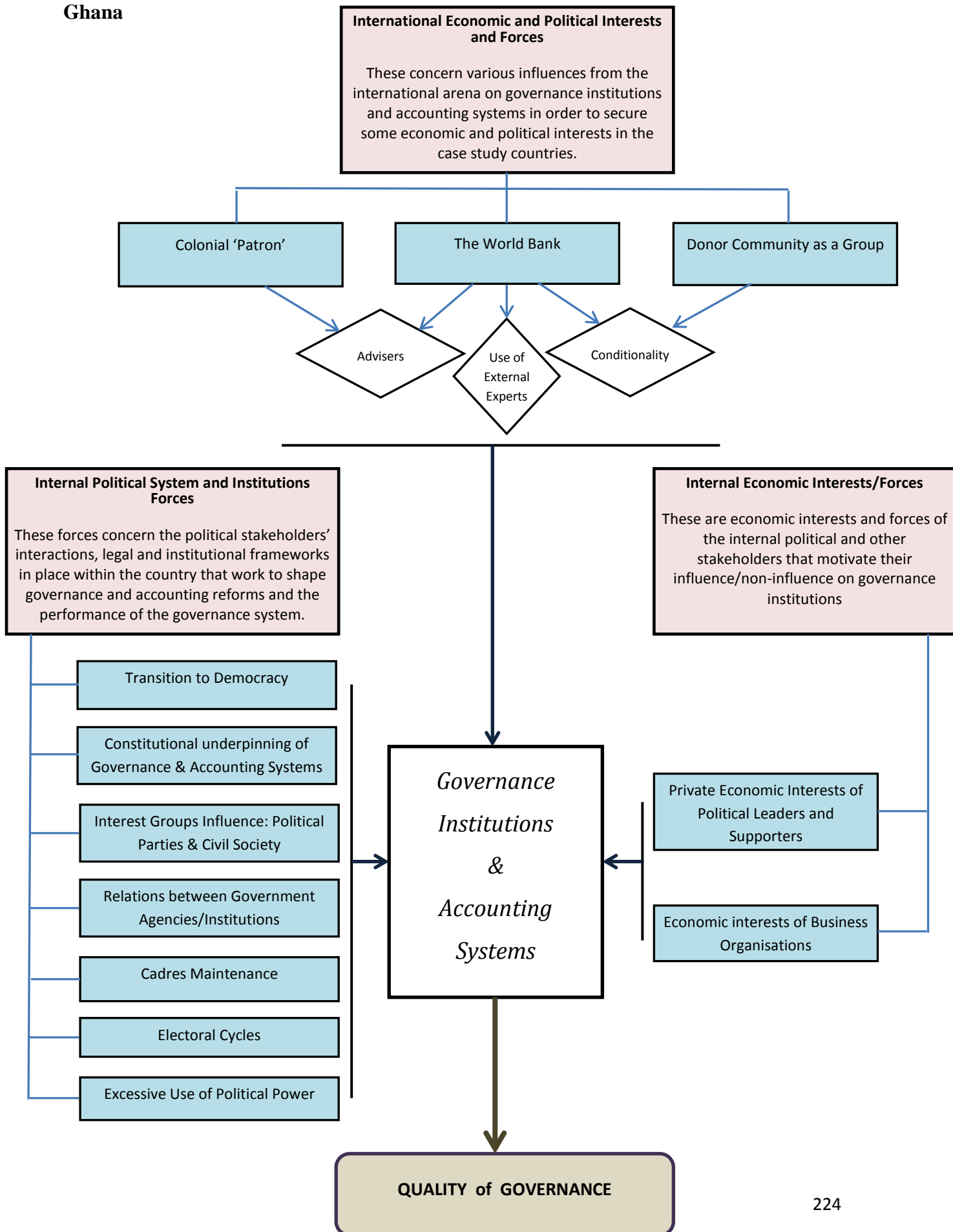
The research findings reveal that transition from the old political regime, i.e. the so-called dictatorship or authoritarian regime, to democracy lacked preparation, given the circumstances when the transition occurred. At the time leaders were more concerned with regime change, given the public outrage in the context of a rising social and economic crisis. As a result, not much consideration was given to the system or framework required to sustain the new regime in line with the local environment and context in order to achieve the objectives of the transition. One of the officials involved in the transition process concluded that:

We had not been really prepared. It was in those years 1989 that we started talking about these things, the PER [Public Expenditure Review], the PERAC [Public Expenditure Reform Adjustment Credit] and a lot of things like that; we started talking about reforms. But in fact we had never been prepared for that. Even the legal framework we have until today is not really adapted. [BC002]

With regard to accounting systems, during an address to the participants at a colloquium on the ‘Control of Public Finance in UEMOA Member Countries’ on 21 July 2010, Maxime Akakpo, ‘Conseiller’⁵² at the Chamber of Accounts in Benin, observes that the weaknesses of the institution entrusted with auditing in Benin, for example, stem from the transition to democracy.

⁵² A Conseiller at the Chamber of Accounts or a Judge of Accounts is the highest ranked Auditor in Benin.

Figure 7.1: Representation of the Political Economy Forces/Interests in Benin and Ghana



It was, following the National Conference of the Vital Forces, that we saw a very timid start of the Chamber [of Accounts]' activities...In fact the performance of the Chamber of Accounts is affected and even seriously impeded by lack of quality human resources and by the absence of an independent organisation. (Akakpo, 2010)

In fact the National Conference of the Vital Forces is the one that marked the transition from the previous Marxist and authoritarian regime to democracy in Benin and which is the underlying force behind the Beninese Constitution. The main concern of these leaders at that point is similar to the point of transition to independence, where the focus was more on political institutions than accountability. The lack of independence of Beninese audit institution reduces significantly its accountability role. It should be remembered, as warned by Mr Akapko in his address, that the 1789 French Revolution was triggered by public resources management considerations, and that accountability, especially accountability for public finances, is what secures a living, accommodation, an education, clothing, and health for the citizen.

This observation made Mr Akapko further question whether people had really thought of what should be done to stop maladministration of public resources at the transition point. Discussion with leaders suggests that, at least, this question was not thoroughly put forward at the time in order to design an accounting system that would otherwise help improve accountability in Benin. Political considerations had overwhelmingly dominated leaders' concerns at the time.

In fact, some leaders observe that most of the governance problems that emerged soon after the transition are actually due to the lack of preparation. Even the constitution has suffered, containing many provisions which do not support an adequate system of check and balance and accountability.

7.1.2. Constitutional Underpinning of Governance and Accounting Systems

The Constitution is the supreme legal framework of a country and as such it should be designed to ensure a balance of power between the Executive, the Legislative and the Judiciary. But in the case study countries, the exercise of power is very unbalanced, with the Executive having an overwhelming power over the other institutions. For example, per the 56th article of the Beninese Constitution, the President appoints three of the seven members of the Constitutional Court, the President and all of the members of the Supreme Court which controls the overall judiciary system. According to the same article, he also appoints the members of all the other State institutions except for the Parliament.

... It [the exercise of power] is not balanced because the Constitution made it unbalanced. In our Constitution we wanted a strong President and we have one. A President that can even bypass the Parliament. It is not the will of an individual, but our Constitution that has given him such possibility! [BC003]

In Ghana, for example, the Constitution in its 78th article significantly compromises the independence of the Parliament vis-à-vis the Executive, with specific requirements that the majority of Ministers shall be appointed from MPs. Apart from the consideration that the President may not be able to find the quality expected in terms of skills and experience in sufficient number within Parliament (because MPs are not elected because they have a specific background or skills), MPs may even try to be soft on issues with the expectation of being called to the government at some point.

...at the moment we have a system of Parliamentary arrangements that compromise[s] the independence of the Parliament. Why do I say that? I say that because you expect that constitutionally a number of members of Parliament are also part of the executive as Ministers of the State. And there is a desire in every MP to advance. So MPs who are not in the executive yet hope that the opportunity exists to be going in so they won't push hard. So that is the challenge they have. [GNG06]

Regarding accounting systems in particular, both case study countries have provisions in the Constitution regarding the external control or audit institution which, in Ghana is the Audit

Service⁵³ and in Benin the Chamber of Accounts. The Chamber of Accounts is an independent institution because it is part of the Supreme Court, which is independent from the Executive and the parliament as per the 125th article of the Beninese Constitution.

In terms of the functioning of the Chamber of Accounts, it does not need the approval of the government, i.e. the Chamber of Accounts does not function like the General Inspectorate of Finance or the General State Inspectorate or the other administrative control institutions. [BC002]

However, the independence is weak due to the way in which it is provided in the Constitution. The Chamber of Accounts of Benin is one of the three Chambers of the Supreme Court with a very specific mandate compared with the other Chambers; that is, it acts as ‘gendarme’ to ensure the effective and efficient management of public finance and resources. As a result of this specific role, requiring the Chamber to follow the same procedural and administrative rules or red tape as the other Chambers in conducting the Chamber’s activities is inconsistent and impedes its effectiveness, as observed by a senior official at the Supreme Court.

The real problem that needs to be dealt with to ensure the Chamber of Accounts’ effectiveness, if we think that it can play its constitutional role, is to take the Chamber out of the Supreme Court... They [the Magistrates at the other Chambers] think... that the same procedures applying to the other Chambers should apply to the Chamber of Accounts. Yet, there are some particularities. In here we deal with public finance. They don’t understand that... Even the President [of the Supreme Court] said that they cannot deal with us with any special arrangements and that we are within a Court... I have sent reports to the ‘Parquet’ since 2004-2005 and these reports never got out! [BC004]

The independence of the Chamber of Accounts is further weakened by the appointment process of the President of the Supreme Court, the ‘Conseillers’ and the President of each Chambers. In fact, according to Article 133, the President of the Supreme Court is nominated by the President of the Republic, and per Article 134, the ‘Conseillers’ and the President of each Chamber are also nominated by the President of the Republic based on the people proposed by the President of the Supreme Court. Clearly the President of the Republic appoints those who in return are charged to control him. As commented on ironically by a

⁵³ Although it is not explicitly stated in the Constitution that it is independent from the Executive and the Parliament as is explicitly written in the Beninese Constitution.

senior official at the Supreme Court: *'we nominate who we want to nominate'* meaning *'not necessary who deserve to be nominated'*. In the same way, in Ghana, the Auditor General (article 70 of the Constitution) and all the Audit Service Board members (Article 189 of the Constitution) are appointed by the President. As highlighted by officials in Ghana, this approach affect the independence of the Auditor-General.

Let's look at the appointment of the Auditor General. Some people think that that does not make us independent. But ...some of these things are actually informed by the law. Our Auditor-General is appointed by the President... To some extent, some people think that it does not make the Auditor-General fully independent. Now this is an issue based on Constitutional provision. [GA007]

The only ways the effectiveness of this approach of appointment can be secured is either through an effective 'checks and balances' system put in place to review independently the appointment of these officials before endorsing it (which is rarely the case in substance), or when the term of office of the incumbent head of audit and board members overlap to cover the term of office of a President who is different from the one who has appointed them. However, this has rarely been the case. In Benin for example, apart from the first democratic President, none of his successors have had only one term of office, which means that in most cases the Presidents are controlled by those they have nominated.

Moreover, the Constitution provides, at best, very limited support for accountability, especially financial accountability. The actual control that would ensure accountability of public officials is not performed (Benin) or is incomplete (Ghana). Now, in Benin, the reports on the little that is done are not required to be sent to Parliament, which has a greater power over the Executive to take action on the findings of these reports. The only report sent to Parliament is the Report on the Execution of the Finance Law, which is purely a 'budgetary control' report.

[This control] is just a budgetary control to say: this is what that has been authorised and this is what we have executed without looking at the supporting accounting documentation. [BC004]

Some time ago the President [of the Chamber of Accounts] went to the Parliament and they complained that they never received any attestation performance audit report; and the President told them that the law [Constitution] does not specifically cover this report, and the only report that must be sent to them is the Report on the Execution of the Finance Law to enable them to vote the 'Loi de Règlement'. [BC004]

Even in Ghana, where the audit reports are sent to Parliament and examined by the Public Accounts Committee (PAC), Parliament fails to conduct the process to any meaningful results in terms of bringing people to account.

The prospect in the public accountability [is] in the Parliament, unfortunately, that's where the problem... begins. Because the PAC in Parliament has a lot of power in order to scrutinise the report and bring those felons to account. They fail miserably on this level, they fail miserably. [GNG02]

This failure actually stems, to some extent, from the Ghanaian Constitution, which does not provide the Parliament with any power over the implementation of the PAC and the Auditor-General's recommendations:

What they [PAC] do is simply write to what they call Audit Report Implementation Committees – ARIC. The Parliament writes through the PAC to ARIC... Apart from writing to them and getting [them] also write back on what they have done or not... [they do not bother] as to whether people who are supposed to be sanctioned – are they sanctioned? Nobody takes action on that. If you ask them [the PAC], they will say it is not within their domain because they have finished their work, and now it is for the executive to take action. If the executive is not taking action, there is not much they can do. [GNG06]

Referring to the political machinery at work in these systems, one official, like many leaders, advised against an over-reliance on the independence of the external audit institution granted by Constitution: *"we must say that when talking about independence there are a lot of parameters to take into consideration outside of the legal provision that establishes it"*. [BC002]

7.1.3. Interest Groups Influence

The study highlights the role of two main interest groups in governance in Benin and Ghana.

These groups are political parties/groups and civil society.

7.1.3.1. Political Parties or Political Groups

Political parties or groups are perceived by public officials, NGO officials and even MPs to work mainly for partisan interests rather than for the nation's interests. This originates with how the representatives of the citizens, i.e. the MPs, are positioned on the various committees in parliament: the positioning is more politically orientated than on the basis of the elected MP's background. It is a fact that MPs are not elected based on their background but once elected this should at least guide the area/field where each representative will be able to make an effective contribution to satisfying the citizens' interests. But this is not often the case, as described by an MP:

...once you enter the Parliament, again it's the political groups that manage to position their members on the various Committees. So it's a consideration that is purely political... that's the general framework. [BAN02]

In addition, debating on issues is more party orientated than in the public interest.

Parliament should work hard so that issues of personal interest don't come first. But for now most of the issues are seriously politicised, and the voting is subjective depending on who has most MPs in the House. If it's the government, then you are sure that almost all the things that are tabled [will be passed]..., and if the opposition is the minority then most of time they will boycott the hall... If it is a national interest they should discuss it objectively before the partisan interest. We haven't got to that stage. [GNG07]

A major consequence of this functioning of the citizens' representative system is the failure to address the issues that are important to those they represent.

On that [public interest] again unfortunately the fighting of the opposition and the party in government, [is] good as when it is in their own interest. When it is about the general population, it is rhetorical, they don't address the substance; they antagonise the people, just playing party purpose but not addressing the poor issues that should be dealt with. [GNG02]

An important issue to the citizens is the effective functioning of State institutions to ultimately ensure the accountability of the government. But this issue is not really being addressed in either of the case study countries by the interaction between the political parties/groups. Former MPs in both countries observe that MPs do not pressure the government to account because the fighting of the ruling and opposition parties does not often go in that direction.

Moreover, the fighting is sometimes organised to weaken institutions working towards ensuring some level of accountability. The creation of the IGE in Benin, for example, to help, at least in theory, improve accountability in government organisations, faced serious partisan fight that has weakened the effectiveness of its work to some extent, as explained by a public official:

If people want to be honest, they will say that... when the IGE started... it had some importance. The work done was reported to the President of the Republic... and it was examined systematically by the Council of Ministers in the same week. And the [appropriate] decisions were taken... Those decisions that could be implemented immediately were taken; and those people who should be removed from office were removed; [for] those who should be prosecuted, the process was started; recommendations related to the organisation of the controlled administrations were taken into account. So the IGE was not a scarecrow! At that time everyone started to realise that with this regime things will change: 'the IGE is there, [so] if you mismanage the IGE will come and control'... Too bad! Every one of us has realised that things did not progress like that... If I should talk about the case of Ben and Nick [pseudonyms] they were both elected as MPs at the [National] Assembly. Ben was supporting the government [and] as soon as our report touched on him... he [changed party and] went into the opposition... So that's what it [IGE] should be and this is what it is now. Politics is involved in everything. We can't do what we should do anymore... [BIG02]

7.1.3.2. Civil Society

There is noticeable progress in civil society activity in both case countries, with an increasing number of NGOs in various domains, unions and media. Interviewees from NGOs and State

institutions perceive that there are very active citizens who are involved in civil society organisations with an active media. For example:

As we talk now we have one of our banks... the Ghana Commercial Bank [GCB]... which had been doing very well consecutively for 3 years...; consecutively for 3 years it was the first performing bank. Meanwhile, the West, IMF and the World Bank are putting pressure on Ghana to sell that off... before the elections – that's 2008 – people had to demonstrate against the Government of Ghana trying to sell [GCB and] the Agricultural Development Bank. So they had to postpone... Interestingly, they haven't sold it [yet]. [GNG08]

However two main factors affect the effectiveness of civil society activities. The first is the level of education and understanding of issues by the citizens involved, which limits the effect of their roles as pressure groups to improve governance.

The citizens are not adequately informed of what you would expect the political system to yield for them... There is a smaller middle class, a very small middle class, a large base of unemployed, badly educated [people] that move around [more] on sentiment than on issues – that's a challenge there. [GNG02]

The second factor is the capturing of the civil society by political machinery.

...and sadly civil society that is the hope to bring about change is gradually also being politicised. [GNG02]

There is no doubt that the purpose of politicians in getting hold of civil society organisations is to reduce the extent of their pressure or otherwise shift the pressure to different directions, and clearly not towards accountability. Politicians are found to be getting involved directly in civil society organisations with the purpose inhibiting their quest for accountability. For example:

At the moment, immediately when the other government lost power they created an NGO called AFAG – Alliance for Accountable Governance. All that they are talking is politicised and oversized, and it's to manipulate what they say... [If] the police appeal an opposition person or a person who was in the previous government embezzlement, they would demonstrate, they campaign on human rights that they cannot arrest them – I mean that's not civil society. [GNG06]

There is however a positive contribution from the involvement of politicians in civil society. According to some interviewees, politicians from the opposition help the NGOs they control with information in order to increase the extent of their pressure on the government for

change. However other interviewees argue that there is a danger with politicians, whether from the opposition or the ruling government, being involved in civil society because they may not provide the correct information on which civil society bases its activities. The other important danger is that civil society is by definition independent from politics; and therefore the involvement of politicians is at odds with this principle and is seen as a significant blow to their contribution to governance. An example of such a blow in the perception of citizens is that of an NGO in Benin called ELAN that campaigned strongly against the revision of the Beninese Constitution to allow former President Mathieu Kérékou to stand for a third term. Initially the ELAN gained significant supports from all over the country, but the support faded quickly when it was discovered that the current President was behind their activities and the head of the NGO was appointed a Minister soon after the elections.

Concerning the role of unions as civil society organisations, they had been very strong up to the point of transition to democracy. But since then there has not been any noticeable contribution of their role in ‘pushing’ towards improved governance. For example, in Benin, most recent attempts by unions to demonstrate against corruption and poor State finance management have either been repressed by the police or the IGE being sent to intimidate them. However, in Ghana, although unions are divided between politicians, some union organisations are perceived to objectively pressure government for changes. But it is also recognised that there is not much noticeable change coming out of these pressures.

With regard to the media, although it has increased in size and is very active in providing citizens with information, the contribution of some media units to governance is limited due to their lack of independence from political influence.

The media has not grown professionally over the years to address their critical role of reporting on the State from the ground... so the media hasn't grown as fast as it should given the time nearly 16 years of coverage, 18 years of multiparty democracy. They should have matured better than that. [GNG06]

When we consider the report on the state of free media... Benin is plummeting throughout the regime... You see! Why is that? It is observed that money [given to] [and] the contracts signed by the government with some media have limited them a lot. For example ORTB [State TV and radio] has become an organisation that is only at the service of the government rather than a public service organisation – a media to which the opposition does not actually have free access. [BO001]

Interviewees recognise, however, that despite the observed weaknesses, some media units are playing a positive role by keeping people informed about governance related issues. But the main problem is the incapacity of the citizens to take any meaningful action in the current governance system.

It's butcher force. You know but you can't do anything [GNG08]

It follows that civil society has not been playing its role as would be expected in terms of pressuring hard for institutional changes and accountability. The main reason for such a situation is the significant political influence obstructing this role directly, by getting involved in civil society activities, or indirectly, by means of financial support, as described by an official.

I'm saying that it [political buying of civil society] has permeated the society and that is my concern now. The kings, the religions, the unions, everybody receives [money] again and again. And we come to the question that... 'since it has permeated the society, can we stop it at some point?' [BC001]

7.1.4. Relations between Government Agencies or Institutions

Research in the case countries revealed that the relation between the Ministry in charge of Finance and the accounting and control department undermines to some extent the outcome of reforms and the effectiveness of the department. For example, interviewees observe that payroll reforms in Ghana to deal with payroll fraud (which “*takes a sizeable chunk of government money and constitutes a big leakage for government*” using the terms of a government official) encounter a lot of problems, and some of these problems are deliberate

because of vested interests within the Ministry of Finance in connivance with the Controller and Accountant General Department.

In Benin, according to some officials, the lack of effectiveness of the financial control institution (IGF) is due to the attachment of this institution to the Ministry of Finance, even when the institution does good work.

They [IGF] do a good job. But the problem is that it is limited. The IGF issues its reports but it is up to the Minister of Finance to take any action on them. It is up to the Minister of Finance to introduce it [the report] to the Council of Ministers or not. [BC004]

...They make good recommendations but it doesn't help much. Rarely [does] anything meaningful come out from their reports. [BC003]

In the same way, the attachment of the IGE to the Presidency in Benin has seriously undermined the performance of the institution in terms of its contribution to governance.

It [the IGE] is an ineffective institution, they can do a good job but if the government... those who are touched on by the reports are politically powerful and can compromise the re-election of the President of the Republic, the latter can decide to put it under a bushel, and that would be the end of it! The report will never be published. There are a lot of reports like this in the process – we know. [BP006]

Let me give an example. They [the IGE] got an assignment to investigate whether there were any government organisations that had deposited funds at ICC [a Ponzi-like scheme in which the government is alleged to be involved]. The IGE report answers 'Yes' but [it] was made to say that no government organisations deposited funds at ICC, while everyone knows that some government organisations did... When we manipulate such information, it poses a problem for governance. [BP006]

7.1.5. Cadre Maintenance

Cadre maintenance concerns the development of staff at the various levels of leadership in government organisations and State institutions to ensure a quality service and leadership succession in these public institutions. But in general, although all officials interviewed recognise the importance of cadre development, they also acknowledge that it is yet to be seen in actual practice.

... the institutions are worth what the people who run them are worth, i.e. those charged with their functioning. [BC002]

... when we talk of governance, we need to give a place to training to ensure leadership succession... [But] in Africa, we are afraid of leaving leadership positions... All the issues lay there; i.e. if I'm here now, I should train certain people so that when I leave they can take over the position. But I will manage to make sure that there is no training [so that I can stay at the position for life] (Chief Cabinet Minister)

The quasi-absence of leadership succession is now a serious problem in one of the key institutions in one of the case study countries as observed by an official concerned about the situation.

Today, we've got a serious personnel problem, a quality personnel problem. The personnel is too old and will be retiring soon... [BP010]

According to interviewees, the problem with cadres in Benin stems from the recruitment or appointment stage, where the profile is not well defined, and even in case where it is well defined it is not followed in actual practice. An example was given about the 'Chart of the Functioning of the Government of Dr Boni Yayi' issued by the President and signed by all his Ministers. Unfortunately non-compliance with this chart started with the President himself initially with his attempt to impose the Chief Cabinet of the Ministry of Primary Education of his first government what is described as an opaque context, which resulted in the resignation of the Minister. This example, according to a joke made by a public official during a discussion, has given "*the tone of what kind of compliance is required*". An interviewee concerned about the situation objected that we cannot always say "*do what I say not what I do*" meaning that if the leader's action goes against what they say, it gives the opposite message, i.e. "*do what I do not what I say*".

In actual practice, appointment of officials is observed by interviewees to be essentially driven by political considerations.

Political clientelism affects a lot the choice of public officials. The appointment of officials to technical functions is more political than technical. How can you expect to get results with such a

system? For example, to appoint... [a] director..., it is not the competence that we look at first. Is he in my political party? Did he campaign for me? [BIG003]

In terms of continuing professional development, many officials recognised that training is absent or very limited and not targeted to result in any significant impact in terms of improving their competence for the effective functioning of public administrations and institutions. A senior official at a government institution commented:

It happens but rarely... but it is not really what you would expect for those seniors, those in charge of sensitive roles... It is not what you would expect... If training exists, is it targeted to the job...? Is it linked to our competencies? These are interrogations, because I must recognise that we are not effective in that respect. [BP016]

Concerning accounting specifically, the situation is no better, as described by two consultants working on the accounting system.

...problem arises in terms of knowledge and competence [of public accountants]. The problem arises for [some] reasons... There is a lack of competence or lack of know-how, the absence of knowledge of public accounting. Most of them do not master the technical principles of public accounting... So, most of them don't understand that. [BP006]

Currently I think it is not... effective because the capacity is not up to speed and they haven't really, I mean they have more work to do. They don't have that many staff. Additionally they put in a lot of low-level staff at the [internal] audit services. And because of that they don't even have confidence to deal with senior managers... Most of the problems... in the public sector, it manages from the top. So they are able to find the low grade problems, but the real serious ones they don't even have the confidence to deal with. [GCO01]

The situation is really appalling in terms of CPD. Training is substantially absent and subject to political will.

... Things change; instead of training those who are competent or want to work well, we don't do that. We send Jack on training because he is from my political party... There is no CPD anymore. [BO001]

From an auditor's point of view, some accountants are very poorly trained.

The first question I ask myself is whether there is still a training plan in place. Because sometimes you come across some people [accountants] and you've got the impression that you are in front of an agronomist, i.e. someone who has never studied accounting... [BC004]

The study finds that, all in all, cadre maintenance is poor in both countries as is the case in most of Africa. As a consequence, institutions are poorly run and, in most cases, according to

political will. The situation is similar in terms of accounting systems, characterised in some cases by low-level and poorly skilled staff. The impact of poorly skilled cadres on the outcome of reforms in Benin is given below.

There is... a personnel problem at the TAD as is the case in the public administrations and institutions, that is, incompetent people, those who handicap the completion of reforms. There is also an institutional problem, that is, the manuals of procedures. The manuals are not produced and since things are changing it's difficult for people to follow instructions. As a consequence we come to a situation where the personnel are subject to improvisation, and these make reforms obsolete. You see! When the personnel have a problem, they don't have any valid interlocutor... they don't have any [good] leaders who can tell them 'in this situation this is what to do'. [BP007]

7.1.6. Electoral Cycle

Most interviewees are of the view that the electoral cycle has no significant positive impact on governance. At best it has no impact at all; otherwise, it deteriorates the quality of governance. During the pre-electoral period, political leaders identify the various weaknesses in governance and make promises to address them as part of their political agenda. However, once they assume power, the promises end there until another election is announced. It is also found that, in some cases, not only does the quality of governance not improve, but it deteriorates during the post-electoral period.

... during the presidential campaign, Yayi Boni [current Benin President] promised that '6 months after I assume office as President of the Republic I will create the Court of Accounts' because as President of BOAD [a regional development bank] he knew that Benin is one of the last countries yet to implement this reform; and he said '6 months after I assume office I will create the Court of Account'. And when he came, not only did he never talk about it, [but also] all the things we did in order to make progress in the process [were unsuccessful] and everything about it was buried. The dossier was on his desk before he came because it was one of the dossiers that were handed over to him when he took office. He committed to do it during the campaign; the dossier was then there [and] he didn't do it. And now that he is at the end of his term they start promising 'we will revise the Constitution to create the Court of Accounts'; now 'give me a second term for me to do it'. What has prevented him from doing it during the first term? I listened to him and it made me smile. He wants to use this reform again as a campaign manifesto! [BC001]

Even in cases where the regime shows some positive signs that may improve governance at the early stage of the post-electoral period, a State official objected that those signs are just a politically astute way to build political image. Since these signs do not stem from the leaders' good will, they quickly fade and leave the actual traits of governance to show.

In general, it begins with the campaign period where political leaders with political programmes start presenting them; and those with no political programme use demagogy and things like that. Then when they come to power, they seem to apply governance, good management principles at the start... but it doesn't last no matter what government is in power. They take advantage of the illiteracy of the population to govern their way. [BP013]

Moreover, in certain cases, especially, during the pre-electoral period, interviewees observe serious disregards to the legal and institutional frameworks.

...we had to sell off our telecommunication company that has been established over 40 years now with all the networks, telephone lines across the whole country... And Kufuor, the President himself, had to even, as we know it, pushed away everybody and took the negotiation himself directly and sold the firm off. He got... millions of dollars payback... [GNG08]

This is further confirmed by the report commissioned on the sale of Ghana Telecommunications Company (GT) (70% of the share capital) to Vodafone International Limited BV released on 16 October 2009 as below. The report also found that the entire sale is unlawful.

There was executive interference in the sale of GT with former President, John Kufuor, being the one who agreed on the transaction price, technical considerations and the underlying legal assumptions of the Vodafone offer of May 15, 2008. These negotiations by the former president were highly irregular, unconventional and did not rely on expert advice (Sawyer, Deputy Chief of Staff).

The disrespect for legal and institution frameworks outlined in the above example happened in the pre-electoral period in 2008 in Ghana. The payback personally obtained from the transaction has obviously, according to a public official during an after-interview discussion, partly funded the 2008 presidential electoral campaign, since Mr Kufuor was listed to contest it.

The current on-going ‘Woyome saga’, where Mr Alfred Woyome – the ruling government party’s financier – has been paid GH¢58 million for a non-existing contract according to the State Attorney General, Martin Amidu (of the same ruling government party) who qualifies the scandal as a “gargantuan crime” is another case happening as the 2012 election approaches. Moreover, Mr Martin Amidu whose office tenure is secured by the Constitution, was fired by the President on January, 19 2012 after disclosing information about the case, for the reason that his “...behavior is incompatible with acceptable standards expected of Ministers and appointees of the President”⁵⁴.

In terms of accounting procedures, the situation is similar with no or limited regard for the required procedures by leading officials of the Executive.

There is a trend in this [pre-electoral] period that has generalised completely. [Even] the ministries’ Finance Directors talk about it when they get together with their friends. The Ministers say ‘listen manage to find [CFA franc] 2 million. I’m organising a meeting to support the President, that and that’. And he [the Finance Director] does everything to find 3 million; he keeps 1 million for himself and gives 2 million to the Minister... [BC001]

Similarly in this period, requests for disbursement outside of required procedures have been substantiated.

...often the Government Secretary writes to the Head of the TAD saying that the Council of Ministers has met and decided to disburse a certain amount of money! You see! It’s not something that should be expected... So the procedures are very marginally complied with. [BP004]

...the Council of Ministers takes a decision to give funds to a particular person; especially in these electoral times we pay a lot of expenses via OP [payment without supporting documents]. [BP05]

According to many officials at the TAD and in some ministries the recent budget was only executed by about 50% and one would wonder why leaders are giving ‘priority’ to such irregular disbursements/expenditures outside the budget that has been voted by the Parliament. Overheard comments during interviews and informal discussions with officials

⁵⁴ <http://ghananewslink.com/?id=18989>

indicate that the main motive is to build up funds for electoral campaigns and to ‘secure’ some votes.

Overall, the study found that the electoral cycle has a negative impact on governance due to its lack of influence on how political leaders abide by the legal and institutional frameworks, on the one hand, and its limited impact on making political leaders keep electoral promises on the other.

7.1.7. Internal Political Environment: The Excessive Use of Political Power

At the heart of governance lie the people, the ‘elite’ in charge of the frontline role of leadership. The elite exercise their leadership role by using the political power conferred to them. The study reveals that in both case countries most of the officials interviewed are of the view that politics is too intrusive in the running of State institutions.

The politics dominates too much the administrative, while each should normally play its own role. Yet our administrations are well structured, the government having their political side where they can put their people, and the administrative side where they should put pure technicians. But I observe that, generally in practice, the trend reverses and everything becomes more political than administrative. [PB013]

For example:

...Normally, the Secretary of the Ministry... and the Chief Cabinet [of the Ministry] are purely administrative; [and] it's the Deputy Chief Cabinet [DCC] who is political. The DCC is the political man of the Minister who helps him to consider the contours of the political decisions he wants to make... But unfortunately, the Chief Cabinet who should be an administrative... is political, and everything is lost altogether. The DCC [is] perhaps political, the Chief Cabinet political, and the Minister political and the ministry is lost! There is no longer any objective vision. There are only political visions with calculations behind. [BP013]

The ‘excessive’ use of the political power by the elite is more explicitly outlined by a governance activist NGO official and a public official:

The legal framework would be there but they would exercise the power the way they want. And above all they taunt you! That's what happens with all governments... That's where the disappointment lies. [BO002]

Our system here has been weakened by the politicisation of issues. They come to government, they remove people and they put their own people there. So the systems don't work... [GNG08]

The research findings show that excessive exercise of political power takes three forms. First, it is done through the appointment of public officials irrespective of legal requirements. Those appointed in such a manner have no concern for governance principles, especially for accountability requirements established by the legal and institutional framework in existence in these countries.

...the human resources appointed to certain positions do not follow [the required] procedures. And there are many reasons for that. Either it is because of political affiliation, or there is too much interference from external hierarchy. And they give up the good practices for the bad ones... [BO002]

...the other side of this is that because you are put in there by the President, you'd not want to do anything that will displease the President! [GNG03]

It is a game! If you take the Auditor General report, every year, there are [an] amount of people who are ruining the State... Why they are not doing anything? That's how the accountability of the financial management system works! [GNG06]

As a result of the appointment system, accountability is rather geared toward the President or the government – as outlined by the second interviewee above – instead of toward the relevant State institutions or the citizens at large, as required by governance principles.

Second, excessive political power is also used to deprive State institutions entrusted with control or accountability function of access to resources. This is to prevent these institutions from exercising their monitoring role, and therefore to maintain a weak accountability system that allows corruption and malpractice to thrive. One of the key institutions subject to this excessive political power is the one in charge of audit in both case study countries.

Now in our country, instead of providing the external control institution [with resources], i.e. the financial jurisdiction, so that the management of public resources by the government can be monitored, the government typically deprives that institution from access to resources and prefers to give the resources to those institutions that it controls and used the control results for one-sided and political purposes. That's the tragedy with us! [BC001]

As a result, the Chamber of Accounts is unable to accomplish its accountability function.

... concerning the fulfilment of the Chamber of Accounts' mission, it is very limited at the moment because the Chamber of Accounts covers much less than 10% of its mandate... [BC002]

Similarly, in Ghana:

They [state auditors] do a good job but they are under-resourced. And this under-resource issue causes a lot of problems for its own effectiveness... So what happened is this, sometimes you look at the report they figure that accountants or this District Administrative Officers in region X embezzled this amount of fund but... the report is late... If the report is there, by the time you go, this man is no longer at the post. He's gone... So this late reporting which, to a large extent, involves the lack of resources means that accountability is not taking place. [GNG02]

On the other hand, the institution in charge of financial reporting is not exempted. The research witnessed live instances during the interview at the TAD in Benin. All of the instances were related to system failure caused by lack of resources and insufficient human and material resources impeding the work flow in various divisions. In one of the instances, a manager upset with a recurring system failure was complaining to another manager with higher authority in these terms:

...the work is difficult and yet the resources are not provided. [BP008]

Third, excessive political power diverts the mission of government institutions which are then used as a 'weapon' against other governance players – often the pressure groups. This is particularly prominent in Benin with the internal control institutions, some of which are given 'extensive' power over government and non-government organisations.

It's not because unions want to go on strike [that] I will send the IGE to control them... The PR [President of the Republic] sends the IGE because the unions' members want to go on strike. [BC004]

...When we take the IGE... which is the leading [internal] control institution, the fact that it is attached to the Presidency is a problem in itself. Because it is only when the President says 'go' that they go – I can put it simply like that... So if the President or even the government asks to slow down on a certain dossier, they will slow down. And also they are proved to have discredited themselves all the time along. Because we've got the impression that it has become a machine to terrorise the opposition or heads of firms that, perhaps, belong to the opposition or the opponents, etc... When it is done like that the spirit of the control mechanism is misguided... [BO001]

The example of the use of the IGE to 'terrorise' unions in Benin is confirmed in a recent study by Wynne (2011), who reports that the IGE has been used by the executive in its

campaign against unions' pressure on corruption and poor management of State finance, among other things. By doing so, the role of some governance players is reduced or weakened, and the quality of governance deteriorates as a result.

7.1.8. Summary Discussion on the Internal Political System and Institutional Forces

In the sphere of internal political system and forces, prior studies such as Haggard and Webb (1993) suggest that following transition to democracy “the new government can more easily gain support for broad initiatives if the regime change occurred because of failures in economic policy” (p.148). Such initiatives may include institutional reforms in line with the democratic framework, and thus potentially increases government and individual political leaders' accountability.

However, this research does not support such analysis. In particular in Benin, the absence of adequate preparation at the transition point triggered by social and economic crisis had led to the design of institutional reforms which are reported to be not well aligned with the local context, with the design of an accounting system that limits accountability. A related issue is the Constitution of these countries. The Constitution, which, as the supreme legal framework, is supposed to provide an adequate system of balance of power and an accounting system with appropriate authority and power to strengthen accountability, fails to provide such provisions. The balance of power in these countries is very compromised, with the executive having overwhelming power over the parliament and the judiciary.

These findings add to existing studies. For example, similar findings regarding the excessive power of the executive, through the President, are reported in various African Development Bank studies in Chad, Gabon, Mauritania and Benin (2004, 2005a, 2005b, 2005c), and in

Tripp (2000) and Koch's (2011) studies regarding Tanzania. Another study by Diamond (2008) supports these findings by reporting that:

Governance in Africa is in a state of transition, or some would say, suspension... Of course, formal institutions... can coexist with the informal practices of clientelism, corruption, ethnic mobilization, and personal rule by largely unchecked presidents (Diamond, 2008: 138).

In particular, the accounting institutions lack the power, resources and effective independence to play any significant role in government accountability. This reality is not only confined to Benin and Ghana. It is reported in many countries in Africa, such as Uganda (Global Integrity, 2009), Tanzania (Koch, 2011), Nigeria (Iyoha and Oyerinde, 2010), etc. For example, Iyoha and Oyerinde (2010) report that in Nigeria:

Checks and balances are lacking with the Auditor-General of the Federation also lacking the required independence. Recently, the Auditor-General of the Federation (Ejenavi) announced that Nigeria does not have a 'functioning Audit law'. The various basic laws and rules such as the Auditing, Accounting and Financial Standards rules which regulate auditing in Nigeria are not comprehensive and harmonized enough to cater for Nigeria's environment (Iyoha and Oyerinde, 2010: 369).

The implication of these findings for both practice and policy is that a governance framework without an adequate accountability mechanism is deemed to be limited at best, or failed at worst. The problem is particularly acute in Benin, where the supreme audit institution carries out less than 10% of its constitutional mandate without any power or authority to significantly improve the situation; in particular, no government account has been audited since its establishment. It is scandalous that government and officials are unaccountable in their management of public resources, which also impairs their political accountability, as the public is deprived of vital information in order to effectively exercise their 'democratic' rights including voting out officials and governments whose performance is found unsatisfactory. As argued by Stiglitz and Chang (2001: 13) "meaningful participation in democratic process requires informed participants".

Another key internal political factor is the electoral cycle. The political business cycle models postulate that the ruling parties will manipulate economic policy to improve economic conditions in the short term when elections approach, in order to maximise their electoral chances (Haggard and Webb, 1993). Thus, it is expected to observe similar behaviour from the ruling parties in terms of governance improvements when elections approach. However, Haggard and Webb also point out that such political business cycle models may not work in the developing world, owing to the lack of effective institutional factors which are present in the developed world.

This research does not support the political business cycle in the area of governance. Evidence from Benin and Ghana supports the irrelevance of the political business cycle, and rather proves the opposite. In fact, during the pre-electoral period, various disregards to institutional rules and procedures including those pertaining to the accounting systems have been observed, resulting in, among other things, scandalous financial misconducts, and thus deterioration of governance quality. Indeed, it is evident that institutional factors such as totally independent media (Haggard and Webb, 1993) and informed and active civil society in these countries are limited. But the overarching factor is suggested to be the weak accountability system, including political accountability, where the electorate vote on 'sentiment'⁵⁵ with limited understanding of the implications of their vote. The weak accountability system also relates to the weak electoral systems where election results can be manipulated successfully with no major constraining factors, as noted in studies such as Abbink (2010) and observed by many interviewees in this research.

It is predicted that civil society and political groups play an important role in governance development in Africa, particularly with reference to the successful opposition of civil

⁵⁵ This is the term used by one of the NGO officials to describe the lack of education of the electorate and their limited understanding of elections and their voting implications.

society and political party groups to the attempt of the respective presidents of Zambia in 2001, Nigeria in 2007, and Malawi in 2009 to amend the Constitution to run beyond the constitutional terms (Posner and Young, 2007). Thus, the civil society and party groups are suggested as key interest groups with an important role in ensuring government and political leaders' accountability, and governance improvements accordingly. The findings from Benin and Ghana partly support Posner and Young's study, with successful opposition from political groups and civil society, particularly from the former NGO 'ELAN', to force former President Mathieu Kérékou to renounce any formal attempt to amend the Constitution at the end of his constitutional terms in 2006. There have also been successful civil society oppositions to the sale of the Agricultural Development Bank and Ghana Commercial Bank in Ghana in 2008 for example.

However, this study also found contradictory evidence regarding the influence of political groups and civil society organisations in terms of governance improvement. Apart from a few particular instances in Benin and Ghana (some mentioned above), no major influence from these interest groups on governance quality was observed in both countries. In fact, political groups fight for party interests rather than national ones, sometimes even diverting the work of accountability institutions such as the IGE in Benin to serve political purposes. Civil society is also being politicised, limiting its core role in the case study countries. As mentioned in this chapter, the head of the NGO 'ELAN' has been a member of the executive in Benin as a Minister since the end of the campaign that led to the election of the current President in 2006. Also, the initial objective of the NGO (renamed 'ELAN AFRIQUE') to fight for improved democracy and governance changed in 2009 to fight for poverty alleviation, education and women's emancipation⁵⁶.

⁵⁶ See <http://elanafrique.canalblog.com/>

Another area of the internal political factors is cadre maintenance. The effectiveness of public institutions and administrations is dependent on the formal structure of the executive power, appointment, promotion and removal processes that are in place (Wamsley and Zald, 1973), i.e. the cadre maintenance system. According to Wamsley and Zald (1973), cadre maintenance should follow a consistent appropriate pattern for the institution aiming to meet the expectations of the organisation, its elite and others groups including control agencies. Evidence from Benin and Ghana suggest that cadre maintenance is a general issue affecting most public institutions where the appointment and promotion of executives follows, most often, political clientelism. Continuing professional development is also subject to political will and is very limited.

The implication for practice and policy is that poor cadre maintenance affects the performance of public institutions in delivering public service and its internal agenda for reform as and when appropriate (see, for example, Schacter, 2009). The situation sets “...pervasive doubt about state capacity... The doubt rule[s] out prospects for the self-regeneration of the state or for its own internal reform into a more effective actor in the development process (Mkandawire, 2002: 15). Mkandawire may be too sceptical, arguing that “the doubt rules out prospects” for successful internal reform initiatives. This does not necessarily rule out prospects but points to the limited ability to undertake such initiatives in some, probably critical, government institutions.

7.2. Internal Economic Interests/Forces

Two economic forces are found in the study. These are the private economic interests of political leaders and supporters, and the economic interests of business organisations.

7.2.1. Private Economic Interest of Political Leaders and Supporters

The economic interests and forces rest both with those who access power and those who support them to get into the position of power. Before accessing power, political leaders spend substantial amounts of resources, in part from themselves and in part from the political party. In addition, they get support from various individuals and business people. The economic interests of those who access power is to recover the financial resources spent, with a surplus.

Those who get elected are those who spend the most. And that person when he comes to power... it's like he made an investment. [So] when he comes he wants to recoup his investment, and that's what brings about all the things that we see – that's the governance problem... [BP006]

Interestingly, once established in the position, they want to consolidate their power and pay back those individuals and businessmen who supported them during the process:

When you are in the position, because you want to stay for the things you spend time and resources to get you in that position, you want to get back financial resources; you want also to pay back people who have helped you to be in that position in terms of rewarding contracts, in terms of appointments. [GNG03]

And in the case of Ghana, in the past two years we had these party stakeholders, people who worked towards, they worked hard for the current government to win elections. In the end they have to be rewarded in terms of jobs; so sometimes the government pressures hard to put them in places where they don't fit. In the public sector economy, most of directors of the various state-owned institutions are appointed by the President, mainly partisans... So it's rewards for loyalty for contributions in terms of time, funds for the campaign process... And this doesn't encourage good governance. [GNG03]

For these economic interests be satisfied as described above, the institutions need to be weak and pressures for reforming them limited or easily waived by the ruling power in place without the fear of any major consequences. This is explained in the following comment by an NGO official who works as a governance watchdog.

...why our [are] leaders not putting in place effective governance mechanism?... Because it's not always in their interest to do so. There is no incentive to leave a place where institutions are weak. That means that the leader will have more power. Throughout the system the leader has a great opportunity to consolidate his whole [power] within the system by giving out patronage, by giving out positions, by giving out contracts, etc. You can do that if the institutions are weak. If the

institutions are strong you can't really do that. So there's still incentive on the leaders to do that. So there has to be crucial demand from various sources before you can see improvement. [GNG01]

It follows that the need of political leaders to satisfy their private economic interests and those of their supporters gives them an incentive to maintain weak governance institutions including institutions of accounting systems. The weak accounting system enables government officials and functionaries to award contracts without due process, and abuse the system. An official describes the situation in local governments as follow:

[You find]...people in the local government system sitting on this tender board and then awarding contracts to themselves [because] accounting systems are very weak down there. [GNG02]

In Benin, the audit institution found that in executing the 1999 and 2000 finance laws, the government collected extra resources that were neither authorised by nor reported to Parliament. Furthermore, the report on the execution of the 1998 finance law notes among other matters the existence of illegal overspendings and the existence of revenue and expenses outside the budget (Akakpo⁵⁷, 2009). It is recalled here that the audit institution is deprived of the resources to be able to do its work effectively. Moreover, the institution has never carried out since its establishment the judicial financial control which is its main audit mandate to deter public officials and accountants from mismanagement and misappropriation. And yet this institution is an important control institution underpinning the accounting system and ultimately good governance. Interestingly, the underperformance of the institution is deliberately maintained by the political leaders in order to maintain an opaque public finance management system from which they are the first to benefit (Akakpo, 2009).

⁵⁷ Maxime Akakpo is a Councillor at the Chamber of Accounts in Benin. He has an extensive experience both at the Ministry of Finance and at the Chamber of Accounts, and his desire to write this piece of work is motivated, as he claims, by his duty to inform the citizens of how public finances are managed in Benin from his experience.

7.2.2. Economic Interests of Business Organisations

The study has tried to find out whether business organisations or trade associations have any impact on governance, whether positive or negative, on the premise that a certain quality of governance is necessary for business to prosper. So, if, for example, the governance environment deteriorates, are trade associations able to pressure government to change policy in order to improve? This is because, when governance deteriorates and result in, for example, strong public outrage everyone loses; in particular companies may lose their business, including loss of assets and markets. Surprisingly, members of trade associations interviewed in both case study countries admit that business organisations do not play any major role in governance.

...you know ...it's not like in Europe where there is a lobby of heads of companies to get this and that. We only fight for our businesses. It's true that many firms turn around the government to be awarded contracts. But it's not to change this issue or that. Well, we've got a reduction in corporate tax rate some time ago but it's not to require improvement in governance. [BPA02]

They do not find themselves in pressuring governments to improve governance because this is risky in the case study countries' environment for two reasons. First, according to interviewees, if the government identifies a company as being part of any activity pressuring for changes against the government, they will ask the Revenue Service to chase that company for hefty fines that could send the company into bankruptcy. This usually takes the form of unwarranted tax evasion investigations to fine the company for one reason or another. Second, if the company is able to survive at all, it becomes almost impossible for that company to get any government contract, even if it bids for a public tender and its offer is obviously the best. For these reasons trade association members or individual companies avoid any actions that would upset the government, in order for them to still be able to win government contracts and secure their business interests.

We [company managers] are running our companies to make money. If you put yourself in the government's way, then you are sure to go out of business or throttle your company for some

time... So the wise manager sees how to get along with the government to keep business going [BPA04]

7.2.3. Summary Discussion on the Internal Economic Interests/Forces

Elections and ‘vote buying’ require significant resources which are initially constituted by contributions from various supporters or coalitions of supporters. Such contributions represent economic stakes for the political leaders and their supporters which are rewarded in various forms such as awarding contracts (often fictitious contracts or ones without due diligence), appointments (often to positions where the appointees do not fit) or sometimes direct diversion of resources (both financial and material) for personal use. Reform initiatives with potential to affect these economic interests are likely to fail. For example, a study of governance reforms in Uganda reveals that:

...anti-corruption initiatives are not motivated by strong political incentives, as successful implementation could potentially undermine support for the regime from highly placed officials and politicians who are susceptible to detection and prosecution. (Robinson, 2006: 32)

On the other hand, while Goldsmith’s (2002) study on business association and governance, surprisingly, suggests that “African business associations are likely to be foundation stones for future progress in governance” (p.48), this study found contradicting evidence from Benin and Ghana, in that, business organisations do not exercise any major influence on governance improvement. At best, they do not influence governance quality in these countries, except for aligning with the government for their business economic interests through government contracts (including bending contract award rules). The limited role of business organisations is also due to the ‘repressive’ nature of government actions when a firm is identified as pressuring for changes against the government. Such repressive actions are similarly reported in Abbink (2010), concerning civil society in general.

An important implication of these findings is that businesses have an interest in improved governance quality, at least, for their survival in the long run. In fact, when governance deteriorates and leads to public outrage, for example, businesses will suffer with loss of assets, staff and resources; if these losses are very significant, it may result in the company going out of business altogether.

7.3. International Political and Economic Considerations

The study identifies three main international actors shaping the quality of governance and accounting systems in the case study countries. These actors are the World Bank, the former colonising countries, or simply ‘colonial patrons’, and the donor community as a group. There is, however, a fourth actor represented by other individual developed countries but evidence related to the involvement of these countries individually is too limited to warrant further considerations.

7.3.1. The World Bank

According to interviewees, including officials from the World Bank (WB) itself, the Bank uses three main mechanisms in its direct support to strengthening governance, particularly in Africa: loan/grant conditionality, internal advisers, and external experts/consultants.

7.3.1.1. Loan/Grant Conditionality

The term ‘conditionality’ is no longer in use in WB operations. It has been replaced by ‘prior actions’ and ‘triggers’, which in essence are still conditionality, as explained by one of the Bank’s officials.

Well, we now don't say 'conditionality'. We say 'prior action' or 'triggers'. Prior action [means] that this action needs to be completed, which is still conditionality but we don't just call it conditionality [anymore], which needs to be completed before we can advance this amount of money. Then triggers are the actual actions which trigger us thinking about providing funds to you... We have prior action for the year that you are preparing an operation... the year after that is a trigger. But the second year that trigger becomes a prior action and the subsequent year will become a trigger like that. This is how we do these things. [GWB02]

Therefore since the application of the news terminologies is the same in substance as for conditionality, the latter remains the preferred term used throughout the study. The main rationale for the use of conditionality is to push governments towards the adoption of certain reforms which in the view of the WB should improve governance. To get such reforms through, the Bank uses its economic power represented by its financial support.

... We undertake some actions in these countries, and these actions take different forms. They can take the form of budgetary support. Here... either we give a grant or we give this IDA [International Development Association] loan [of] some millions of dollars [over] 10, 30, 50 years depending on the [priorities], and in return we negotiate with the country the reforms that we find important... The idea is to make the States commit to adopt certain type of reforms for the disbursement to take place. [BWB01]

The Bank said that the adoption of reforms is based on the outcome of discussion and agreement. But according to government officials, the reforms are imposed given the economic power of the Bank.

It's especially the World Bank which, often, when they come to a country like Benin for example, imposes itself, requires certain reforms with the threat to stop financial supports if not adopted. [BP013]

Notwithstanding how the reforms get through, they require governments to commit more to the adoption than the implementation, and this is where the whole process lacks effectiveness. The Bank uses its economic power to get the reforms adopted but does not push in the same way towards the implementation of these reforms, which calls into question the Bank's motive in adopting such an approach. For example the WB would require that a certain law be drafted in the process of a reform as conditionality: this law is never passed, and so what is

the whole purpose of drafting such law? This flaw in the approach is recognised by the Bank in these terms:

Our triggers and prior actions for reforms must transcend to ensuring that laws are actually established not [just presenting] draft laws to Parliament... You can present the law to Parliament and we just give the money and the law would lie there for the next ten years and so on. So we must bring Parliament into the look for reforms, in the absence of which... we are dividing our support for the country by pushing only at the government level when it should be at the whole country level, and Parliament is part of the country, is part of the overall government process; but we tend not to [apply] any triggers for Parliament, nothing! [GWB02]

Moreover, even when the law is passed, the whole process ends there, and not much is done to implement it. So the whole reform process is simply about passing a law. For example, the reform that led to the vote of the Financial Administration Act in Ghana to establish a financial administration tribunal since 2003 has never seen this tribunal being set up to strengthen the accounting system.

...you know we've been working with Parliament on public hearings. Unfortunately, over the periods a key request by the Public Accounts Committee that was approved by the executive has still not been implemented to have a financial tribunal. The tribunal that would prosecute people who steal [public funds] – it hasn't been done! It's more than 3 [actually 9] years now, it hasn't been done and there is no hope to get it done! [GNG08]

This is confirmed by the WB itself.

For example... there is a law in the Financial [Administration] Act which says that there should be a tribunal established for financial misappropriation to enforce Auditor-General recommendations which have been looked at by the PAC of Parliament. But nobody ever, has ever actually gone through that tribunal. So there's no enforcement of that tribunal. [GWB02]

It is not surprising that nobody ever goes through the tribunal, as observed by the WB because the tribunal has not been set up in the first place for about nine years now. And as stated by the public official above, there is limited hope of seeing this done unless significant pressures internally and externally, especially from those with financial economic power, shake the different parties involved to get it through. It could still be established with pressure from stakeholders, but the establishment is not an end in itself, but it is rather the effectiveness; so pressure needs to be applied in both directions.

The leaders are content with the situation because they are only required to ‘adopt’ and not necessarily to implement. One of the reasons for this approach that comes out from the study is that the Bank itself faces some pressures from “*the big shareholders of the Bank, i.e. the big countries*”⁵⁸ who have political and economic interests in these countries. This is covered in more detail in the ‘donor community as a group’ section below.

In brief, it is found that the Bank is more concerned with pushing towards a legal and regulatory environment that leads to a stable investment environment in order to prepare the path for foreign investments, the majority of which are from big corporations from the ‘big countries’. It follows that some aspects of good governance are more rhetorical than seriously designed efforts to strengthen governance and build accountable States. And this is easily observed from the low emphasis on implementation of reform. Even when it happens that some implementation aspects are included as part of the conditionality, they do not occur in actual practice, and the Bank is not itself very demanding on that front. The failure in this regard is acknowledged by the Bank, when asked their view on the lack of effectiveness of conditionality:

I agree with you 100%. Me, I think some 90% of these development policy operations are just actions to manage... [governments]. Because invariably the governments don't really meet those triggers. But we find a way to contour it to make sure they get the money. [GWB02]

7.3.1.2. Internal Advisers

Another direct mechanism of the WB to strengthen governance in Africa is the use of advisers. This is where the Bank uses its political influence to shape government policy and reforms. When asked about the political influence of the WB in its financial support towards reforms, it replies that:

⁵⁸ This is a term used by a World Bank official to refer to the major shareholders of the Bank.

Interesting enough, the World Bank is apolitical at least in theory! It does not actually enforce elections normally... [GWB02]

This response clearly implies that its apolitical role is only in theory and that in practical terms the Bank does undertake some form of politics. This is further supported by the fact that this official laughed at the question as a sign of unexpected naivety on the part of the researcher to ask such a question. It follows that the apolitical discourse of the WB is more for public image and public relations than a practical stand. Such discourse does work in society and even with many officials although some are cautious, clarifying that the Bank does not engage in politics ‘directly’ as illustrated in the statement below:

The WB does not do politics directly so it doesn’t have a governance sort of politics programme. [GNG01]

However, other officials recognise that the Bank has some political influence, especially through its advisers appointed to assist the government directly at various levels. An example is given about the Ministry of Finance of Ghana.

The WB and the IMF for instance have officers located in the Ministry of Finance. They have their own offices at the headquarters, but they have offices which are located in the Ministry of Finance to be close to them. They have an influence; the WB has influence on how Ghana really do[es] what they set... Whatever they say, Ghana needs to listen... [GNG07]

Interviewees observe that the political influence of the Bank, however, has some impact but the contribution to governance improvement is still not significant. Two main reasons are found to explain this limited impact. The first is that:

...to improve governance in any country it’s a hard work, hard work. You’re really pushing up against the political system that is very reluctant to improve... [so] if they are not succeeding [it] wouldn’t [be] blame[d]... entirely on them... [GNG01]

In fact the political leaders want ‘chaos to thrive’⁵⁹ and efforts of the Bank to strengthen institutions go directly against this desire of the leaders who manage to neutralise the Bank’s

⁵⁹ A term used by the World Bank.

effort. The second reason is the one given earlier as the pressure from the ‘big countries’ that have political and economic interests to secure.

7.3.1.3. External Experts/Consultants

The final mechanism to directly support governance improvement is the use of external experts or consultants. This approach is part of the technical assistance of the Bank. It takes three forms according to the findings of the study. The first is concerned with the design of reform, which is perceived to work when based on the local context and is undertaken with effective collaboration and consultation with the relevant people. However when the purpose of the consultant/expert is to replicate ‘best practices’ the reform is expected to fail due to, at least, lack of ownership.

...if you employ a consultant or an adviser from somewhere to develop it [reform] and say that ‘this is the best thing that will be used for all countries that are benefiting from your funds’ it might not work. So if it is not working, you brought it and say it is not working. [GNG07]

The second form of the use of external experts is capacity building. According to the Bank, they identify capacity need based on weaknesses in the government system and provide resources to train officials in various fields via a consultant. The officials interviewed have different experience with this approach. For some, the use of consultants to train public officials improves their competence. For others, this approach does not help, due to the broad knowledge of the consultant who lacks specific experience.

When it happens that we organise training, it is not adapted to the role. It is something general. [And] the consultants who do these trainings have the same problem. [BP015]

The third use of external experts is related to undertaking certain practical assignments such as evaluation of systems or performance of an audit assignment for example. Such approach is effective when there is a lack of local expertise, and the use of an expert is followed by capacity building in the specific area. When local expertise exists, the use of external experts

does not help for two reasons. The first reason is the fact that the consultant is very expensive compared with the local labour rate, which poses an efficiency issue. The second reason is that although the external expert may have relevant competence, they may not have the specific contextual knowledge and experience, which poses the problem of effectiveness.

When the support comes with the condition that [the funds] should be given to a consultant instead of... you're given [it does not work]. Because the consultant is given high rates... the consultant hasn't got the experience of the public sector [in this country] or doesn't understand the culture like the beneficiary institution. [GA003]

7.3.2. Colonial 'Patron'

The roots of the initial governance and accounting systems framework in most of Africa can be traced back to the colonial period. As argued by Zacarias (1999: 87) "African States are successors of colonial States which had been established" by Europe. England and France were the main colonisers in Africa (see for example Firmin-Sellers, 2002). This results in a divide between French and English systems which is rooted in the colonial inheritance from France and England which had set the initial governance and accounting framework during and at the end of the colonial period. Despite, however, the end of colonisation, the relationship between the former 'colonisers' and their 'colonies' still has a significant influence (Herbst, 1997) over the development of governance and accounting in Africa. As noted by Iheriohanma and Oguoma (2010):

Probably, the [historical] relationship... was designed by the western initiators to ensure domination of the colonies for their projected intention and gains. This is evident in the kind of administrative and leadership style and legacies and development programmes provided by the colonialists in Africa... It could be interpreted that the development structures and policies by the colonialists never allowed space for the emergent leaders in Africa to revolt against the structures or worst still that these leaders did not realize the necessity to reform the inherited development structures to the needs of Africa and Africans (p.410).

While the governance framework is framed around three pillars: the Executive, the Legislative and the Judiciary, across Africa, the structure of the framework varies depending on whether it is English or French Africa.

Evidence for this part of the research was available more on France for French speaking Africa than on the UK⁶⁰ for English speaking Africa. Most of the evidence suggests ‘advice’ as the main channel used to shape governance and accounting systems in Africa, although some evidence suggests training as another channel.

The weak governance in Africa is looked at in view of its historical, and more specifically its colonial, past. The challenges faced by African countries in improving their governance and economic development are in part due to their colonial history. As reported by Verschave⁶¹ (1999: 304) “For some historical reasons, post-colonial Africa is facing some difficulties to reconstruct its own political, economic and social architecture”. Despite their formal independence, the former French colonies in Africa are still under the domination of France which “has continued to run them indirectly via its advisors remained in those countries” (Pesnot, 2011: 9). In a recent documentary, Pesnot (2011) uncovers that:

In fact for decades Paris has never stopped to impose its tutorship and to do everything to safeguard its economic and political interests in Africa... And to do this, successive [French] governments have used all sorts of means... [including] secret accords with the [African] leaders authorising Paris to interfere in their internal affairs (p.10).

Since independence, France has been found to maintain a double-sided relation with in Africa: one official and one unofficial, as described by Verschave (2004)

⁶⁰ The consideration of the UK is because Ghana, which is one of the case study countries, is a former colony of the UK.

⁶¹ Mr Verschave had been sued for ‘*offense à chef d’Etat*, i.e. offence to Head of State’, a charge that no one has ever been cleared of when it is concerned with foreign Presidents in the French tradition, but in light of the amount of evidence presented at court, the tribunal declared that Mr Verschave and his editor could not be condemned and what was written was the result of serious investigations (Verschave and Beccaria, 2001; Verschave, 2004)

You have the upper side – the visible part of the iceberg: France, the best friend of Africa, a State of human rights, etc. – and then, in fact, you have 90% of the relations immersed [the non-visible part of the iceberg]: i.e. all the mechanisms to maintain the domination of France over Africa with African accomplices (p.10).

In terms of democracy, for example, it is rare in Africa that the citizens really choose what leaders they want to lead and manage their country's economic and social resources for their own development. This is noted throughout a recent documentary film by Patrick Benquet in 2010 based on memoirs and confessions of some of the French leaders who have been involved and played an active role in French politics in Africa at various points in time. For example, following the 2009 election in Gabon that saw Ali Bongo, the current President, being elected, Maurice Delaunay⁶² observed that:

...the State elections were somehow manipulated [by France], of course, as it's the case everywhere [in Africa].

More precisely it was the challenger of Ali Bongo who actually won the elections with about 42% against 37% for Mr Bongo! However, when asked whether France was supporting any candidate to that election, the French President, Nicolas Sarkozy, declared publicly that:

I am telling the Gabonese: *'now it is down to them to choose [their President]'*. Only they can choose. I'm saying it as clearly and simply as possible, France has no candidate.

According to Mr Delaunay they usually receive orders from the French government to make sure that certain candidates are elected, and in the end the candidates are elected no matter how. More specifically, following an extensive investigation (which lasted 10 years), Verschave (2004) concludes on democracy in French Africa that:

With our [French] money we help people [in Africa] to acquire some democratic instruments; at the same time, [the French system] manages to do the opposite by ensuring that these people have worse than a dictator, a dictator *'legitimised democratically'*. And this did not happen only in one country. It happened fifty times between 1991 and 2003, with the same system, the same discourse each time whether in Togo, in Cameroon, in Congo-Brazzaville, in Gabon, in Djibouti, in Mauritania, etc. (p.21)... France manages to *'validate'* through ballot boxes the opposite of the citizens' will even if it means upsetting the advocates of democracy (p.23).

⁶² Former French Ambassador in Gabon and an active member of French politics in Africa

This reality leads Patrick Benquet (2010) to note that:

By violence or by more or less democratic elections the system of control over our [French] old colonies is put in place with the coming to power of Presidents dedicated to the interests of France – Presidents referred to as '*Black Governors*' to mean that nothing has changed since the time of the Colonial Governors: '*French Administrators at the order of Paris*'.

Furthermore, some French leaders admit that even the Constitution has been shaped according to French directives. So, the leaders of most of Africa are not those chosen by the populations and the legal framework is not designed on the basis of the Africans' will, in contrary to public discourse for legitimacy. On that basis it is expected that those who are chosen do not feel any accountability duty vis-à-vis the citizens and the institutions of their country. The accountability is actually directed toward the colonial patron, and the office of these leaders is secured as long as they satisfy the interests of the colonial patron. Furthermore, the leaders are given a 'free pass' to manage the country's resources in the way and manner they want without fear of any consequences, as confessed by many of the French leaders.

All the ex-French colonies are embarked in the system with a number of Heads of State to whom, in return of the submission, it is said '*help yourselves with the public purse, make no difference between public and private money, and build yourself fortunes*'. A number of them took it at face value and built themselves fortunes that equal the external debt of their countries (Verschave, 2004: 13)

This explains to some extent the failure of the various efforts to improve governance in Africa, despite the official discourse of the actors and the goodwill of some of these actors. Most of those leaders who attempted to govern somehow in line with governance principles did not survive the system. For example:

...in Madagascar, one of the few businessmen who escaped from this system, Marc Ravalomanana, became president with a strong support from the population because he was producing made in Madagascar, and as Mayor of the capital he broke with the traditions of looting State resources (p.17).

However, Mr Ravalomanana did not survive the system. He was forced to quit power in 2009 before the end of his second term.

Even when a dynamic electoral system is put in place that sees alternative leaders coming to power, such as is currently in place in most of Africa including both case study countries, especially Ghana, it is observed that the leaders who assume power are often those who commit themselves to safeguarding the interests of the colonial and other patrons rather than the interests of the citizens they are elected to govern. Taking the case of Niger, Mamane Sani Adamou⁶³, member of Alternative Espace Citoyen, described the situation in the country:

Areva that is charged with the supervisory role of French atomic energy is a [French] multinational that governs Niger practically through its control over [Nigerien] uranium... Originally it was a defence agreement that obliged Niger to sell its uranium to France. Subsequently, anyone who dares to revise somehow, for example the first President of the Republic, Diouri Hamani, who simply wanted to revise the price of the uranium by establishing an energy equivalence between one kilogramme of uranium and a tonne of oil, was one of the factors that caused his departure – the 1974 coups d'état. And today you will not find in the Nigerien political class, those candidates most likely to be elected, someone who would dare challenge what Areva is doing in Niger.

The consequences for the people of the way Areva carries out its activities are dramatic.

Yet the consequences are disastrous. Because when you go to a radius of 200 kilometres there is no vegetation, there is no animal, the population breathes radon – you have a level of radioactivity which is abnormally high. And all these consequences do not bother any local or national leaders.

These consequences do not bother the leaders because they are not accountable to the citizens.

Their accountability duty is towards France – the colonial patron. By coincidence, the recent Nigerien President's – Mamadou Tandja – attempted to challenge and managed to revise the price of the uranium in 2008⁶⁴, was ousted in a *coups d'état* amid a political crisis.

Another case of lack of accountability towards the citizens and institutions of the country is provided by the sale of Ghana Telecommunications Company [GT] to Vodafone International Holdings BV. In actual fact the sale of GT was made to Vodafone UK under the cover of the holding company, according to the investigation report and research findings.

The sale scenario is described by a senior official as:

⁶³ He gave an interview at the World Social Forum held in Nairobi in January 2007

⁶⁴ RFI (Radio France International): http://www.rfi.fr/actufr/articles/097/article_61460.asp

...under the pretence that in Ghana we couldn't get enough resources for that year's national budget [2008] we had to sell off our telecommunication company that has been established over 40 years now with all the networks, telephone lines across the whole country. We sold it to UK Vodafone. And as I said if you read the political economy, the changes that happened you'd know clearly what's happening. First, a visit is planned [where] Ghanaian Officials are meeting with the Queen and the other things that they planned. [The] Ghana Government visits UK; the Queen had a banquet with Kufuor. They give Ghana 40 million pounds for maternal and child health. They give us; and that money doesn't even come to go into our own system or power where we are already addressing poverty! They just say that any pregnant woman who wants to go to a hospital the bill will be paid off. And in the end do you know how many women would go? How the money was spent? No you can't trace it. And after that the discussion on sale [of GT] to Vodafone comes up. And Kufuor, the President himself, had to even, as we know it, push away everybody and took the negotiation himself directly and sold the firm off. He got... millions of dollars payback...

As investigation revealed that the sale of GT was illegal. Also, there was a better offer from Telekom SA for a lower shareholding. Moreover, out of the US\$900 million of the sale value of the company, only US\$266.57 million (less than one third of the sale value) were actually realised under a complex financial arrangement which is less likely to uphold the argument of lack of resources for 2008's budget that was initially advanced. Unlike developed countries, governments in developing countries are made to take full responsibility between a public sector body and a foreign entity for one major reason. If the public sector body defaults, it is the government that is in charge of meeting the entity's obligations. However this does not mean that the head of government himself is actively involved and taking over the whole responsibility of the sale of a public entity established by the citizens, the taxpayers' money. An official noted that the UK encourages a President to boycott the legal and institutional framework with illegal inducement only because of its economic stake. To legitimate the deal, it is reported that MPs from the ruling government party were bribed to endorse it. Yet the UK is a signatory member of the Anti-Bribery Convention, in force since 1999 (Hannon, 2011). Surprisingly there was no reaction whatsoever from any agencies or development partners working on governance strengthening.

France plays a significant role in the current state of accounting systems and the extent of its contribution to accountability and transparency in French speaking Africa in particular.

If I take France for example, they have a technical assistance policy in Francophone Africa. In accounting specifically, when I go to these countries there is often a [French] adviser to the Head of Accounting or the Head of Treasury... So France for example is active in certain [African] countries. I can think of Tchad, for example, where there is a Technical Assistant appointed who assists the Director General of Public Accounting. This is also the case in other French speaking countries. [BWB01]

One of the reasons for such a direct relation with the accounting department in Africa is to ensure that the system does not track the ‘*unofficial*’ financial transactions between Africa and French political leaders, as observed by various former French political officials. For example, when one of the French political leaders, Robert Bourgui, involved in the maintenance of this system, tried to speak up in January 2011 about the existence of the complex and opaque financial transactions from French Africa to French political leaders, he recognised at the same time that he had no physical evidence, because the system is built to leave no track whatsoever of these transactions. In extensive documentary research conducted by Verschave (1999), he uncovered however that:

...the weaknesses and loopholes in the public accounting systems of the [African] States (is not difficult to maintain)” (p. 61) [as a] ‘key condition’ [to ensure that] substantially all the Franco-African financial gift does not leave any track (p.124). [These ‘gifts’] are the cash return [that] irrigate all the political parties of the [French] government (p.61). All the political parties continue to find their interest in this system, especially in funding their electoral campaign (p333).

An African President confirmed this by telling a journalist that for him there is no left or right within the French political system and that he feeds them all to cover himself in all cases (Verschave, 1999). This is further supported by interviewees who recognise that it is in the interest of the leaders to maintain a weak and opaque accounting system to mask their transactions. But most interviewees do not see the direct involvement of the former colonial patron. Interestingly, in spite of the weak accounting system, still no information must be given out even that supposed to be publicly available by law. A senior official at the TAD in Benin acknowledged the situation:

I must recognise that there is some resistance to giving certain information out. Some information is not given out especially when it is about finances, financial operations and disbursements. [BP004]

Interestingly, the weak and opaque accounting systems ensure the maintenance of a system of corruption for which French cooperation has significant responsibility, as uncovered by Verschave (1999: 73) “We measure the extent of corruption that plagues the French system of cooperation”. This is further confirmed by both Benquet (2010) and Pesnot (2011) in their documentary research into the relations beyond the ‘official ones’ between France and former French colonies in Africa under the term of ‘Françafrique’.

7.3.3. Donor Community as a Group

Donors contribute to governance development in Africa through conditionality. This is well appreciated by public officials and civil society organisations officials.

They are simply important because when you go to negotiate a loan with them, it’s an opportunity for them to put certain things in place... via conditionality. [BCA01]

Other interviewees nuance the extent of the effectiveness of the donors’ support toward good governance and point out that the opportunity that this support represents does not often materialise due to internal political forces.

I think it is an opportunity for developing countries to be supported from time to time by donors. It is an opportunity... but it is also a misadventure for the populations, because the governments of these countries – at least those of UEMOA that I know – these supports end-up causing fatalities. The governments do not use these supports wisely for specific activities. Politics, as I use to say, always takes precedence over the reality, over good management, good governance! [BP013]

It is also noticed that the lack of donors’ support resulting in material improvement in governance is in part due to the fact that there is less ‘push’ from donors towards the implementation of certain laws as part of a reform process underlying their loan/grant conditionality.

...sometimes they put pressure on government to pass certain laws. And so we have some laws that have been passed but they are not being implemented! Because they pass them just to satisfy the donors. So donors, they have their role but I think their involvement should be more profitable than this... But it's not pressure enough for the government to implement those laws. [GNG03]

According to some officials, donors are more interested in political governance than overall governance that ultimately supports the accountability of African political leaders. According to these officials, donor support toward governance elements such as elections far outweighs their interest in improvement in accountability.

We are [an] independent institution like the electoral commission and what we do is of interest to all. If an election is [held] and the results are manipulated it creates confusion... So... when it comes to public accountability, when moneys are given or disbursed and cannot be well accounted for, it creates a lot of problems for the people. And every day on radio when Ghanaians are lashing [the] government it's all to do with accountability. It's all to do with accountability!... The electorate, as much as they want to have fair elections and have a government of their choice, they are equally interested in making sure that their leadership is well accountable to them. But the institution that provides assurance as whether these politicians can be trusted or are corrupt, that institution enjoys no support that the electoral commission enjoys... And for elections it's done well in four years, but for accountability every day politicians are given money every year, every time politicians are disbursing, every time they are disbursing; so every minute there's a need for accountability! And yet the institutions [that] are to provide such assurance are handicapped. So as we welcome the idea of support [to] the electoral commission, we equally say that if the support that donors are giving to electoral commission they [also] give [that support] to the Supreme Audit Institution they would better inform the electorate to make wise judgements as to who is elected in power!... Very often they [donors] would make statements but they would not materialise. [GA010]

More explicitly:

...the impetus or the encouragement for more emphasis on the political part of it [governance] which I would call 'Electionary Democracy' – [because] democracy should lead... to things being done in response to public or popular interests... – so if you ask me... it's because the Paymasters, those who fund our electoral commission, those who fund about 30% of our budget, they want elections as a benchmark... but they don't put [an] equally considerable level of expectation on our accountability standards. Because if you look at it there are key issues there that should be spotted, scandalous issues – nobody addresses them. [GNG06]

This 'over-push' for democratic elections, improvement in the business environment and in civility as part of political governance development is observed to be the political 'tool' of donors – the big countries – to secure and legitimate their economic interests.

...the interests of the Paymasters, the Western Powers, they are interested in elections that lead to governance that has a semblance of democracy to the extent that they can do their business with us... [GNG06]

For example:

Ghana has minerals, very rich minerals: gold, manganese, diamond, now oil. Apart from cocoa where we are involved and doing our own, all the rest have been privatised. They are all in foreign ownership. So all that we get is the tax component of whatever goes out. So as long as there is a semblance of civility, civil life, people are respecting the rules of contracts, business, it's politically ok, our Paymasters are fine, they are ok. Everything is doing well, very good – no problem! That's why I'm saying political economy. The international people they have interest in doing business when they come here. So as long as there is a need for them to be here, which is the economic dimension, which is there, they put money to support us through elections. [GNG06]

It appears that less push for accountability through an effective accounting system or support towards a 'semblance' of accountability, aiming not to address the real issues facilitates the continuation of donors' economic interests in a political system that ensures their legitimacy. They sponsor, or are at best accomplices of, a corrupt system maintained with weak accounting systems that enable them to keep their business going with confidence.

All that I know is that at some point the donors too are accomplices... I think in reality the donors too [and] those who come on assessment missions are also corrupt. There's no other name to call it. [BP013]

7.3.4. Summary Discussion on the International Political and Economic

Considerations

In the area of external political and economic considerations, one of the main identified forces is the World Bank. It contributes to governance development in Africa via three mechanisms or instruments: 'conditionality', 'internal advisers', and use of 'external consultants/experts'. With regard to conditionality in particular, various studies have reported the limited results achieved from its use (see for example Collier, 1999; Marchesi and Sabani, 2007).

This study extends these findings. It is found that the World Bank, in its lending activities, 'pushes' more for the adoption of reforms than the actual implementation of these reforms. As such, reforms exist which have been adopted for years but which have been only partially

implemented; in some cases these reforms have not been implemented altogether. This attitude of the Bank was explained by its political considerations and the policy preferences of the 'big countries', i.e. the big shareholders of the Bank with political and economic interests in these countries. The implication of the findings for policy is that the World Bank needs to establish a balance between the interests of the 'big countries' and those of the recipient countries, in order to enhance reform outcomes if governance improvement is still a major element of the Bank's development agenda in Africa.

Another key external political and economic force is the 'Colonial Patron' (i.e. the former coloniser). Findings from the research show that former colonisers are still actively shaping governance development and accounting systems in the case study countries and in Africa in general. The democratic system in some countries are only 'façade democracies' where only those supported by the Colonial Patron are elected, thus diverting political accountability from the constituencies. The accounting systems have particularly been shaped due to their potential to track unofficial financial transactions, often from the African countries to the former colonial patron. This is particularly more pronounced in the French relationship with Africa than the British one. This relationship also affects the outcome of reform initiatives. The findings add to existing studies. For example, Stones' (2004) study of IMF lending in Africa finds among other things that "IMF program conditions are enforced less rigorously when the borrowing countries... belong to postcolonial international institutions that link them to France or Britain..." (p.590).

The third and last force is the donor community as a group. The evidence gathered shows that the donor group is more interested in the political dimension of governance, and their support for this dimension far outweighs their support for other aspects of governance and specifically accountability. Furthermore, the donor group is also found to provide more support for the adoption of reform than its implementation. The adoption of such an approach

was explained by the fact that it facilitates the continuing fulfilment of their economic interests in a 'façade' political system that ensures the legitimacy of these economic interests. In the same way, Stones' (2004) study concludes that: "IMF fails to enforce its conditions... because its principals, the major donor countries, interfere. Enforcing conditionality is, of course, in their long-term interests, but in particular cases they stand to gain more short term benefits by relaxing the pressure on particular borrowers" (p.590). "Pressure from powerful donors with geopolitical or commercial interests in the recipient country provides another potential explanation for lax enforcement of aid conditions" (Kilby, 2009: 51).

The chapter that follows provides the overall concluding comments.

7.4. Chapter Summary

The existing studies of political economy of governance and accounting have tended to focus on one dimension of governance, such as corruption (see for example Riley, 1998; Rose-Ackerman, 1997 and 2008) and transparency (Fung et al., 2003) or selected institutional reforms (see Robinson, 2006; Stone, 2004) with marginal emphasise on accounting. The political economy approach employed in this research takes a wider and integrated standpoint on governance and an exclusive focus on accounting systems. The analysis conducted revealed that the development of governance and accounting systems, and the marginalisation of accounting in governance initiatives, in the case study countries are the outcome of more complex interactions among various political and economic forces at work in these countries.

This chapter has addressed the research question related to the development of governance and accounting using the lens of the political economy framework. The adoption of the framework to organise the findings was based on initial discussion with officials in the case study countries. Overall, research in Benin and Ghana found three main forces that shape the

state of governance and accounting systems in Africa. These are (1) internal political system and institutions forces; (2) internal economic interests/forces; and (3) international political economic forces and interests.

More specifically, first, the research found that, in terms of internal political system and institutions, the constitution in the case study countries does not provide sufficient support for the adequate functioning of governance institutions and for accountability. This actually stems from the point of transition to democracy, which is characterised by limited preparation. The other internal political factors include pressure from interest groups, composed of political parties/groups and civil society organisations; the relationships between some accounting institutions and the government; cadre maintenance; electoral cycles; and excessive use of political power. Second, the research also found that the private economic interests of political leaders and supporters, and the economic interests of business organisations inhibit progress in governance and accounting systems. Finally, the research found three actors at the international political economic level that influence governance and accounting in the case-study countries. These include the World Bank, the former colonial 'patron' and the donor community as a group.

CHAPTER 8: CONCLUSION

8.1. Overview of the Research

The thesis has examined the interplay between country governance and accounting systems considering the role of the World Bank and other donors in the development of governance and accounting in Africa. The purpose of the research was threefold. The first purpose was to assess the state of accounting systems in an English speaking country (Ghana) and a French speaking country (Benin) as illustrative cases. The second purpose was to examine the link between governance and accounting, and donors' approach to the development of governance and accounting in Africa. The third purpose related to the examination, through the lens of political economy, of the factors that hamper the development of sound governance and accounting in Africa.

The overall research is more problem centric than theory driven, though the literature and the political economy are used to guide the analysis conducted. Evidence to answer the research questions was collected through a case-study and cross-national design using four data collection methods: interview, observation, survey and documents.

The starting point of the study was a succinct review of the current country governance and accounting literature. The focus of the literature review was twofold. The first focus was on governance. The second related to accounting systems with particular emphasis on the role of accounting in relation to key elements or requirements of governance.

The thesis continued with the methodology and theoretical chapters. The methodology chapter presented the research design adopted for the study, that is, a case study and cross-national design. Evidence collection methods were also considered in this chapter. The chapter finished with the data analysis procedures and instruments employed. The theoretical chapter briefly discussed the role of theory in research with the consideration of the research paradigm adopted for the research. It then presented the political economy framework used as

an organising framework to provide an understanding of the various factors hampering the development of sound governance and accounting systems in Africa.

Three empirical chapters followed, each addressing specific aspects of the research questions. Firstly, a critical examination of the accounting systems in Benin and Ghana was conducted. This chapter provided a summary description of the accounting systems in each of the case study countries, as illustrations of Anglophone and Francophone systems in Africa. A critical examination of the institutions in charge of the functioning of the accounting systems in each country was conducted. The chapter also included a brief comparative analysis between the two accounting systems.

Second, the link between governance and accounting, and donors' approach to governance and accounting development were examined using interview data, and secondary data on governance and accounting. This chapter also provided a succinct critical examination of the state of governance in the studied countries.

Lastly, an investigation of the factors hampering a sound development of governance and accounting in Africa was conducted according to the political economy framework using evidence from Benin and Ghana.

8.2. Summary of Major Findings

The literature review was divided into two parts as aforementioned. The main conclusions drawn from the first part were that: first, donors' approach to governance reform in Africa has only achieved limited results; second, accounting was found to be marginalised in the approach to and measurement of governance; and third, the governance metrics have various limitations including construct and operationalization flaws. Concerning the second part,

despite the very few studies on State accounting systems in relation to governance, this part of the literature review concluded that accounting has a potential role in four key governance dimensions: accountability, transparency, control of corruption and resource allocation.

Empirically, the study found that accounting systems in Benin and Ghana are very weak despite the reform initiatives undertaken in the area. It further found that there is no significant difference between the two systems in terms of outcome or impact, except that in Ghana there is more information on the work of accountants (including auditors) than in Benin. Furthermore, the findings suggest that there is a potential causal relationship between accounting and governance.

It is important, however, to draw attention to the limitations of these results. In fact, due to limited data, several independent variables (existing determinants of governance) are missing from the model. This could significantly affect the results and the conclusions drawn. In addition, there is limited data available on accounting system across the continent which has constrained the analysis. More extensive data is likely to provide more insight into the extent of the effect of the various variables on governance. In addition to these limitations, it is important to point out the difficulty in capturing comprehensively political factors in a regression analysis.

Concerning the World Bank and other donors' approach to governance and accounting development, it was found that the approach to governance and accounting reforms in Africa suffers from a lack of contextual and cultural fit. For example it was found that the current democratic system being 'pushed' throughout Africa does not accommodate local culture and stage of development, and is not in line with how democracy has evolved in the now developed countries. Similar findings were reported for accounting system reforms which are exacerbated by the high involvement of economists rather than accounting professionals with

local experience and understanding. Donors' approach is further limited by the lack of their experts' capacity to understand local reality in Africa, where in many cases the basic infrastructures and facilities are absent. In addition, absence of accurate feedback on reform outcomes from African leaders was noticed.

Finally, three categories of political economy factors/forces were found to shape the development of governance and accounting on the continent. The first category is concerned with the *internal political system and institutions*. These include the transition to democracy, the *Constitution*, the electoral cycles, the interest groups (civil society and political groups), an internal political environment characterised by excessive use of political power, cadre maintenance, and the relation between government institutions. The second category of factors is related to *internal economic interests*, composed of the economic interests of political leaders and their supporters, and the economic interests of business organisations. The last category is about the *external political and economic forces*. These forces comprise the World Bank, the Colonial 'Patron' (former coloniser), and the donor community as a group.

The main actors identified are the local political leaders and businessmen, external political leaders from the West and the officials in the major development agencies, especially the World Bank. With regard to the interest of the local political leaders and businessmen, this is to keep political power and extract public financial and economic resources. The interest of the external political leaders is twofold. The first is to maintain a political system in place in local countries, with a direct involvement in the design of legal and institutional framework and choice of political leaders, in order to facilitate their political actions and geopolitical interests in Africa. The second interest of the external political leaders relates to the 'exploitation' of local resources (oil, minerals, forestry, etc.) and other economic interests.

A strong institutional and political system, i.e. sound governance, and a good accountability framework, of which accounting system is a major component, are unlikely to facilitate the fulfilment of these interests without political and possibly other consequences; thus, the interaction between these various actors to continuously maintain governance and accounting systems in a weak state. Particularly, a weak accounting system makes it difficult to track or trail all the 'unofficial' flows of financial and economic resources between African and Western political leaders and businessmen.

The contribution to the accounting literature is significant as the study provides a new and a comprehensive explanation of how the design and use of macro level accounting systems in Africa, and potentially in other developing countries, are shaped by the political economy factors. This provides ground for further examination of the magnitude of the effect of each group of actors and each class of interests on the state of governance and government accounting systems in future research.

8.3. Contributions of the Study

The research findings extend the current political economy framework. In fact, in the sphere of internal political factors, the research found in the case study countries an internal political environment characterised by 'excessive use of political power'. Initially, this could be viewed as reflecting an unbalanced system of power. The difference, however, is that it is not necessarily related to the relation between the executive, the parliament and the judiciary. The difference is that excessive power is used against any institutions including civil society organisations. In the area of external political economic factors, the research revealed, in particular, the direct involvement of the colonial patrons in controlling governance and accounting development in the case study countries. Evidence related to this colonial patron

involvement was mostly provided by French officials who have been involved and played active roles in the process in both French and English Africa, though the involvement was more pronounced in French Africa than in English Africa. Additional evidence was also collected from donors' officials.

The research findings further provide new insight regarding the potential link between accounting and governance, and the significance of the role of accounting in governance development particularly in Africa. Moreover, the research found that the failure of governance and accounting system reforms in the case study countries is, to some extent, more caused by limited contextual and local cultural contents than by low capacity and increased corruption (as is often argued by donors). Donors' reform approach fails to address system issues in environments where infrastructures are poor and cultural traits are different. In particular, corruption was argued to be the consequence of system weaknesses, not system weaknesses the consequence of corruption.

In terms of policy implication, this study found that accounting systems in the case study countries are weak, and despite some reforms in the area not much improvement in terms of outcome or impact has been achieved. Related to this issue, are the flaws in donors' approach. The implication of these findings for policy is that accounting systems, as a key part of the basic foundations (specifically in accountability) for a sound governance system, need greater focus. Specifically, capacity building in the area and accounting reforms should be built in context based on the reality prevailing in African countries. Also, efforts need to be made to avoid replication of 'best practices' without ensuring the existence of pre-conditions.

The study also found that there is a strong association between accounting and governance, i.e. improved accounting systems are associated with improved governance, suggesting that there is a potential causal relationship between accounting and governance. Though an

improved accounting system is necessary, it is not sufficient in itself to improve governance. This means that improvements in accounting should be pursued in parallel with improvements in other governance dimensions if they are to result in a material impact on the overall quality of governance. A further policy implication is that accounting should be given at least equal weight in reforms and other governance initiatives in order to achieve increased impact and to sustain the improvements achieved.

Other findings of the research related to donors' approach to governance in Africa. In the area of democracy, it was found that the standard democratic system is not well adapted to the cultural context and stage of development in Africa. The implication for policy is that democracy should be accommodated with the prevailing contextual reality and based on the stage of development. For example, it might be advisable to only allow voting right to those with a minimum level of education, and possibly a minimum contribution to government budget in terms of tax payment (or some forms of equivalence). Such conditions will also evolve in line with the level of development. If a country achieves a level of development that enables it to sustain, for example, a free and compulsory minimum education system for everyone, then the voting right also could be extended to anyone of a certain age, say, 21 years old or above. Also, the foundations for a sound democratic system should be the primary focus of governance initiatives in these countries. These foundations include an effective accountability system, a strong legal system, and strong institutions. Such foundations ensure that elected leaders only do what is expected of them, and answer for the results of their actions and decisions. In the area of institutional reform, the reforms need to be context specific and adapted to the reality in place, and for this to happen, there is a need to use people with capabilities to understand local reality. Also, as aforementioned, efforts should be made to avoid replication of 'best practices'.

The political economy findings highlighted the various forces at play in the case study countries and in Africa in general. These findings will enable policy-makers and policy-advisers to gain insight into the interests of each group of players, how to accommodate some of these interests and what safeguards to put in place when designing reforms in order to ensure the maximum outcome possible.

8.4. Limitations of the Study and Suggestions for Future Research

It is important however to note the limitations of the study. The findings on the potential causal relationship between accounting and governance are limited by the relatively small sample size and number of observations. The accounting data used was only available for 22 countries and only one observation was available per country over 3 years. However, the complementary evidence, including real case instances, from practitioners about the actual contribution of accounting to governance and the relationship between accounting and governance in practice help to mitigate this limitation.

The coding analysis was relatively subjective, and is in line with the pragmatic approach of the research as explained in Chapter 3. It would, however, be wise to engage in a code-checking exercise with an external party (a sort of peer-review exercise) in order to strengthen the consistency in the application of the codes. This was not possible because the researcher was not able to identify any research students undertaking similar research or applying similar frameworks. The exercise could still, however, be engaged with other academic members or research students, but owing to ethical constraints, given the sensitivity of the subject, the researcher decided not to engage in such an exercise.

Also, owing to the fact that no study has applied the political economy framework to governance as a whole and State accounting systems, to the knowledge of the researcher, there is a risk that the findings are limited by bias resulting from misapplication of the framework and misinterpretation of the results. However, this limitation is reduced by the fact that the researcher has presented the framework, the analysis process and the findings at a departmental seminar and at the U21 Conference at the University of Connecticut where he received constructive comments and feedback which helped him to review the initial analysis and presentation of the findings accordingly.

On the other hand, there are components within the framework in which either there was limited evidence to allow for extensive analysis such as the *relation between government agencies*, or there were not enough qualified respondents available to compare responses, such as *transition to democracy* where only one respondent was identified to have taken part in the transition period in Benin. Concerning the latter in particular, an attempt was made to corroborate evidence from existing studies such as Iheriohanma and Oguoma (2010) and other documents which helped to some extent to reduce this limitation.

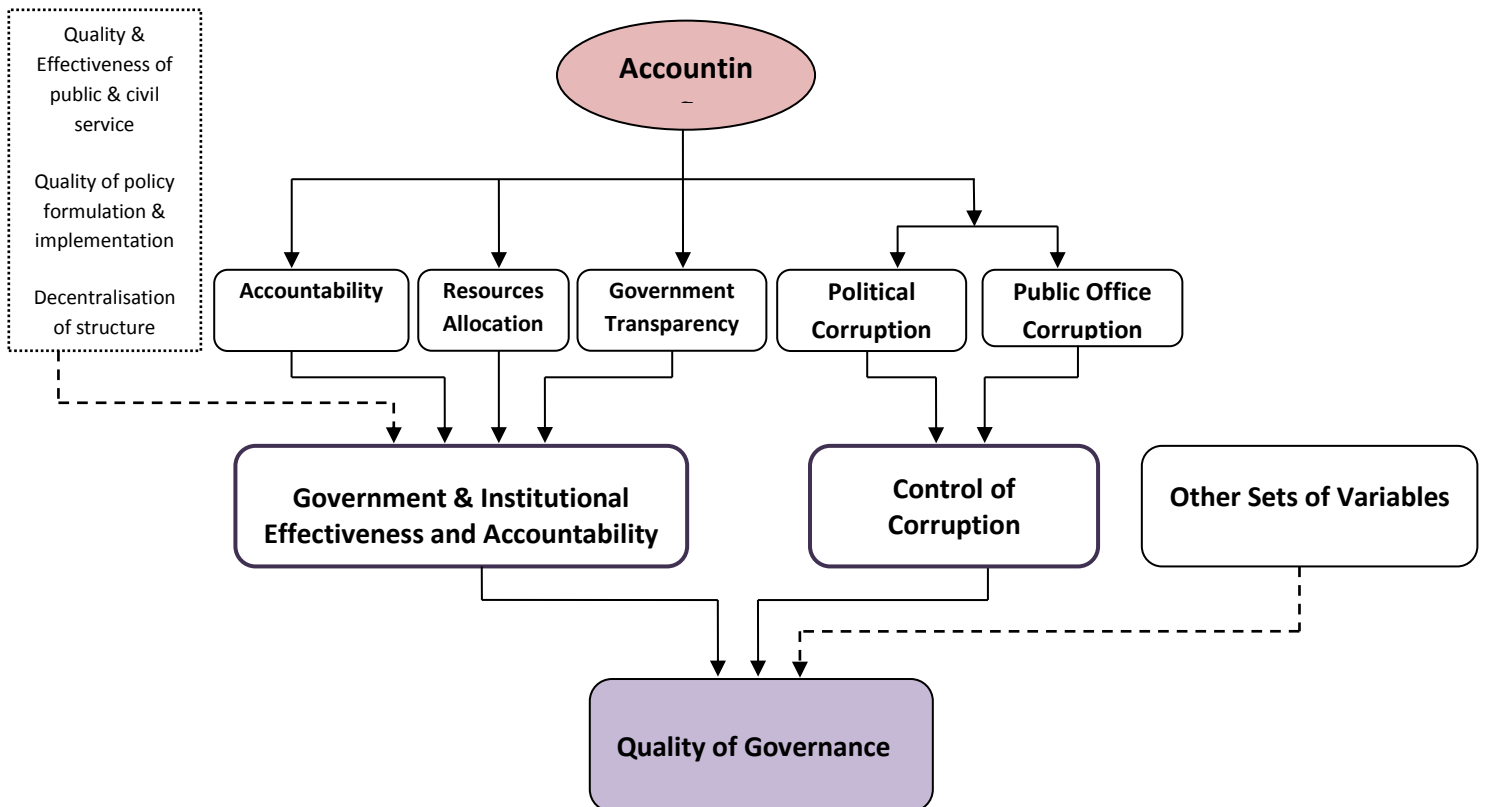
With regard to the areas for future research, the examination of the state of accounting systems was based on one English speaking country and one French speaking country. Future research involving in-depth assessment of accounting systems could be conducted in other English and French speaking countries to enable more consistent comparative analysis between the two systems in Africa, and within each type of system.

Further, given the time frame of the PhD, it was not feasible to conduct a proper experiment required to establish a complete causal relationship between accounting systems and governance. This could be the primary focus of future research. The scale and time frame of such research are expected to be significant given the nature of the subject matter.

The study highlighted the political economy forces and interests at work in Benin and Ghana specifically. Future research is needed to extend these findings to other African countries and to examine the magnitude of the impact of each category of players on governance and accounting development. This is also likely to involve an experiment design.

Appendix

Appendix 2.1: Elements of governance and accounting integration



Note: the 'other sets of variables' encompass all the variables where we did not find any literature on the direct role of accounting systems

Appendix 3.1: Interview Guide

The interview guide provides indicative questions. However, the order of questions changes depending on the profile of respondent and the first responses provided. Also follow-up questions triggered by responses sometimes changed the structure of the interview.

Question area 1: overall interplay between accounting and governance

- What is your understanding of 'governance'?
- What do you think is/are the most important issue(s) in it in Africa?
- What is your view about developing countries in Africa having the same common standards of governance with developed countries?
- What are the most important issues that should be considered when addressing governance issues in Africa?
- Do accounting (systems) play any important role in governance?
- In the private sector, accounting is tied to the effectiveness of corporate governance. This suggests that there is a potential link between the quality of accounting and that of governance. How do you perceive this relationship at the country level – say the quality of the government accounting and the level of the quality of the country's governance?
- People comment in various ways on the quality of governance in Benin / Ghana, what is your appreciation of the country's governance and the quality of its accountants?
- In your experience, what are the factors that are hampering the development of sound governance / [accounting systems] in this country?
- What is your view about the role of the World Bank / the development partners in the development of governance / [accounting system] in this country?

Question area 2: Accounting and governance

Financial Accounting

- Governance involves transparency and disclosure to various interest groups: how do you see the role of accounting in government transparency? ...And what is your appreciation of how this works in the Beninese / Ghanaian context?
- How do you assess the amount of disclosure conveyed by the financial report?
- What is the form of recording system in place and how effective is it in terms of completeness and accuracy of recorded transactions and events?
- When the latest financial reports were issued and which fiscal year did they relate to?
- What is your assessment of the adequacy (quality and appropriateness) and sufficiency (size/quantity) of the resources (human, equipments, etc) at the disposal of the financial reporting department?
- How do you appreciate the improvement, if any, in financial reporting since about 2000? And in which way such improvement can be seen?
- How often officials and personnel of the financial reporting function are trained?
- As accountant, are you bound to any professional code of values and conduct? And how do you perceive the effectiveness of such code in terms of implication of breach?

- Resources allocation is one of the key components of country governance: In your view, does (or can) accounting play any role in the government resources allocation? (If affirmative) how do you see this role? And how does it work in the Beninese / Ghanaian context?
- Are interim financial reports issued within fiscal year? If affirmative, how often are they produced? Are these reports made available to decentralised departments/agencies for their use?
- How do you evaluate the timeliness of the yearly financial reports?

Audit

- One of the national or supreme audit institution's functions is to acts as 'check' on government in their management of public resources: how this function is fulfilled in the Beninese / Ghanaian context?
- The objectivity of the accomplishment of this function and other ones is assured through an independent statute:
 - How do you perceive the legal source, if any, of the independence of the audit institution – including its officers and staff?
 - What's about the institution's organisational independence?
 - Its functional independence? (i.e. no interference in its audit activity – extent of discretion in discharging its functions)
 - Its financial independence? (i.e. sufficient funds to discharge its functions)?
- How freely can auditors access to information and documents as and when needed from any government and state institutions?
- To what extent audit recommendations are followed up by public officials, managers and staff?
- How do you assess the timeliness of the audit report?
- What is your assessment of the adequacy (quality and appropriateness) and sufficiency (size) of the resources (human, equipments, etc) at the disposal of the audit institution?
- How often officials and personnel of the audit function are trained?
- As auditor, are you bound to any professional code of values and conduct? And how do you perceive the effectiveness of such code in terms of implication of breach?
- How do you see accounting [audit] in the effort to control the level of fraud and corruption in Benin / [Ghana]?

Question area 3: World Bank and other donors

- What are the reform priorities of the World Bank / [the development partner]? Why focus on these priorities?
- In financial management reform, what is/are the main focus of the World Bank / [development partner]?

- In an institutional or policy reform where contractors are involved (experts, consultants, services supplier companies...), how are these people chosen?
- What is the margin of manoeuvre of the aid agency vis-à-vis its political members represented (those contributing to the financial resources of the agency) regarding a typical reform implementation?

Appendix 3.2: Consent Form

Purpose of the research

The research is concerned with the interplay between governance and accounting systems development.

Aim of the form

Following your acceptance to take part in the study, this form is issued and requires your approval and signature. The main aim of the form is to protect you as research participant. The data and information you provide will only be used in the way you agree them to be used. The way your personal data will be protected is covered by the form. It also allows the researcher to justify that he is using your data in an appropriate way.

Length of the interview

The interview is designed to take approximately between 45 minutes and 1 hour.

Recording of the interview

For convenience and detailed analysis of the results, the interview will be recorded. If you do not wish such recording to take place or you do not want any part of the process being recorded, please let the researcher know before or during the interview process at any point you wish.

Confidentiality

All information collected is confidential. Your personal details will not be passed on to any other parties. Also none of the information you provide will be shared with any parties. The treatment of the data collected will not be carried out in public areas or public computers.

Anonymity

All information collected through the research process will be treated anonymously. Unless you give a written consent, no direct quote with your name will be done – all quotes will be anonymous. If you give the researcher a written permission to quote the information you provide with your name, he will, otherwise there will be no quote with your name associated to it.

Protection of your data

The data you provide will be anonymised and kept secured for 10 years, as per the University of Birmingham code of practice, after which they will be destroyed.

Withdrawal of respondent

You, as research participant, have the right to withdraw yourself from the research process at any time you wish to without any consequence to you. In case you decide to withdraw yourself from the process, just let the researcher know by any means: email, telephone, letter, etc.

If you withdraw from the research process at any point, your entire data will simply be deleted from the study as a result.

Approval of transcript

Once the transcript of the interview is completed, a copy will be sent to you to require your approval before further processing of the information in the research process.

Feedback

Research findings related to your participation may be sent to you by the researcher if you wish to after they have been published.

Signature

If you are happy with the content of the form, please sign below with the date. In case you are not happy with the content and want to suggest some modification, please return the form to the researcher with your suggested modification(s).

Signature:

Name:

Date:

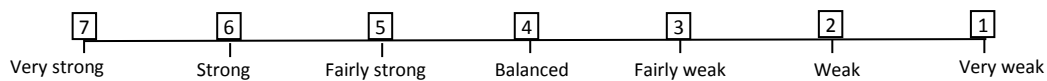
Appendix 3.3: Questionnaire

This questionnaire is designed to collect opinion of diverse groups regarding the interplay between country governance and accounting systems. In the context of the survey, accounting is defined as composed of **financial accounting**, **audit**, and **management accounting**. The survey has no political underpinning and the information collected will only be used for academic purposes. The survey is confidential and anonymous and will take approximately between 10 and 15 minutes to complete.

NB: Please, answer all the questions. Thanks!

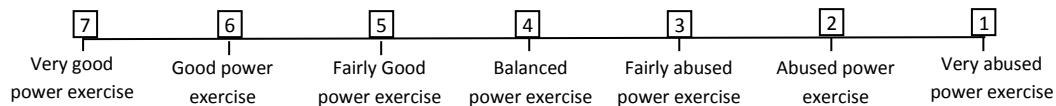
Question area 1: Governance

Q1: How do you assess the overall governance performance (or governance quality) in Benin?

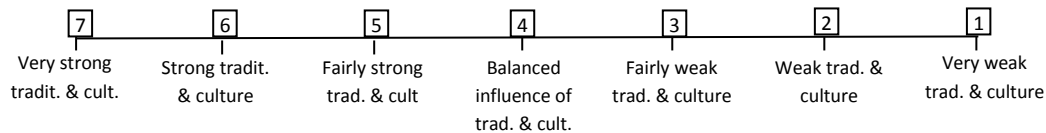


Q2: How would you rate the following factors in influencing the development of governance in Beninese context?

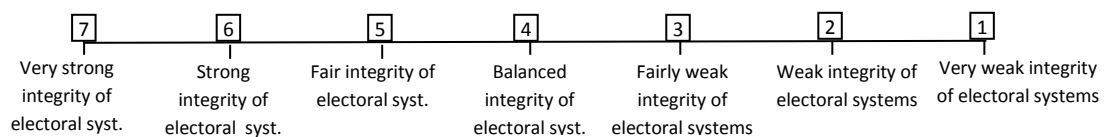
1. Power (the way power is exercised).....



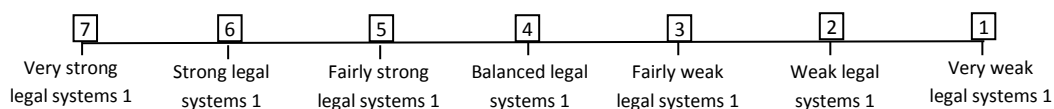
2. Traditions and cultures.....



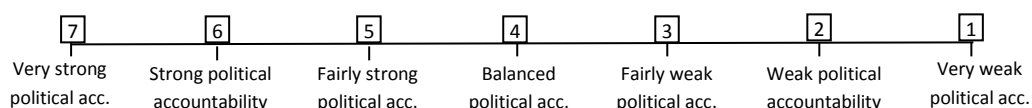
3. Electoral systems (the manner in which public officials are elected).....



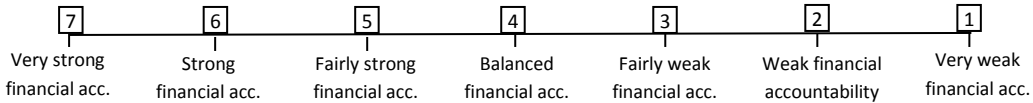
4. Legal systems: the formal and written systems (*formally enshrined rules and code of conduct into law*)



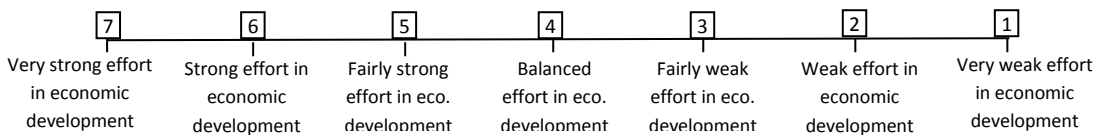
5. Political accountability (how government and politicians account to the public and legislative body through establish interactions and dialogue).....



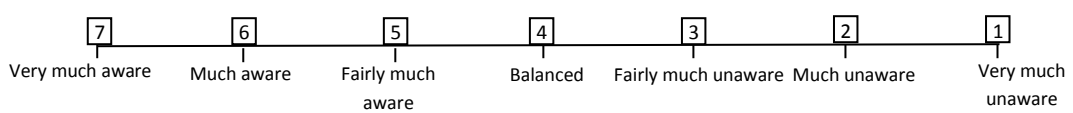
6. Financial accountability (how government account for the management of the country's financial resources – extent of avoidance of misuse of the financial resources).....



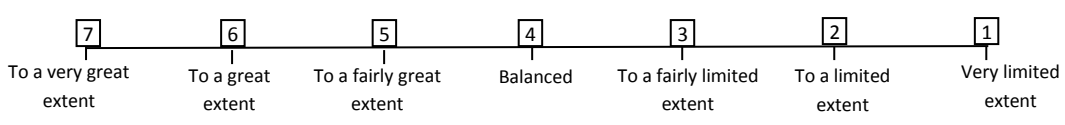
7. Economic development.....



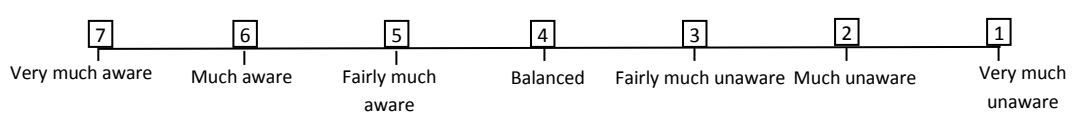
Q3: To what extent are you aware of the Worldwide Governance Indicators (*these are a set of governance measures developed to assess the quality of governance across the world*)?



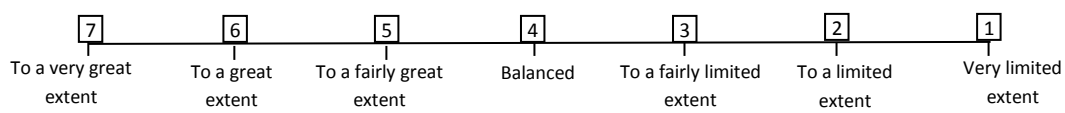
Q4: To what extent to you believe that the Worldwide Governance Indicators are used by donors?



Q5: To what extent are you aware of Ibrahim Index of African Governance (*these are governance measures developed to assess the quality of governance across African countries*)?

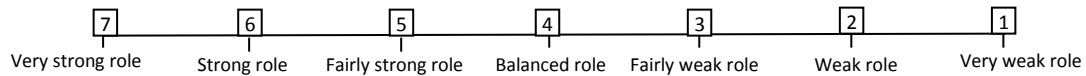


Q6: To what extent to you believe that the Ibrahim Index of African Governance are used by donors?

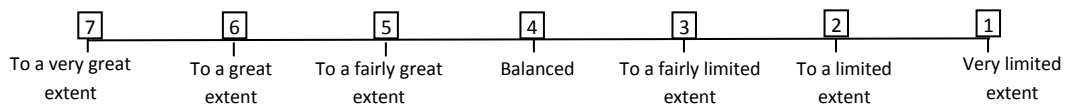


Question area 2: Governance and accounting (*accounting is defined as composed of government financial reporting, government auditing, and government management accounting*)

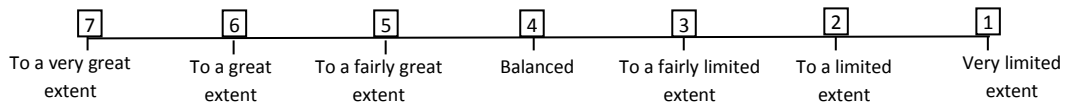
Q7: How do you evaluate the role of accounting in country governance in Benin?



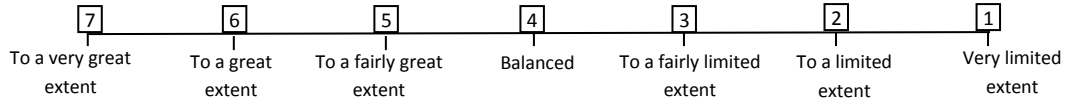
Q8: to what extent is there information about the work of State accountants in Benin? (*State accountants include public accountants, auditors and controllers*)



Q9: To what extent do you think State accountants are proficient (skilful) in performing their work?



Q10: To what extent do you think State accountants show good standards of integrity and professional behaviour in their work in the country?



Q11: What is your overall comment on the link between accounting and governance?

.....

.....

.....

.....

NB: Any information that you provide in this questionnaire is strictly anonymous and confidential and will not be discussed with or passed on to any other parties.

Appendix 3.4: List of Identified Countries

Country
Benin
Botswana
Burkina-Faso
Burundi
Cape Verde
Central African Republic
Congo Republic
Democratic Republic of Congo
Ghana
Guinea-Bissau
Kenya
Madagascar
Mali
Mauritania
Mauritius
Morocco
Mozambique
Niger
Rwanda
São Tomé and Príncipe
Sierra Leone
South Africa
Togo
Uganda
Zambia

Appendix 3.5: List of Selected Countries

Country
Benin
Botswana
Burkina-Faso
Burundi
Cape Verde
Central African Republic
Democratic Republic of Congo
Ghana
Kenya
Madagascar
Mali
Mauritania
Mauritius
Morocco
Mozambique
Niger
Rwanda
São Tomé and Príncipe
Sierra Leone
South Africa
Uganda
Zambia

Appendix 6.1: Plots of dependent and independent variables

Figure 6.2: Plots of IIAG and the Independent Variables

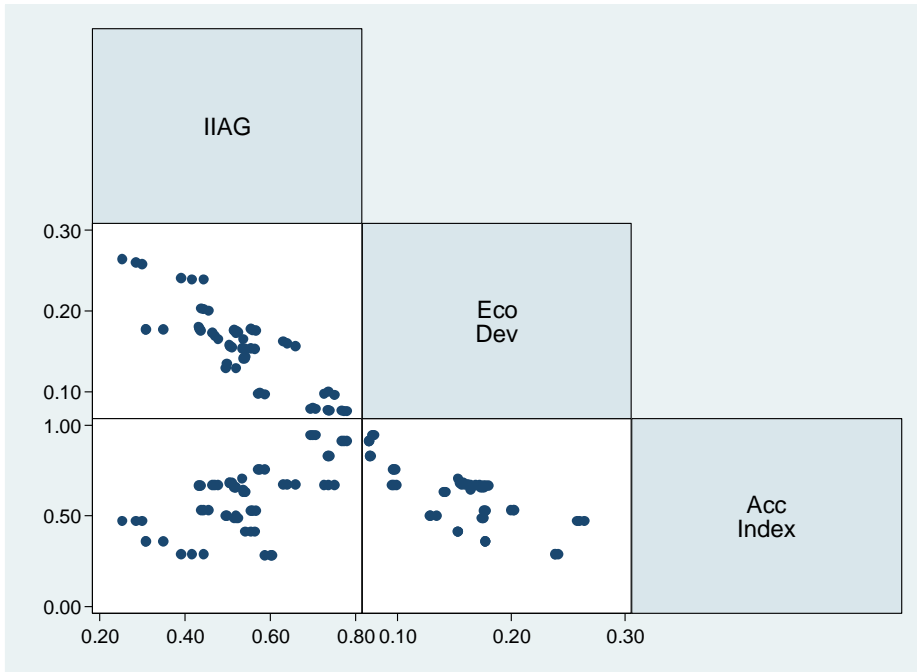
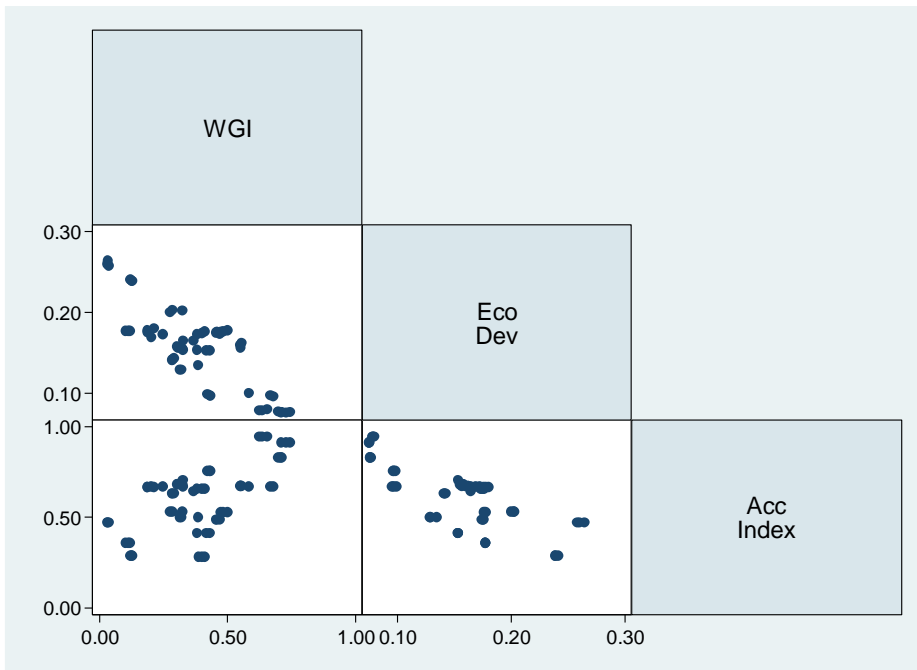


Figure 6.3: Plots of WGI and the Independent Variables



Appendix 6.2: RE Regression Results with and without Language, and Time Dummies

	Model 1 - IIAG (Obs=62)		Model 2 - WGI (Obs=62)	
	RE	RE	RE	RE
Cons	0.7586***	0.8472***	**0.6972	0.4539
Std error	0.1418	0.1217	0.2729	0.3255
t-stat/z-stat	5.35	6.96	2.55	1.39
EcoDev	-1.9125***	-2.1480***	***-2.7398	*-1.9913
Std error	0.4459	0.4241	0.7887	0.9906
t-stat/z-stat	-4.29	-5.07	-3.47	-2.01
Obs	59	59	59	59
Language		0.0249		-0.0328
Std error		0.0389		0.0793
t-stat		0.64		-0.41
Obs		55		55
Acc_Index	0.1296	0.0186	0.1777	0.3986
Std error	0.1335	0.1381	0.2456	0.3200
t-stat/z-stat	0.97	0.13	0.72	1.25
Obs	62	62	62	62
t1	-0.0083**		0.0057	
Std error	0.0035		0.0078	
t-stat/z-stat	-2.37		0.73	
Obs	66			
t2	-0.0046		-0.0031	
Std error	0.0033		0.0075	
t-stat/z-stat	-1.39		-0.41	
Obs				
(Adjusted) R2	0.7585	0.7505	0.6908	0.6709
F Stat/Wald Chi2	76.44***	112.4***	***90.39	***50.11

*** significant at 1%; ** significant at 5%; *significant at 10%

Appendix 7: Paper written for the African Development Bank

Governance and Accountability in Africa: What do We Know?

Executive Summary

This paper surveys existing knowledge on governance and accountability in Africa. The review is particularly important given the central role that good governance and accountability plays in development or its lack plays in under-development. Governance and accountability from our view is broad and multifaceted cutting across several disciplines including politics, economics, finance, accounting, law, etc. This view is consistent with the various governance indexes which are used to rank countries (with the main ones being the Ibrahim Index of African Governance, and the Worldwide Governance Indicators developed by the World Bank). These indexes include broad based measures of governance, for example the Ibrahim index has four pillars - safety and rule of law, participation and human rights, sustainable economic opportunity, and human development while the Worldwide Governance Indicators have six - voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. Our approach is to adopt this broad conceptualisation of governance and accountability to assess the state of governance and accountability in Africa. We believe that most of the governance and accountability challenges facing the continent extend beyond finance hence the need to look at the subject from a broader perspective.

Our review has highlighted a number of issues that would help us assess the state of governance and accountability in Africa. First, the review revealed that good governance and accountability is critical for Africa's development. This was also highlighted by Kofi Annan in an address to the Heads of African States as: "...without good governance – without the rule of law, predictable administration, legitimate power and responsive regulation – no amount of funding, no amount of charity will set us on the path to prosperity" (Economic Commission for Africa, 2005a: II). Unfortunately, the review of the literature revealed that governance and accountability in most of Africa is generally weak and this has in part contributed to the underdevelopment of the continent. A number of efforts have been made since the 1980s to implement reform initiatives to strengthen governance and accountability in some specific African countries but these reforms have largely not been successful. Governance and accountability reforms, similar to other types of reforms on the continent are

often engineered and implemented by international donors. Though there has been criticism of the lack of local ownership of these reforms the Bank in particular through its Strategy and the GAP has been making efforts to ensure that reforms are country-led, owned and controlled from within individual countries and as a result aligned with local conditions. One example of such an initiative is the combination of traditional and modern systems popular tribunal in Rwanda “Gacha cha Rwanda”.

Second, for governance and accountability to function effectively, there is the need for strong underpinning institutions. Our review has identified that in most cases these institutions are themselves weak hence contributing to the failure of most governance and accountability initiatives in Africa. Any reforms of governance and accountability need to be accompanied by institutional reforms, i.e. the political system, civil society, the judiciary, tax administration, audit, etc.

Third, though existing governance indexes, namely the Ibrahim Index of African Governance and the Worldwide Governance indicators which are widely used in assessing the state of governance in Africa have flaws, they remain important and influence donor decisions. We believe that there is a need for further empirical studies to refine and improve on these indexes and also to understand what measures countries can adopt to improve their governance ranking. For example, there is a need to compare countries that are the top of the ranking with those at the bottom. Research is also needed to understand how these rankings influence the behaviour of various people such as politicians, government officials, etc.

Overall, we feel that the area of governance and accountability is extremely important but has received only minimal attention from researchers. There is the need for in-depth country level studies in order to have a better understanding of the state of governance and accountability in Africa. Apart from understanding the general state of governance and accountability in Africa, we also feel there is a need for research to understand the link between country level governance (macro level) and governance at firm level (corporate governance/micro level). In this paper we have focused mainly on country level governance but we believe that it will be interesting to examine how governance and accountability at the micro level shapes or is shaped by governance at the macro level. This will undoubtedly broaden our understanding of governance and accountability development in Africa.

The main lesson from our review is that a concerted effort is needed in order to improve the state of governance and accountability in Africa. This effort requires among other things, in-depth country level studies to assess the actual state of governance and accountability and then the design of appropriate governance and accountability structures and processes that incorporate local conditions. These efforts must also be accompanied by appropriate institutional reforms. Though the Bank has made a significant effort in this area, we feel that more country level studies will complement the Bank's efforts.

1. Introduction

1.1. What is governance and why is it important?

The literature on governance can generally be divided into two – corporate or micro level governance and country or macro level governance. The focus of this paper is on country level governance which is usually termed *governance* with no further specific qualifications (see for example, Kaufmann et al. 2009; Rotberg, 2004). The term 'governance' is therefore adopted throughout this paper to denote country level governance. Governance has gained increased attention as a result of the financial and economic woes of many governments in the developing world (many of these are in Africa) in the 1980s and 1990s. The general consensus is that, the underdevelopment in many developing countries, especially those in Africa can be explained in part, by the weak governance that has characterised these economies (The World Bank, 1989, 1992; Kemal, 2006).

Broadly speaking, governance relates to the manner in which power is acquired and exercised, public resources are managed, and the relations between political officials, public institutions and the general public (Dallas, 2004; Rotberg, 2004). The World Bank's definition of governance as "the manner in which power is exercised in the management of a country's economic and social resources for development" (The World Bank, 1992: 1), is particularly useful in understanding the role of the government in governance and development. This definition places emphasis on the expected outcome of governance, i.e. 'development', with the argument that good governments are those that achieve development. There is however a debate in the literature as to whether the form of governance matters or not, i.e. '*the manner in which power is exercised*'. In this respect, some researchers have identified two forms of governance - the market-enhancing governance and the growth-enhancing governance (see,

for instance Khan, 2007). According to the market-enhancing governance, if markets are efficient the private sector will drive economic development. The assumption therefore is that the private sector should play a dominant role in economic development. The mixed results under the private sector led development initiatives from some developing countries have called for the consideration of the growth-enhancing governance, which requires state intervention and critical government capacities to allocate resources irrespective of the market. There is however no consensus on the argument that high-democracy based governance results in better growth. In an earlier study, Helliwell (1994) concludes that “the general result of the growth analysis is that it is still not possible to identify any systematic net effects of democracy on subsequent economic growth” (p.225). In a more recent study, Doucouliagos and Ulubasoglu (2008) find that though democracy has no direct effect on growth, it does affect growth through indirect channels suggesting some link between democratic governance and growth.

Kaufmann et al. (2009: 5) are of the view that governance encompasses the: “...traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.” Kaufmann and his colleagues placed emphasis on traditions in terms of social and cultural features as important determinants of the form and characteristics of governance in a country. These traditions together with the institutional arrangements within a country determine the quality of governance (La Porta et al., 1999).

Interestingly, there has been a growing interest in understanding the requirements of good governance. According to Wilson (2008: 200): “good governance involves making difficult trade-offs between highly desirable goals... by trying to make sure that those who make these trade-offs... are subject to accountability mechanisms that are sufficient to ensure that they make justifiable, even if contestable, choices.” Wilson recognises here the difficulty in choosing between alternatives on behalf of the public. The trade-offs involved in the process require choosing the options that satisfy, the most (or best), the interests of the citizens. Here, apart from proper accountability mechanisms, the notion of resource allocation appears to be relevant since choice requires deciding between alternative goals and how the available resources will be allocated between selected goals.

The World Bank (2000: i) suggests that “good governance is epitomized by predictable, open, and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law.” An important point to highlight here is that good governance also requires ‘*transparency*’ and as suggested by Dye and Stapenhurst (1998: 1) “good governance is *accountable, participatory and transparent*”. Furthermore “good governance is a strong antidote to ‘*corruption and fraud*’ (Dye, 2007: 7) since good governance requires the existence of mechanisms to prevent or at worst reduce the likelihood of corruption and fraud.

These good governance requirements are well entrenched in the African Development Bank (AfDB) operations as the core key areas around which the Bank has begun to support governance development in Africa. More specifically the focus of the good governance agenda of the Bank is “on accountability, transparency, combating corruption, participatory governance and legal and judicial reforms” (African Development Bank, 1999: p.ii), with accountability being the overarching requirement. In the words of the Bank:

The development of the Bank Group (The Bank) policy on good governance reflects the general consensus among African governments that, good governance is an essential ingredient for sound development. It is also in line with the Bank's vision for sustained African development into the 21st Century (p.1).

Following this through to its logical conclusion, the AfDB's vision considers Governance and accountability as a major priority in Africa with an emphasis on institutional strengthening and the role of civil society in order to give an impetus to the development of the continent. Such vision was first put forward by the President of the Bank in 2003 by asserting that: “good governance is not only a worthy goal per se but also a prerequisite for sustainable development and poverty reduction in the longer term” (Kabbaj, 2003: p.7)

1.2. What is accountability and why is it important?

Accountability which is a basic concept of good governance can be defined in terms of responsibility or answering for actions, particularly expenditure by people in authority such as those in government and those who hold public office (Moncrieffe, 1998). Accountability

involves both taking and accepting responsibility, willingly or by obligation, and accounting for actions undertaken within these responsibilities.

As argued by O'Neill et al. (2007: 3): “accountability refers to the nature of a relationship between two parties. A relationship may be characterised as lacking in accountability or highly accountable. In a relationship between two parties, A is accountable to B, if A is obliged to explain and justify her actions to B, and B is able to sanction A if her conduct, or explanation for it, is found to be unsatisfactory.” Accountability is a two-way relationship. First, there is the requirement placed on the person taking a defined responsibility to be answerable to the person or party giving the responsibility. Second, there is the possibility of the latter to sanction (or reward) the first if he/she finds that the account or the explanation provided is unsatisfactory (or satisfactory). In a democratic system, this second dimension of the accountability relationship is fulfilled through the electoral process allowing the constituencies to reward (re-election) or sanction (replacement) of the elected officials.

Accountability is central to the achievement of good governance and this has been reiterated by Malena and McNeil (2010: 1) as: “Accountability is the cornerstone of good governance. Unless public officials can be held to account, critical benefits associated with good governance – such as social justice, poverty reduction, and development – remain elusive” Similarly, Kluvers (2003: 57-58) notes that:

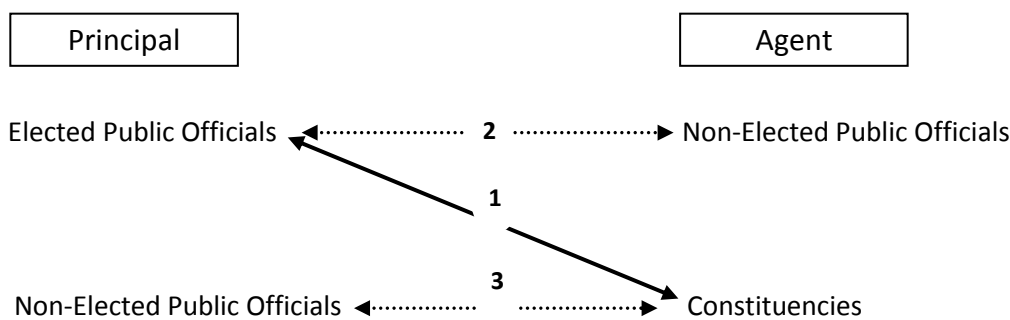
The concept of accountability is a fundamental underpinning in liberal democratic thought. Accountability forms the basis of the trust we have in society’s institutions and organisations, so when accountability relationships are undermined our trust in society’s institutions is damaged... Without adequate accountability the management of resources can at best be wasteful and incompetent and at worst corrupt. Where there is inadequate accountability resources may be used inefficiently and ineffectively.

Accountability is a fundamental principle in itself and not only driven by the quest to fight corruption and fraud. Even where corruption is absent or minimal, accountability is needed to improve efficiency and effectiveness of resources use and avoid wastes; and ultimately hold officials answerable to their constituencies. One concept of accountability discussed in the literature is political accountability (Persson et al., 1997), which has been suggested serves two practical purposes. As argued by Adibe (2010: 1250), “the first, which is political, is that political accountability gives effect to the principle of checks and balances as a bulwark against arbitrary government. The second, which is economic, is that it ensures efficiency in the operation of the business of government”. This notion of accountability emphasises both

the requirement of balance of power and the crucial need for efficiency in government in running businesses.

It follows from this brief discussion that accountability is a two-way process: the government accounting to its constituencies and they in return reward the government with re-election, or sanction them by replacing the ruling government and public officials.

Figure 1: The process of accountability



At the heart of the accountability concept lays the principal-agent relationship. At macro or country level, this relationship is between (1) the citizens and elected public officials (or politicians), between (2) elected public officials and public managers or non-elected officials (Broadbent and Laughlin, 2003), and between (3) public managers and the citizens. In the first relationship, the citizens are the principal and elected officials are the agent; and this is the ultimate principal-agent relationship since it is the citizens who entrust the management of the nation’s resources and affairs to the elected officials through elections. In return, elected public officials account for their actions and decisions to the citizens via various mechanisms such as the Parliament, audit institutions, media, etc. These institutions also act as control mechanisms. Most public institutions and agencies are run by individuals who are not usually elected, but are rather appointed by the elected officials. As a result, they account to the elected officials who in turn account to the public. However, where institutions or agencies have special or independent status, such as the Office of the Auditor General or the judiciary in most countries, the public officials running these institutions account presumably to the public via its representative, the Parliament and/or other arrangements.

2. Governance and Accountability in the African Context

2.1. Background: Initiation of Governance and Accountability Reform in Africa and the Role of the World Bank

The 1980s and 1990s had seen the emergence of political institutions for governance and economic and social development (World Bank, 1989, 1992, 1997, 2003). Improvements in governance are suggested to foster enhancement in economic and social conditions and poverty alleviations. In terms of citizen welfare, it has been argued that “good governance is a pre-requisite to sustained increases in living standards” (Knack, 2002: 1). Similarly, Kaufmann et al. (1999) find that an improvement of one standard deviation in governance is associated with an increase of between two and a half and four fold in per capita income. This potential link between governance quality and development has given impetus to the World Bank support to government institutions across the world (World Bank, 2003).

Since the economic crisis of the late 1980s and early 1990s, Africa has been part of this process and subjected to increased institutional reforms in order to improve governance across the continent (Jaspersen & Shariff, 1990; Dollar and Svensson, 2000; World Bank, 2003; Economic Commission for Africa, 2005b). Structural adjustment programmes led by the World Bank had been the primary approaches used to achieve this purpose. With these programmes, “it is hoped that macro and institutional reforms will produce more efficient resource use and higher rates of economic growth” (Summers and Pritchett, 1993: 383). Hence, the central focus was on institutional improvement as emphasised by the World Bank (2003: 25): “we need to ensure our lending enhances institution-building (in addition to addressing relevant policy, physical investment, and resource transfer objectives)”. As a result, there has been a significant growth in adjustment and investment lending over the years.

Prior evaluations of the adjustment programmes suggest that, in all, they fail to meet expectations. Having acknowledged that adjustment lending in the 1980s had somehow improved macroeconomic imbalances and growth, Summers and Pritchett (1993) recognise, however, that it did not solve the basic development problems. This is also supported by Easterly’s (2005: 20) assessment that “there were some successes, but also some big disasters” associated with the adjustment lending in the recipient countries. As a result, the adjustment

lending approaches had been amended by the end of the 1990s and the beginning of the 2000s with new programmes whose primary objectives are defined to ensure improved public savings and efficient use of public resources, transparency of the use of public money, and monitoring and controls of expenditures, thus improving accountability (World Bank, 2003; Easterly, 2005).

Despite the renewed approach to African governance development, there is a conviction that the continent needs to do more on the ground in terms of effective implementation of governance related policies and frameworks. In support of this, Banda (2002: 95) claims that “in theory, most of Africa has embraced the concept of good governance. In practice, this is not the case.”

Interestingly, following the World Bank’s governance programmes in Africa, the AfDB has joined the initiatives with a vision to make governance and accountability a key priority in its lending and non-lending activities on the continent as aforementioned. To this purpose, the AfDB has developed the Governance Strategic Directions and Action Plan (DAP) over the period 2008-2012 which serves as a framework for the Bank’s interventions in good governance in Africa. As such, the “(GAP) for 2008-2012 is the African Development Bank’s guide for [the Bank’s] support to regional member countries’ efforts to improve governance and fight corruption” (African Development Bank, 2008a: p.9) with the central objective to build capacity and strengthen transparency and accountability in the management of public resources. Specifically, the GAP is expected to “strengthen the implementation of the Bank’s governance work by providing the basis for greater strategic selectivity, defining guiding principles for delivering results and achieving impact” (p.13). This framework is formulated around three main levels of intervention: (1) country level, (2) sectorial level, and (3) regional level. A thorough evaluation of the GAP at the end of its term (i.e. 2012) is necessary to give an indication of the successes achieved.

2.2. Snapshot of Governance and Accountability in Selected African Countries

A brief overview of the state of governance and accountability is provided in this section based on the governance indicators developed by Kaufmann et al. (2009)⁶⁵.

⁶⁵ Subject to the limitations discussed later in this paper

Table 1: Average WGI for selected African Countries

Country	1996	1998	2000	2002	2003		2004	2005	2006	2007	2008	2009	
					Score	Change (%) comp. to 1996						Score	Change (%) comp. to 2003
ALGERIA	18.3	10.6	14.6	23.4	25.5	38.9%	28.3	31.1	28.7	27.8	27.0	25.0	-1.8%
BENIN	58.7	48.5	48.9	44.8	42.5	-27.6%	41.7	38.2	43.2	43.4	42.4	42.9	0.9%
CAMEROON	12.2	15.7	19.7	17.6	21.2	74.0%	19.5	19.2	21.2	21.4	20.9	22.4	5.7%
Congo, Dem. Rep.	2.6	0.9	1.5	2.1	2.9	13.1%	3.3	3.1	3.7	4.3	4.7	3.7	28.0%
GHANA	41.2	43.3	50.4	46.8	46.9	13.9%	46.5	51.5	55.7	54.9	55.3	55.6	18.5%
KENYA	25.7	19.7	22.6	24.8	28.2	9.8%	29.2	27.0	29.1	28.5	28.4	25.6	-9.4%
MALI	41.7	36.8	39.5	43.0	45.7	9.5%	46.0	46.9	43.1	43.3	40.2	36.7	-19.6%
NIGERIA	8.2	13.9	15.1	11.5	12.6	54.1%	11.2	14.7	15.8	16.3	17.9	14.7	17.1%
SENEGAL	40.8	45.9	48.8	51.9	47.6	16.7%	50.5	50.3	45.2	42.1	43.5	40.8	-14.2%
SOUTH AFRICA	53.4	58.4	60.5	61.0	61.0	14.3%	64.6	64.4	65.6	63.7	62.4	59.9	-1.9%
TANZANIA	32.5	32.9	33.3	35.2	35.3	8.5%	37.0	37.3	42.5	42.8	42.3	41.4	17.3%
UGANDA	33.4	28.8	25.8	25.6	30.5	-8.6%	30.8	30.7	32.8	33.1	32.6	31.7	3.8%
ZAMBIA	31.2	33.5	29.8	30.3	30.8	-1.1%	32.2	30.3	34.7	37.9	41.8	40.7	31.9%

Source: Computed from the Worldwide Governance Indicators 1996 - 2009 – Available from www.worldbank.com

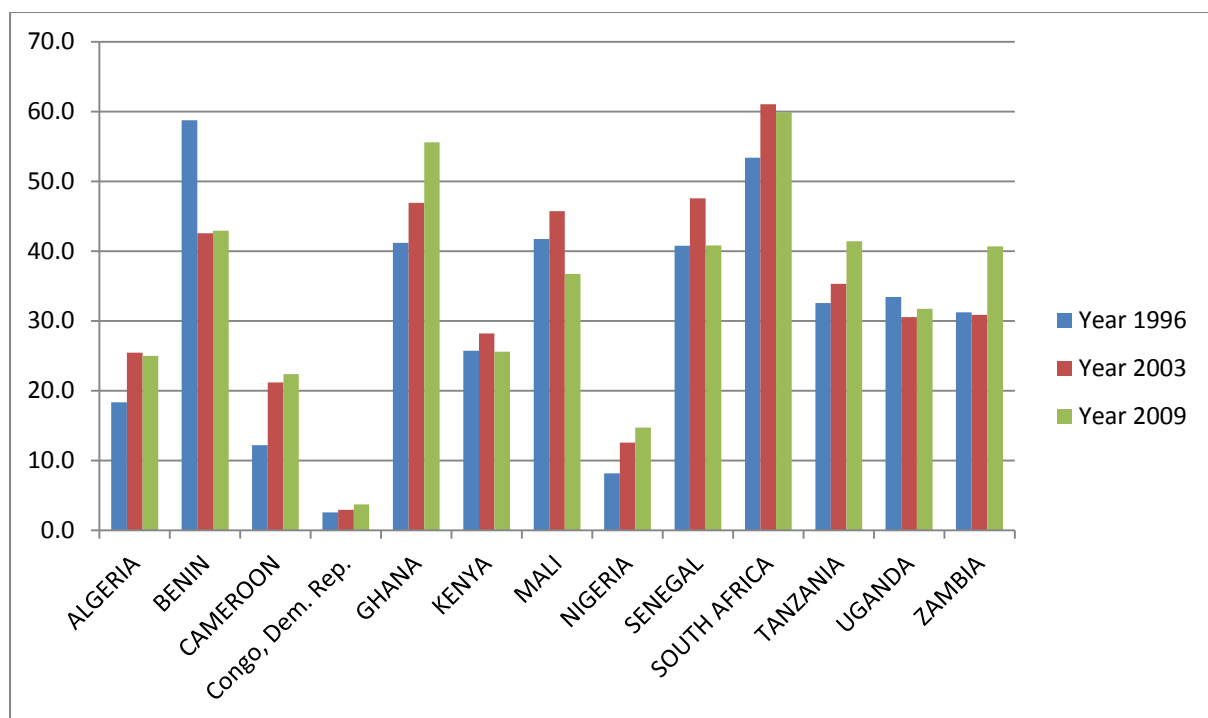
Table 1 shows the average governance indicators from all six dimensions of the Worldwide Governance Indicators⁶⁶ (WGIs) for selected African countries. The year 2003 is the mid-year between 1996 (the year when the first indicators were produced) and 2009 (the last year covered in this analysis). Except for South Africa with consistent average governance performance above 50% (which is the case for other few countries not covered in this analysis such as Botswana and Mauritius) all the other countries' scores are well below the 50% threshold, with a limited number marginally reaching this threshold at some points (examples include Benin in 1996; Senegal in 2002, 2004 and 2005; and Ghana in 2000 and from 2005 to 2009).

A number of countries have achieved some noticeable improvement in 2003 compared to 1996. Examples include Cameroon (74%), Nigeria (54%), and Algeria (39%) but these performances are due to their relatively low (or very low) initial average scores, and so small increase in absolute value term can turn to a big increase in percentage (see for example Nigeria which had only a 4.4 average score points increase). Few other countries have seen

⁶⁶ The six dimensions that compose the WGIs are Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

their governance scores deteriorated in 2003 compared to 1996. The most visible one is Benin which recorded an above average governance score in 1996 but then had experienced a significant drop in its governance score by nearly 28% in 2003. In 2009 the governance quality of many countries have marginally (but not significantly) improved except for Zambia (32%) and Congo (28%) – in the case of Congo the absolute average score is so low that this increase in governance performance cannot be seen as any noticeable improvement. On the other hand, the governance quality of a significant number of countries had weakened in 2009 compared to 2003, with Mali recording the highest rate of deterioration (nearly 20%).

Figure 2: Average WGIs for Selected African Countries in 1996, 2003 and 2009



Source: Based on WGIs 1996, 2003, 2009

Figure 2 compares the average WGIs for 1996, 2003 and 2009 for selected African countries. Except for 1996 when Benin had achieved the highest governance score, South Africa recorded the highest average score in both 2003 and 2009 followed by Senegal in 2003 and Ghana in 2009. Ghana had actually made a steady improvement in its governance quality over the review period. Similarly Congo and Nigeria had also made continuing improvements despite having the lowest average scores in each year compared to the rest of the countries (Congo's average scores being even lower than that of Nigeria in all cases).

Table 2: Voice & Accountability Indicators for Selected African Countries

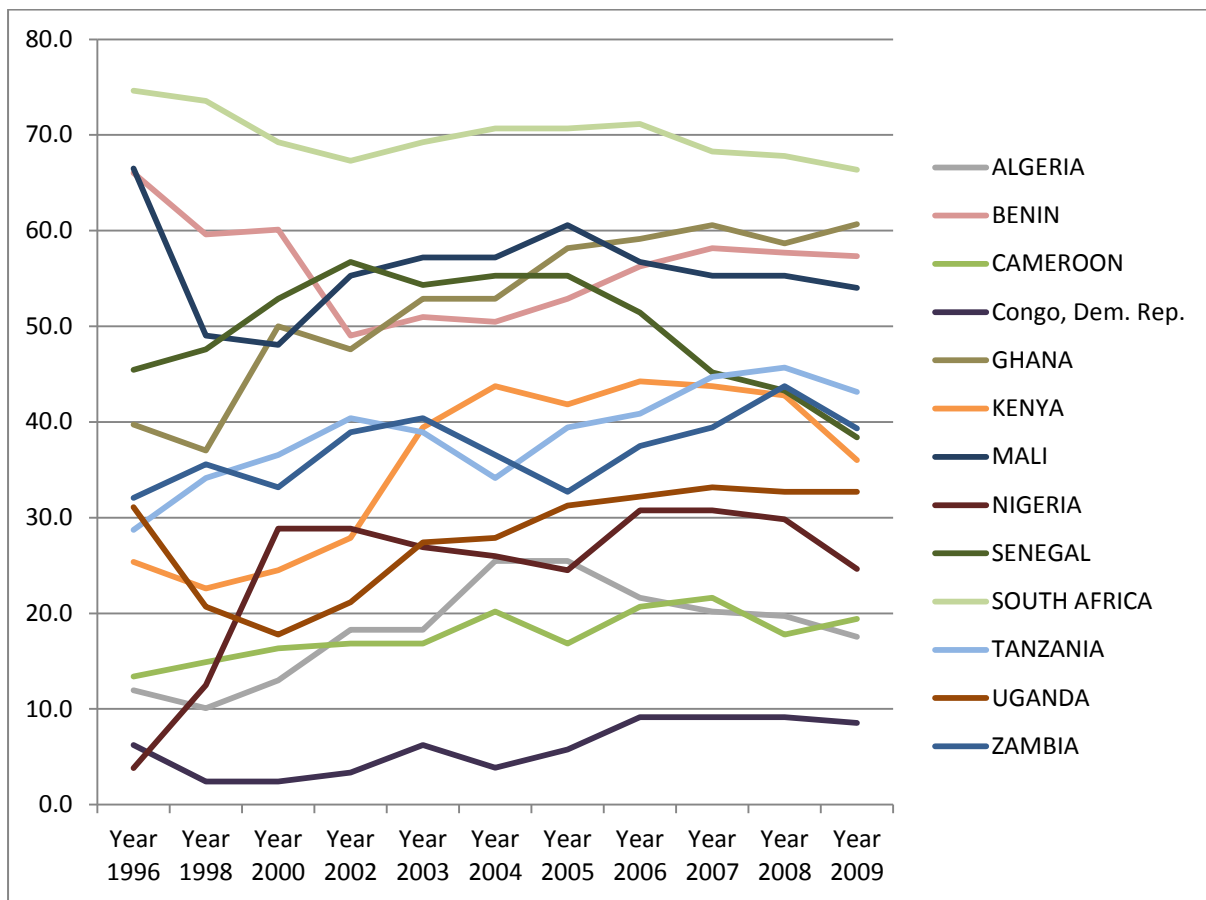
Country	1996	1998	2000	2002	2003		2004	2005	2006	2007	2008	2009	
					Score	Change (%) comp. to 1996						Score	Change (%) comp. to 2003
ALGERIA	12.0	10.1	13.0	18.3	18.3	52.7%	25.5	25.5	21.6	20.2	19.7	17.5	-4.0%
BENIN	66.0	59.6	60.1	49.0	51.0	-22.8%	50.5	52.9	56.3	58.2	57.7	57.3	12.5%
CAMEROON	13.4	14.9	16.3	16.8	16.8	25.6%	20.2	16.8	20.7	21.6	17.8	19.4	15.5%
Congo, Dem. Rep.	6.2	2.4	2.4	3.4	6.3	0.5%	3.8	5.8	9.1	9.1	9.1	8.5	36.5%
GHANA	39.7	37.0	50.0	47.6	52.9	33.2%	52.9	58.2	59.1	60.6	58.7	60.7	14.7%
KENYA	25.4	22.6	24.5	27.9	39.4	55.5%	43.8	41.8	44.2	43.8	42.8	36.0	-8.6%
MALI	66.5	49.0	48.1	55.3	57.2	-14.0%	57.2	60.6	56.7	55.3	55.3	54.0	-5.6%
NIGERIA	3.8	12.5	28.8	28.8	26.9	603.4%	26.0	24.5	30.8	30.8	29.8	24.6	-8.5%
SENEGAL	45.5	47.6	52.9	56.7	54.3	19.5%	55.3	55.3	51.4	45.2	43.3	38.4	-29.3%
SOUTH AFRICA	74.6	73.6	69.2	67.3	69.2	-7.2%	70.7	70.7	71.2	68.3	67.8	66.4	-4.2%
TANZANIA	28.7	34.1	36.5	40.4	38.9	35.6%	34.1	39.4	40.9	44.7	45.7	43.1	10.7%
UGANDA	31.1	20.7	17.8	21.2	27.4	-11.9%	27.9	31.3	32.2	33.2	32.7	32.7	19.3%
ZAMBIA	32.1	35.6	33.2	38.9	40.4	26.0%	36.5	32.7	37.5	39.4	43.8	39.3	-2.6%

Source: Computed from the Worldwide Governance Indicators 1996- 2009 – Available from www.worldbank.com

Table 2 shows the Voice and Accountability indicator for selected African countries from 1996 to 2009 with 2003 the mid-year. Here again, South Africa maintained its voice and accountability score well above the 50% threshold over the review period. Similarly, Benin and Mali also maintained their score above 50% except for 2002 when it marginally dropped to 49% for Benin, and 1998 and 2000 when it dropped to 49% and 48% respectively for Mali. Although Ghana's initial score was relatively low, it had reached and exceeded the 50% threshold in 8 out of the 11 review years. A number of countries (Algeria, Cameroon, Congo, Kenya, Nigeria, Tanzania, Uganda, and Zambia) had never reached the 50% threshold.

Some countries had, however, made some impressive improvement at the mid-year point (2003) (e.g. Nigeria, Kenya, and Algeria); Nigeria being the one with the most noticeable improvement (603%) – this is because its initial score was only 3.8 in 1996. Nevertheless, some countries have experienced deteriorations over the years (e.g. South Africa, Uganda, Mali and Benin). This deterioration is more observable in 2009 when more than half of the countries recorded some drop in their voice and accountability scores (e.g. of these countries: Senegal (-29%), Kenya (-8.6%), Nigeria (-8.5%), and Mali (-5.6)).

Figure 3: Trend of Voice & Accountability Indicators for Selected African



Source: Based on WGI 1996-2009

Figure 3 shows the trend in the Voice and Accountability indicator for selected African countries from 1996 to 2009. Nigeria recorded a significant increase in its score in the early years to 2000. Tanzania and Senegal had experienced a similar trend up to 2002 but at a lower slope compared to Nigeria. The opposite trend can be observed for Mali and Uganda from 1996 to 2000 where their accountability score plummeted from 66.5 to 48.1 and 31.1 to 17.8 respectively. Benin had also experienced a drop in its score from 66 in 1996 to 49 in 2002. The overall accountability performance for most countries fluctuated significantly between 2002 and 2009 with a decline in trend for many of the countries in our sample (Mali, South Africa, Tanzania, Zambia, Senegal, Kenya, Nigeria, and Algeria).

2.3. The State of Governance and Accountability in Africa – From Figures to Reality

According to Diamond (2008: 138) “Governance in Africa is in a state of transition, or some would say, suspension... Of course, formal institutions... can coexist with the informal practices of clientelism, corruption, ethnic mobilization, and personal rule by largely unchecked presidents”. McNeil and Mumvuma (2006: 9) also summarised the state of accountability in Africa as:

In Africa, historically almost all accountability has been directed upward toward donors and central governments, not downward to citizen users of services. Upward accountability is further balkanised when limited local resources are sapped by different donor requirements that demand the creation of parallel systems of accountability. As a result, mechanisms of participation, even when they exist, have often failed to provide the necessary accountability, especially in a decentralized environment.

Although some progress has been made over the last two decades, especially from 1990, there are still significant improvements to be made to have adequate accountable and well governed States in Africa. There is the need to improve the balance of power which is key feature of ‘good’ governance and democracy which involves proper functioning of state institutions. In this balance of power, the role of formal rules in terms of actual compliance is significant (Posner and Young, 2007). The two main institutions with some good examples of balance of power in Africa are the ‘executive’ and the ‘Parliament’ or alike. Using the cases of Zambia, Malawi and Nigeria, Posner and Young (2007: 127) report that “across sub-Saharan Africa, formal institutional rules are coming to matter much more than they used to, and have displaced violence as the primary source of constraints on executive behaviour”.

Overall, the executive in many countries is observed to have an overwhelming power over the other ‘check’ and power institutions. For example, in a study of the state of governance in selected African countries, the African Development Bank (2005a) concludes that on political accountability, although Beninese Constitution has provided for the separation and balance of powers (legislature, executive and judiciary) with the definition of their respective missions, “collaboration and synergy between the different powers are in fact only apparent because the executive dominates the other powers” (p.vii). Similar conclusions, though to various degrees, were made for Chad in 2004, Gabon in 2005, and Mauritania in 2005 to name a few (African Development Bank, 2004; 2005b; 2005c).

One area that requires significant improvements is in the area of downward accountability (accountability from politicians to citizens). Adibe (2010: 1242) observed that: “African governments have demonstrated a remarkable degree of responsiveness or accountability in their external orientation toward the international community while remaining virtually unaccountable to their own citizens”. The basic framework for accountability for public funds is either lacking or very limited. Iyoha and Oyerinde (2010: 369) provided an example from Nigeria to support this assertion:

Whereas in developed countries, the missions and values of the public sector are defined explicitly in policy framework, this is not quite the case in Nigeria where public sector values are in want. Besides, the authorizing environment which includes the budgetary processes and institutions do not function as intended in Nigeria. Checks and balances are lacking with the Auditor-General of the Federation also lacking the required independence. Recently, the Auditor-General of the Federation (Ejenavi) announced that Nigeria does not have a ‘functioning Audit law.’ The various basic laws and rules such as the Auditing, Accounting and Financial Standards rules which regulate auditing in Nigeria are not comprehensive and harmonized enough to cater for Nigeria’s environment

Efforts from the various stakeholders to improve accountability in Africa have thus largely not been successful. For example a recent study by Butler (2010) on political accountability in Kenya concludes that:

...the push for accountability by the voting public, the media and other civil society groups, and international donors and actors has been a highly contested and evolving battle as entrenched politicians have abused power in order to avoid being held accountable, thus allowing them to engage in politics as usual (p.2)

There has been a number of donor support reform programmes to improve governance and accountability in Africa. However such governance and accountability reforms must be accompanied by institutional reforms. Without adequate institutional change, expectations in terms of outcomes and impacts of governance and accountability reforms will not materialise and as de Renzio (2006) notes:

...recent assessments of GBS (General Budget Support) programmes and Public Financial Management (PFM) reforms highlight a number of shortcomings which call into question the role of donors in supporting institutional change. Political economy factors are often overlooked. Moreover, in a number of countries, donors are deeply involved in core policy processes, undermining their capacity to play a more constructive role. As a consequence, the strengthening of domestic accountability remains an elusive objective (627)

Based on the potential role of public financial governance in economic development, the AfDB has recently launched the African Governance Outlook (AGO) with the objective that this will become the Bank’s flagship publication on financial governance. In fact:

The AGO intends to serve as an authoritative source of information on the state of financial governance in Africa based on three interrelated parts: (i) an assessment of financial governance baselines, trends and prospects for the region; (ii) a summary of country financial governance profiles, along with the contextual analysis of observed practices developed through national consultative processes; and (iii) a thematic chapter focusing on important financial governance issues (African Development Bank, 2012: p.7)

At the conceptual level, the AGO outlines a number of governance factors that drive public finance reforms and improvements. These include: (1) an enabling legislative environment, (2) a strong political will and commitment, (3) a strong and vibrant civil society, (4) a strong and independent media, (5) a competitive politics and development of independent oversight institutions, (6) donor confidence and support, and (7) fiscal decentralization.

While the preliminary findings of this initiative show that several African countries are making efforts to implement financial governance reforms and can demonstrate evidence of improvement, the same findings also suggest that there is “limited separation of powers [which] adversely impinges on the quality of financial governance” (p.18). Subsequent evaluations of the AGO initiative will help assess the impact on public finance management improvement in the profile countries over time.

Besides the above, a major challenge that undermines governance development is conflict. Conflicts have detrimental impact on governance in terms of deteriorating infrastructures, high military expenses, shrinking economic growth which is exacerbated by high capital outflows due to lack of confidence of investors leaving the country with their capital, etc. The situation is well summarised by the AfDB in these terms:

During war, governments tend to become desperate, and policy and governance deteriorate. The need for higher military spending collides with a decline in tax revenues as the formal economy contracts. Aid also declines and the government is shut out of international credit markets, while domestic credit markets dry up. In response, the government resorts to inflation tax, leaving the post-conflict economy with a legacy of high inflation and reduced confidence in the currency. Governments also often pursue a wide range of other unsustainable policies that sacrifice the future for the present (African Development Bank, 2008b: p.xvi).

3. Other Governance and Accountability Initiatives

In terms of ‘good governance’ initiative in Africa, the African Peer Review Mechanism included in the New Partnership for African Development (NEPAD) is a significant innovation welcomed by both African elites and the international community at the time of its

launch. Akokpari (2003: 11) notes that “one remarkable point of departure of the AU⁶⁷ from the OAU⁶⁸, however, is its emphasis on interference, albeit minimal, in the internal affairs of states through the APR [African Peer Review] in sharp contrast to the old and discredited dictator-loved principle of non-interference”. This represents an excellent opportunity to strengthen ‘good governance’ and democratic institutions. However, evidence suggests that in practice the APR has failed to achieve its intended objectives and as Taylor (2010: 51) observes: “there have been significant problems facing NEPAD. These revolve around the actual extant political economy and dominant political cultures across Africa, which the technocratic neoliberal agenda of ‘good governance’ cannot deal with”. In a more recent study, Taylor further comments that “at the time, NEPAD was enthusiastically pushed by the G-8 and the United Nations and – for a time – it garnered some excitement. However, nearly ten years after its launch, most commentators would probably agree that it is dead in the water” (Taylor, 2011: 141).

There are other initiatives which are concerned with governance quality measurements both from within and outside Africa. The first attempt from within Africa on governance quality measurement had been initiated by Mo Ibrahim Foundation that develops the ‘Ibrahim Index of African Governance’ (IIAG). The second attempt, which is from outside Africa, had been the work of the United Nations Economic Commission for Africa (UNECA) in 2005 with the development of the African Governance Indicators (AGIs) in the form of a project. The last attempt in this regard is the Worldwide Governance Indicators (WGIs) which cover most of African countries.

In spite of the inherent merits of these governance indicators being the first attempts in quantifying whole governance dimensions, these measures have been criticised. It has been argued that there is a wide variation in the main indicators and sub-measures. Furthermore, the method of computing the indexes also differs considerably from one index to another. It is also argued that the ‘control of corruption’ indicator within the WGIs for example measures different levels of corruption across countries, and as a result it makes cross country comparison controversial (Apaza, 2009). Moreover, the actual measured corruption in a particular country run the risk of limited scope coverage (Olken, 2009). Also, though corruption and rule of law are used to proxy for *transparency*, “corruption and lack of rule of

⁶⁷ African Union

⁶⁸ Organisation of African Unity

law may make it difficult to achieve transparency,... they do not measure transparency per se” (Vishwanath and Kaufmann, 2001: 48). More interestingly, in a real case of policy decision regarding the 2005 Millennium Challenge Account (MCA) programme, Kaufmann et al. (2005) – the authors of the WGIs – admitted to some of the limitations in making such policy decision regarding the concerned recipient countries.

Focusing on the technical ground of the indexes, Thomas (2010) has challenged the overly reliance on the WGIs, in particular, in policy decisions by arguing that the methodology used in constructing the WGIs is seriously flawed. He begins by pointing out that Kaufmann and his associates claim to measure from 2006 perceptions rather than the actual dimensions being considered. On this ground, “there is substantial difference between measuring a thing and measuring perceptions of it... for example, perceptions of crime risk have been shown to be quite different from actual crime levels...; perceptions of corruption have been shown to differ from corruption levels...” (p.36). Surprisingly, despite the change in method of measurement, the authors still interpret changes in their data as reflecting changes in governance itself rather than changes in the perceptions of it.

There are also issues regarding the operationalisation of the construct. For instance, while agreeing on the definition of the ‘*government effectiveness*’ construct, Kurtz and Schrank (2007) have doubt about its operationalization given the observation that certain measures included in the variables were extraneous to the definition. Thomas (2010) also expresses the same regarding ‘Voice and Accountability’ and ‘Control of Corruption’.

4. Institutions that Underpin Governance and Accountability in Africa

For governance and accountability to be effective in any country, it is important that the underlying institutions are themselves seen as effective. Here we discuss two of such important institutions – the political system and the civil society. While there are a number of these institutions, we have selected these two to highlight the need to understand governance and accountability in a much broader context.

4.1 Political System and the Balance of Power and Implications for Governance and Accountability in Africa

The balance of power is key feature of ‘good’ governance and democracy which involves proper functioning of state institutions. In this balance of power, the role of formal rules in terms of actual compliance is significant (Posner and Young, 2007). The two main institutions with some good examples of balance of power in Africa are the ‘executive’ and the ‘Parliament’ or alike. Using the cases of Zambia, Malawi and Nigeria, Posner and Young (2007: 127) report that “across sub-Saharan Africa, formal institutional rules are coming to matter much more than they used to, and have displaced violence as the primary source of constraints on executive behaviour”. They observe that attempt by Chiluba to change constitutional provisions to abolish term limits fails not only because of opposition from civil society organisations, the opposition and some of his supporters but also because of the strong opposition of the Malawian Parliament. Similarly, Muluzi fails due to the opposition in the Parliament and the attempt only fell short of three to win the ‘necessary two-third majority’ required. The same opposition together with some supporters in Nigerian Senate block Mr Obasanjo from extending the term limit to bid for a third term. As a result of these cases, Posner and Young argue that power ‘now changes hands principally in accord with institutional’ (p.129) rather through *coup d’état* or violence.

Similarly, Barkan (2008: 137) concludes his study of six African legislatures as the following:

Although legislative performance is uneven across the African continent, the legislature is emerging as a “player” in some countries. It has begun to initiate and modify laws to a degree never seen during the era of neopatrimonial rule or even in the early years after the return of multiparty politics... It checks the executive branch. It sometimes exerts meaningful oversight of the executive. And in some countries (Kenya, Malawi, and Nigeria)... it has blocked presidents from changing the constitution to repeal limits on presidential terms.

However, scholars, including Joseph (2008), have challenged the above positive assessments as overly optimistic. Using the cases of Uganda (Museveni), Kenya (Kibaki – 2007 ‘calamitous’ elections (Diamond, 2008)), Senegal (Wade), and Nigeria (Obasanjo), Joseph (2008: 100) comments that “the struggle to cross the frontier from personal rule to rule-based governance is still far from over in much of Africa”, meaning that the rule of law is still very weak. Nevertheless the concern is not solemnly about weak institutions and rule of law, as evidenced in Kenya where the “political disorder... was not the result of a straightforward weakening of the state, as has been hitherto commonly assumed” (Branch and Cheeseman,

2009: 5). It is rather “the clear perversity of some state institutions which... have been subverted for corrupt and Machiavellian ends... and... by the illegitimacy, but tenacity, of corruption and state bias” (Lynch and Crawford, 2011: 285)

The link between democracy and governance and accountability has been discussed in the literature. Although military coups are still prevalent according to Lynch and Crawford (2011), Lindberg and Clark (2008: 86) find that “democratic regimes are about 7.5 times less likely to be subjected to attempted military interventions than electoral authoritarian regimes and almost 18 times less likely to be victims of actual regime breakdown as a result of military coups”. It is generally argued that there is a ‘value inherent’ in holding elections even if they are not free and fair (Lindberg, 2006). Most African countries now have democratic elections as legal and recognised means to change governments and legislatures. As reported by Lynch and Crawford (2011: 279) many of these elections resulted in “a peaceful transfer of power, as occurred, for example, in Zambia and Cape Verde in 1991, Benin in 1991 and 2006, South Africa in 1994, Senegal in 2000, Kenya in 2002, and Ghana in 2000 and 2008. Although it is worth noting that only five of these elections witnessed the unsuccessful candidature of an incumbent president”. However poor and manipulated successful elections in recent years provides contradictory evidence to what is generally seen as having an ‘inherent value’ as termed by Lindberg (2006), leading to conflict and violence.

A recent example of this is that of Cote d’Ivoire in 2010-2011 which had seen the incumbent President leaving office only after a long negotiation and military intervention, including the international community. The role of the international community is sometimes, and probably often, ambiguous and is often seen as “an international community that purports to promote democracy, but actually seems more interested in political stability and economic growth than democracy” (Lynch and Crawford, 2011: 281).

The current state of elections and democracy in the development of governance in Africa is summarised by Abbink (2010) as follow:

...countries often morphed into conflict arenas or ‘façade democracies’ that appropriated the discourse of political rights. They only allowed elections and freedoms under specific conditions. In some countries the nature of civic society was such that they were often not prepared to exercise the difficult game of parliamentary-democratic politics. In several cases this was because the incumbent regime had all but destroyed civil society organizations (trade unions, professional groups, religious associations, etc.). In other countries, elections came to gravely exacerbate antagonistic ‘ethnic or ethno-regional politics, based on patronage and

divide-and-rule tactics, thus subverting issue-politics and the shared national interest. This often led to harshly polarised and violent electoral campaigns...

4.2 Civil Society and Implications for Governance and Accountability in Africa

The role of civil society in strengthening governance, in its broadest sense, cannot be overstated. In Africa, “civil society has never been stronger, mass publics have never been so questioning and vigilant, and the impulse toward the reassertion of predatory personal rule has never faced so many constraints” (Diamond, 2008: 139). If we compare this to the early independence period, of course, no-one can deny that significant progress has been made on the continent. According to Lynch and Crawford (2011), Ghana is a particularly good example with constitutional provisions that facilitate the emergence and development of civil society organisations and free and ‘independent’ media. The authors point out South Africa, Nigeria and Kenya with the proliferation of vibrant civil society and media over the last two decades. Lynch and Crawford (2011) however cautioned that the mere existence of growing civil society and media does not automatically result in improved governance and democracy. For example, when civil society organisations become ethnicized or a media becomes partisan or involved in campaign of violence such as in Kenya and Rwanda, they can have dramatic consequences on governance and democracy. Moreover, corruption in the circle of civil society organisations and media together with their inability to challenge the government, due to political threat or ‘affiliation’, hamper their contribution to governance and accountability.

McNeil and Mumvuma (2006: vi) summarised the role of civil society in governance and accountability as:

Through the lessons of civic engagement, participation, and civic ownership, citizen groups in Africa are now beginning to hold a growing number of public officials and service providers accountable for their actions and behaviours. Such social accountability is working to bring about more efficient and equitable governance by reducing corruption and improving delivery of public services to the poor.

A note from the World Bank on the role of civil society in francophone Africa concluded that: “francophone Africa has witnessed new demands for reforms on governance and anti-corruption. Connected through networks of activists and experts in other parts of the continent, civil society in the francophone countries is becoming more engaged and is demanding better outcomes from governments. Activists and governments alike are

increasingly working across borders to find support and solutions that have worked in other parts of the developing world”⁶⁹. There is however the need for empirical studies to examine how these civil society movements are actually impacting on governance and accountability in these countries.

4.2.1 Some Evidence of Civil Society and Social Accountability in Africa

Social accountability is defined by Malena and McNeil (2010: 1) as “the wide range of citizen actions to hold the state to account, as well as actions on the part of government, media, and other actors that promote or facilitate these efforts”. It is observed that civil society engagement and participation in government activities in most Africa are now beginning to bring about greater accountability especially in relation to the management of public resources and service delivery and impact. In fact, according to the World Bank “the impact of nonresponsive and unaccountable governments is perhaps most harshly felt by the poor in Africa, where corruption costs about \$148 billion annually, or 25 percent of Africa’s official GNP, according to African Union estimates. Yet despite this clear gap in accountability between government and its citizens, when Africans are asked ‘What does ‘democracy’ mean to you? – only one percent explicitly mention accountability. Only one in four agree that ‘government is like an employee; the people should be the bosses who control the government’ rather than: ‘people are like children, the government should take care of them like a parent’ ...”⁷⁰

Despite the above observation, it is undeniable that there is now a growing realisation on the part of citizens in a number of African countries that in order to curb corruption, improve public infrastructure and reduce poverty, there is the need for more active participation of citizens in monitoring government activities. This therefore makes the case for the growing involvement of civil society organisations in the budget process and government policy-making and implementation across Africa. In fact McNeil and Mumvuma (2006: 7) report that:

Over the past decade, many African countries have experienced a shift from the once ubiquitous system of authoritarian, single-party rule to multiparty rule coupled with a relaxation in the formerly restrictive economic and political rules of the game. As a result, a new breed of civil society organizations and actors has emerged that is demanding increased involvement in policy and budgetary decision making at national and local levels.

One of the key initiatives in this respect is the creation of the Affiliated Network for Social Accountability (ANSA)-Africa in 2007, which at the time was portrayed as “a new network

⁶⁹ See <http://wbi.worldbank.org/wbi/news/2010/11/10/african-conference-responsible-business-and-good-governance> [Accessed 08/02/2012]

⁷⁰ See <http://wbi.worldbank.org/wbi/stories/demanding-good-governance-lessons-social-accountability-initiatives-africa> [Accessed 08/02/2012]

designed to become the leading African institution for supporting citizen involvement in demand-side governance initiatives on the continent. By building on existing African expertise, ANSA supports the engagement of citizens and civil society in building more effective states through social accountability approaches”⁷¹.

In a study of social accountability initiatives from civil society in ten Anglophone African countries, McNeil and Mumvuma (2006) report that civil society advocating on specific issues have increased rapidly in the countries they studied. Examples include Malawi – with Civil Society Coalition for Quality Basic Education, Malawi Health Equity Network and Malawi Economy Justice Network – and Zambia – with for example the Civil Society for Poverty Reduction Network whose main aims are to promote participatory governance and development, and a transparent, accountable and responsive system for service delivery to citizens. The authors find that efforts to increase social accountability are organised around four main significant developments on the continent.

The first development relates to decentralisation and structural adjustment reforms. In this area most countries in Africa have embraced decentralisation but implementation varies considerably across countries. McNeil and Mumvuma (2006) provided an assessment of the adoption of this form of governance in Anglophone Africa as:

...even in those countries where decentralization is considered advanced to moderate – there are few clear signs that public service delivery and local economic development have been enhanced. Consequently, social accountability in public policy can be viewed as a crucial missing component of successful government decentralization (p.8)

In Francophone Africa, Ouedraogo (2003) studied decentralisation and accountability in Senegal, Burkina Faso and Mali. Senegal’s experience of decentralisation goes back to the colonial period. Although heavy central government oversight is still present in local governments, an improvement in terms of reduction in such central oversight has been observed in recent years. In Burkina Faso the decentralisation process has been rather complex and lengthy and is criticised as a failure with regard to the rural population – which constitutes the majority of the population – being deprived from the rights to manage their own affairs. A more recent study by Mathieu and Yilmaz (2010: 342) finds that “since the

⁷¹ See

<http://web.worldbank.org/WBSITE/EXTERNAL/WBI/0,,contentMDK:21203587~pagePK:209023~piPK:335094~theSitePK:213799,00.html> [Accessed 08/02/2012]

commitment to decentralization set forth in the Constitution of 1991, the pace of decentralization has been slow in Burkina Faso. About two decades after the beginning of the reforms, local governments' discretionary powers are still very low in all domains, and downward accountability to citizens remains weak".

The involvement of civil society is rather limited leading to lack of social accountability as observed in the following context:

In Burkina Faso, social accountability mechanisms are virtually inexistent. On one hand, budget information is not readily accessible to the public, which prevents strong citizen involvement in monitoring budgetary processes and tracking public expenditure. On the other hand, the civil society simply lacks the skills to scrutinize financial management processes. Though citizens are engaged in local planning and budgeting for the elaboration of the development plans, their involvement is limited to the expression of needs and priorities during the diagnosis phase. Such initial public consultation however does not suffice to hold local governments financially accountable to their constituencies beyond the preparation of the development plan (Mathieu and Yilmaz, 2003: 342).

Concerning Mali, the experience of decentralisation is different as evidenced below:

Unlike the other countries, where the decentralisation processes were predominantly initiated by the state, Mali represents a special situation where the dynamic of decentralisation was 'a demand from the population'... The popular uprisings of March 1991 that toppled the regime of General Moussa Traore' allowed the emergence of a very active civil society that, during the national conference, raised decentralisation as a priority requirement for the Malian democratic process (Ouedraogo, 2003: 100)

This 'push' from the civil society has ultimately led to the establishment of local governments with "...relatively extensive responsibilities. For example, with respect to managing natural resources, each local unit was recognised to have an estate in land, a forest estate and a pastoral estate. The law also gives the territorial communities the competence to preserve the environment, to manage land and to organise agro-sylvan-pastoral activities" (Ouedraogo, 2003: 100).

The second development relates to antipoverty strategies which have largely led to increase in social accountability. Examples of initiatives in this regard can be found in Ghana and Tanzania. In the course of the initiative to qualify for the Heavily Indebted Poor Countries (HIPC) debt relief initiative, Ghana has emphasised active participation by the poor in poverty reduction policies related to its Poverty Reduction Strategy (PRS) through a partnership which involves district assemblies and civil society organisations. "The Ghana

HIPC Watch was initiated in 2001 by the Social Enterprise Development (SEND) Foundation of West Africa in response to the civil society-government partnership advocated by the Ghana PRS. At the same time, the SEND Foundation played an active role in mobilizing other Ghanaian civil society organizations to take part in demanding transparent and equitable distribution of the HIPC fund, which was soon to follow” (McNeil and Mumvuma, 2006: 9).

McNeil and Mumvuma (2006) also provided example on Tanzania’s civil society and social accountability process using ActionAid’s initiative to monitor Tanzania’s PRS. Like the SEND Foundation’s Ghana HIPC Watch, ActionAid’s initiative owes its origins to the HIPC Debt Relief Initiative. The relief went to basic education under the Primary Education Development Plan, as performance in the sector was increasingly experiencing a downward spiral because of limited resources and poor governance, political commitment, transparency, and accountability. As with all other HIPC-related projects, civil society participation in monitoring implementation of the Primary Education Development Plan became mandatory. ActionAid seized this opportunity, and together with other civil society actors in the country have continued to participate in monitoring all parts of the program cycle, reinforcing commitment, accountability, and transparency on the part of the government as the main public service provider, policy maker, and planner (p.10).

The third development is concerned with public service delivery and the Millennium Development Goals (MDGs). In attempt to achieve the MDG of universal primary education by 2015, the education sector in most African countries has gone through reforms. For example “In Malawi, the Civil Society Coalition for Quality Basic Education (CSCQBE) was established to track expenditures and monitor programs in the country’s education sector” (McNeil and Mumvuma, 2006: 10). The coalition was set up to address the various challenges faced by the education sector including, the shortage of qualified teachers, classrooms, low teacher salaries, poor infrastructure, and lack of community support. Also the Performance Monitoring Initiative of the Public Service Accountability Monitor (PSAM) in South Africa was set up in response to similar challenges that gave rise to the CSCQBE initiative in Malawi. According to McNeil and Mumvuma (2006: 10) “The South African social accountability initiative resulted from concerns about failed public service delivery, poor financial management, and weak accountability of the provincial government’s use of funds”.

The fourth and final development that is driving social accountability is the fight against corruption. There has been a significant increase in social accountability efforts driven by the desire of the civil society to fight corruption in Africa. For example in Ghana, following alleged misuse of funds and complaints about long delays in payments from the District Assemblies Common Fund (DAFC) to Ghana's Metropolitan, Municipal and District Assemblies (MMDAs), "the African Development Programme began tracking DACF disbursements by comparing the fund's budgetary allocations to actual amounts delivered to the MMDAs. The goal was to determine if allocated funds actually reached their intended beneficiaries and, if not, where blockages and leakages existed, thereby enabling policy makers to identify misuse where it existed and to take action to ensure that resources reach their intended service delivery points and beneficiaries" (McNeil and Mumvuma, 2006: 11). Similarly, following parents and guardians' complaints that children were returned home for non-payments of school fees while the fees had already being paid, the "Zimbabwe's Centre for Total Transformation began tracking school fee expenditures in response to allegations of rampant corruption and embezzlement of funds by school principals" (p.11).

5. Some Case Study Evidence of Governance and Accountability

Our initial idea in this section is to provide case evidence on governance and accountability in individual African countries. However, as we mentioned earlier in the paper, there is lack of in-depth country level studies on the subject matter. As a result, the analysis in this section is limited to two countries – Uganda and Tanzania. Uganda was identified as one of the leading good governance initiative countries in Africa attacking corruption, focusing on service delivery and results (Langseth et.al, 1997). Similarly, Tanzania had also undertaken a pronounced governance agenda "including multi-party elections, a relatively free press, the separation of party and state and an increased space for NGOs" (Kelsall, 2000: 534). The table below gives an illustrative summary of the World Bank-supported good governance reforms undertaken in both countries over the period 1989-2003 specifically in the areas of capacity building and strengthening institutions and participation.

Table 3: World Bank Governance-Supported Reforms and Actions in Uganda and Tanzania

Year	Uganda	Tanzania
1989	Public Service Review and Reorganisation Commission	Public Sector Reform as part of Economic and Social Adjustment Programme
1991	Social Adjustment Programme	
1992	Civil Service Reform Programme	
1993	Economic and Financial Management - Project 1	Parastatal and Public Sector Reform Project (PPSRP)
		Financial and Legal Reform Project
1994	Workshop on Ethics and Transparency	
	Institutional Capacity Building Project	
1995		Service Delivery Survey
1996		End of 1st phase of PPSRP - Tanzanian Revenue Authority created
1998		2nd phase of PPSRP
1999	Public Sector Management Project	
	Economic and Financial Management - Project II	
2000		Launch of PSRP (2000–2011): Privatisation and Private Sector Reform Project
2001	Privatisation and Utility Sector Reform	Accountability Transparency and Integrity Project
	Public Expenditure Review	Public Expenditure Review
2002	Capacity Building/Civil Service Reform: Capacity Building II	
2003	Capacity and Performance Enhancement Programme	
	Local Government Development Project II	

Source: Adapted from: Harrison, G. (2005) The World Bank, Governance and Theories of Political Action in Africa. *The British Journal of Politics & International Relations*. 7 (2): 240-260 (p.248)

As shown in Table 3, Uganda and Tanzania have received significant amounts of support from the World Bank (and other donors) for various governance related programmes to promote structural changes in state institutions in order to enhance the processes of state action with the aim of improving service delivery and accountability, and reducing corruption. Some successes have been achieved. But these successes are quickly followed by some major failures. Table 3 above is not complete because of lack of comprehensive monitoring of the various reform measures (see for instance, Therkildsen, 2000). Thus, the reform programmes and efforts shown in the table are used as an indicative list of the various governance supports that these two countries have received from the World Bank.

5.1. Uganda

Governance reforms in Uganda can be traced back to the 1990s as part of the overall Civil Service Reform programme in the country. This reform was touted at the time as one of the most successful in Sub-Saharan Africa. From a level of public service sector of 320,000 in 1992, the government succeeded in reducing this number by half by 1995-97 mostly through elimination of non-existent staff and those who had achieved retirement age. This reduction in size has been followed by progress in pay reform resulting in significant increase in salary. The military headcount also reduced from 90,000 to 50,000. The government has also achieved significant reduction in the number of ministries from 38 to 21 which helped improved control over state expenditure. The Uganda Revenue Authority (URA) was also reformed with changes to its internal governance structure with a semi-autonomous status to provide the management with authority and independence in decision-making. The initial successes achieved by the URA reform were very impressive. For example, from only 2 per cent of GDP in 1986 revenues increased to over 12 per cent in 1996 and this ratio still hovered around 12 per cent in the late 1990s. In terms of anti-corruption reforms to improve accountability, the key successes lied in strengthening of the existing institutional mechanisms – such as the Office of the Auditor-General, the Department of Public Prosecution, the Inspectorate of Government, and the Criminal Investigation Department – together with the creation of new institutions with mandate to ensure probity and integrity in

the public sector. One of the key new institutions created to address problems of corruption was the Directorate of Ethics and Integrity (DEI) with mandate to set policy and standards, monitor and coordinate across the accountability chain⁷².

A study by Robinson (2006) summarised the initial success of governance reforms in Uganda as:

Initial success was evident in a number of outcomes. Success in civil service reform resulted from downsizing and rationalising the bureaucracy, reflected in a reduction in the number of civil servants and ministries. In the case of the revenue authority the key achievement was increased tax revenues. The main result of anti-corruption efforts has been the creation of a series of institutions charged with responsibility for various aspects of this work, but with modest success in prosecuting civil servants found guilty of corrupt practices (p.8)

However, these successes were not sustained, and had soon faded leaving room to significant failures caused by patronage, clientelism, and in brief, ‘neopatrimonial politics’⁷³ similar to what pertains in most African countries (Hickey, 2003). The failure of reform efforts in Uganda is summarised by (Robinson, 2006: 8) as:

And yet in each case the momentum of reform has not been sustained. The objective of a minimum living wage for civil servants is far from being realised and the bureaucracy is once again expanding, increasing the budgetary share of public administration. The rate of growth in tax revenues has flattened out and corruption in the tax authority has sharply increased. The institutions responsible for coordinating the government’s anti-corruption efforts lack resources and capacity, in turn undermining their effectiveness. The legitimacy of these institutions has come under question in the face of a low rate of level of prosecutions and the failure to check large-scale corruption by senior political figures.

Concerning the URA reform, “despite early success, the URA has consistently failed to meet annual revenue targets set by the Ministry of Finance... [which] is partly explained by ‘the erosion of institutional autonomy on account of political interference and deficiencies in the URA’s governance and management structures’” (Robinson, 2006: 23). These practices resulted in the resurfacing of corruption and organisational inefficiency. In terms of anti-corruption reforms and efforts, it is observed that the Auditor-General Office for example has no independent board; it has no budgetary autonomy – its budget is submitted to the Minister in charge of Finance who then proposes an allocation endorsed by the executive. As

⁷² Most of the discussion in this paragraph is drawn from Robinson (2006)

⁷³ “The neopatrimonial state... is characterised by three key features. The first is the personalisation of power, whereby all positions of political power are held by virtue of the ruler’s patronage, and based on ties of personal, nepotistic, ethnic or regional loyalty... Second, public office, and the access to resources that this affords, is treated as a means to personal and communal gain, rather than as a means of pursuing a broader public good. Third, power is extended throughout the territory via networks of ‘clientelism’, at every level. (Hickey, 2003: 32)

suggested by Robinson (2006: 27) “this provides a degree of political sanction and oversight that could be used to limit the powers of the AG. Its work is further impeded by a lack of suitably qualified staff, especially experienced accountants, and its inability to make decisions on staff recruitment and retention”.

The Inspectorate of Government (IoG) which is an anti-corruption institution set up to improve governance and accountability was also strengthened in 2001 to fight corruption and ensure transparency and accountability. However this reform has also not been successful and as suggested by Robinson (2006): “...the reorganisation of the IoG and the strengthening of its powers through new legislation have not markedly improved the performance of the institution. Its record in identifying and prosecuting corruption cases remains poor and its legitimacy and effectiveness open to question” (p.28). Similarly, despite the ambitions of the DEI, it has suffered from various problems that made it almost inoperative. “Recruitment has been very problematic with only two out of six professional positions filled, with just a single lawyer in the legal unit. No permanent secretary has been in post for over two years” (p.30).

A recent study summarises the current of state of governance in Uganda as:

...governance in Uganda appears not to be progressing in line with increasing income. Some studies suggest that it has entered a phase of deteriorating governance and that risks are rising, although it may be too early to see a significant indicator trend (Gelb and Majerowicz, 2011: 6)

In fact there is still persistent weakening of institutions of accountability in Uganda which represented key elements of governance reforms and initiatives. For example, despite the significant resources and donor support for the URA reform to improve revenue collection and efficiency, it is reported that “bodies that provide public service, including revenue collectors, are notorious for holding their clients at ransom” (Global Integrity, 2009: 2). “Enforcement of tax laws is often not transparent due to the high levels of corruption in the tax agency... As a matter of fact, the Uganda Revenue Authority was, in October 2008, named... as the third most corrupt public institution in Uganda” (p.133).

Another example is the Auditor-General Office which is still very under-resourced and not much has been done to implement auditor’s findings and recommendations (including corruption cases involving members of the executive and high ranked officials) (Global Integrity, 2009). Any effort to call for accountability in Uganda faces threats and

intimidations for those involved in such efforts. For example the 2012 additional funds to the Uganda MPs, despite the cash-flow problems of the Treasury, were quickly uncovered as bribes paid to the MPs on the account of February 2011 elections. The civil society members who undertook campaign to stop such bribery and return the money to the Treasury faced arrest and physical threat by the police and other government officials. The situation made Maria Burnett to object to such recurrent practices.

Anti-corruption efforts should be welcomed, not suppressed. Civil society activists are protected in international law from reprisals for legitimate freedom of expression. They shouldn't be facing interrogations or accusations of partisanship when they speak out for transparency and accountability about state resources⁷⁴

There are some who believe that bilateral and multilateral donors need to do more to force the government in Uganda to improve its governance and accountability system (Mwenda, 2010).

5.2. Tanzania

Tanzania is one of the Sub-Saharan African countries with a fast growing economy but has not made any significant progress in reducing poverty due to the poor quality of its governance. As outlined in Table 3 above there have been a number of governance-related reforms in Tanzania but the outcomes of these reforms are mixed. Reforms that aimed at reducing the size of the civil services had led to impressive success (Therkildsen, 2000). There had been a reduction in the size of the civil service from 355,000 in 1992 to 270,000 in late 1990s notably by the elimination of ghost workers and lower-level staff. This had resulted in cost reduction and improved controls over wages. Similarly, there had been 25% reduction in the number of divisions.

However, these initial reform successes failed dramatically to result in any substantial and sustainable expected outcomes (Therkildsen, 2000). Part of the reform failure is reported to be attributable to lack of coordination from public officials and excessive requirements from donors. Specifically, "... lack of coordination, duplication, and excessive reporting requirements themselves act as an obstacle to improving services. An indication is that the Tanzanian public service typically produces 2,400 quarterly reports a year for external donors, and is visited by 1,000 donor 'missions'" (Kelsall, 2002: 599).

⁷⁴ Maria Burnett, senior Africa researcher at Human Rights Watch: <http://www.hrw.org/en/news/2011/02/10/uganda-halt-pre-election-intimidation-campaign> [Accessed 28/01/2012]

Similar to the Uganda case, Tanzania has also reformed its revenue service – the Tanzania Revenue Authority (TRA) responsible for tax collection. The aim of the reform is to improve efficiency and reduce corruption in the process by offering “high quality training and relatively high salaries to staff who are subject to an incentives regime in which they can be disciplined or dismissed with relative ease” (Kelsall, 2002: 601). Despite the success in achieving these results, the outcome in terms of reducing the level of corruption is still far from achieved. Fjeldstad (2003) finds that the resulted improvements in pay and working conditions did not yield the expected reduction in corruption, and concludes that “... even with relatively high wages and good working conditions, corruption may continue to thrive... Without extensive and effective monitoring, wage increases may produce not only a highly paid, but also a highly corrupt tax administration” (p.165).

Regarding the reform of accountability institutions, Tanzania set in 2007 the Aid, governance and corruption control which has helped to uncover cases of corruption in both the public and private sector organisations. As part of the success, there has also been a gradual improvement in the performance of the National Audit Office (NAO) in terms of quality and timeliness of audit reports (Koch, 2011). But Koch also quickly report that:

...even if progress has been made, the quality of audit reports remains inadequate. Interviewees mentioned that donors had checked audit findings and found that a number of supposedly ‘clean audits’ were not as clean as presented. While the interaction between the NAO and parliament has improved, interviewees claimed that more progress was required, pointing to the fact that it was donors rather than parliamentarians who checked audit reports and that the latter largely lacked the professional background and skills required to scrutinise the Auditor General’s reports. The follow-up of audit findings remains a major weakness... (p.8)

The political system in Tanzania is characterised by a dominant executive and weak legislature and judiciary (Tripp, 2000; Koch, 2011) but there have been some improvements in the financial independence of the parliament following the establishment of the National Assembly Fund in 2007 (Sitta et al., 2008). In fact:

The weak and inactive judiciary is an obstacle to the effectiveness of both the NAO and the PCCB. Even though initial steps are taken, most corruption cases are never properly investigated and prosecuted. In other words, the weak judiciary is a severe obstacle to the emergence of domestic accountability (Koch, 2011: 8).

The above has caused the resurfacing of large scale corruption as reported by Sitta et al. (2008: 10) as: “...recent evidence of grand corruption on a scale not previously seen in Tanzania: the most notable examples are a state tender for emergency electricity generating

capacity – the Richmond Contract, and fraud at the central bank – the Bank of Tanzania scandal”.

6. Concluding Remarks

This review paper sets out to explore the state of governance and accountability in Africa. The review is intended to ascertain what we know and what needs knowing in terms of governance and accountability in Africa. Our review was constrained by the lack of in-depth country studies on the topic. Nevertheless, we are able to draw some conclusions from the scant literature that we have reviewed.

First, the literature has consistently identified the need for good governance and accountability for development. Good governance and accountability are essential at all levels to fight corruption, reduce poverty and promote development. However, the review has revealed a general state of weak governance and accountability in Africa and this has in part contributed to the underdevelopment of the continent. The general view is that Africa needs to do more on the ground in terms of effective implementation of governance related policies and frameworks. Reform efforts to strengthen governance and accountability have not usually been successful. Though a number of factors have contributed to the lack of success in these reform programmes, one noticeable factor is the fact that a significant number of reforms have been engineered from outside by international donor institutions who have limited understanding of the local context. However as we have highlighted earlier the Bank (AfDB) has made strides by ensuring that there is local ownership of reforms. This is based on the recognition by the Bank that African countries need locally developed governance and accountability systems that will take account of local realities. The role that governance and accountability can play in the development of African economies would thus be more credible and effective if they emanate from within.

Second, the review found that governance and accountability systems do not operate in isolation. These systems require that the necessary institutions such as the political, the judiciary, civil society, tax and audit institutions function effectively. Governance and accountability must be extended to all levels of the economy and there must be a concerted effort by all stakeholders to ensure the effectiveness of any implemented governance and

accountability system. For example, there is a clear role for civil society in ensuring that public officials are called to account through the process of social accountability.

One of the challenges we encountered in the review as mentioned above is the lack of country level studies on the topic except for the ‘country governance profile’ reports on selected countries by the AfDB. There are studies on corporate governance but when it comes to country level governance, the literature is very scant. We are not sure of why there is generally less interest from researchers in the area but we can only speculate that this could be due to the political sensitive nature of the topic and the difficulty of access to data for such a study. This problem is exacerbated by the broad nature of the term governance and accountability hence making it difficult for researchers to operationalise this construct. But given that governance and accountability is so critical to the development of African countries, and the persistent criticisms of the state of governance and accountability systems in these countries, it is essential that more research efforts are directed at the area. Lessons of successful governance initiatives can be disseminated across the continent which should help us understand better what works and what doesn’t work. While it is possible that there are some locally initiated good governance and accountability initiatives, these are currently unknown due to the lack of research. It is therefore essential that researchers are encouraged to engage more with the field by conducting in-depth country level studies in order to contribute to our understanding of the state of governance and accountability in Africa.

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