To Adopt Or Not To Adopt?

The Transnational Adoption of International Financial Reporting Standards (IFRS) in Africa

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Abbreviations

Acronym	Definition
A&A	Accounting and Auditing
AAN	Association of Accountants of Nigeria
AASB	Australian Accounting Standards Board
ABWA	Association of Accounting Bodies in West Africa
ACCA	Association of Chartered Certified Accountant
AfDB	African Development Bank
BIS	Bank for International Settlement
BRVM	Bourse Régionale des Valeurs Mobilières SA
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CNC	National Accounting Council
CPD	Continuing Professional Development
ECOWAS	Economic Community of West African States
EEC	European Economic Community
ERGP	Economic Recovery and Governance Programme
EU	European Union
FASB	Financial Accounting Standards Board of the US
FINSAP	Financial Sector Adjustment Programme
FRC	Financial Reporting Council
FRCN	Financial Reporting Council of Nigeria
FRS	Financial Reporting Standards
G20	Group of 20 Countries
GAAP	Generally Accepted Accounting Standards
GAS	Ghana Accounting Standards
GDP	Gross Domestic Product

Acronym	Definition
GNASB	Ghana National Accounting Standards Board
GNI	Gross National Income
GNP	Gross National Product
GoG	Government of Ghana
GSE	Ghana Stock Exchange
HIPC	Heavily Indebted Poor Countries
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants of England & Wales
ICAG	Institute of Chartered Accountants Ghana
ICAN	Institute of Chartered Accountants of Nigeria
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFI	International Financial Institutions
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organizations of Securities Commission
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISAR	Inter-governmental Working Group of Experts on Accounting and Reporting
JSE	Johannesburg Stock Exchange
LICPA	Liberian Institute of Chartered Public Accountants

Acronym	Definition
LSE	London Stock Exchange
NASB	Nigerian Accounting Standards Board
NGOs	Non-Governmental Organizations
NSE	Nigerian Stock Exchange
OCAM	Africaine, Malagache et Mauricienne
OECD	Organization for Economic Co-operation and Development
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
OPEC	Organization of the Petroleum Exporting Countries
PAFA	Pan African Federation of Accountants
PCG	Plan Comptable General
ROSC	Report on the Observance of Standards and Codes
SAICA	South African Institute of Chartered Accountants
SAP	Structural Adjustment Programme
SAS	Statement of Accounting Standards
SEC	Securities and Exchange Commission
SMEs	Small and Medium-Sized Entities
SMOs	Statement of Membership Obligations
SOEs	State Owned Enterprises
SSNIT	Social Security and National Insurance Trust
SYSCOA	The West African Accounting Systems
ToT	Training of Trainers
TQM	Total Quality Management
UDEAC	Economic Community of Central African States
UEMOA	West African Economic and Monetary Union
UN	United Nations

Acronym	Definition
UNCTAD	United Nations Commission on Trade and Development
USA	United States of America
USAID	United States Agency for International Development
US-GAAP	United States Generally Accepted Accounting Standards
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WB	World Bank
WBI	World Bank Institute

Contents

Part I

1 Introduction

Around the world, International Financial Reporting Standards (IFRS) is fast gaining recognition as countries and institutions such as capital market regulators, global banking regulators, international development agencies, professional accountants and politicians all endorse the economic benefits embedded in the adoption of the standards (Botzem, 2012; Botzem & Quack, 2009). The use of these standards as a replacement for local accounting standards is a signal of the move towards global governance of private regulation around financial markets and an increasing integration of world markets, free movement of goods and services and the flow of investment capital across national boundaries. While standardization in accounting is desirable in many respects, particularly towards increasing comparability and uniformity in financial reports across the world, it is still premature to conceive the notion that these standards are usable in all countries around the world.

Proponents of globalized accounting standards present numerous arguments and perceived economic benefits associated with the adoption of IFRS into local jurisdictions. These arguments seem convincing to countries that have already adopted the standards as IFRS are capital market oriented (Palea, 2014). Nevertheless, in many other countries, the idea of a globalized accounting standard still seems farfetched. In many respects, the divide between countries that have already adopted the standards and those yet to adopt them rest on the notion that the economic benefits claimed by a single set of global accounting standards are far from true. Why do these countries refuse to adopt IFRS in spite of the economic benefits of the standards? What motivates a country's decision to adopt the standards and what important considerations are taken into account prior to the adoption of the standards?

This dissertation delves into the important question of the adoption of international norms, rules, best practices and standards from the transnational to local. Of particular interest, the dissertation focuses on an important aspect of policy adoption, which suggests that economic logics of policy adoption choices alone cannot sufficiently explain IFRS adoption in the context of developing countries. As and when developing countries decide to adopt policies from the international domain, they premise their adoption choices on a logic of appropriate action, following what is institutionally constructed by other actors as right, good and valuable rather than a calculative logic approach. My study focuses on the social construct of institutional isomorphism and the logic of appropriate action to explain why and how some developing countries adopt international financial reporting standards. The dissertation tries to understand the institutional arrangements that countries take into account when considering the adoption of international accounting standards. Though economic benefits are essential to the adoption of IFRS, the actions of actors in the choice of IFRS (non)adoption are influenced by institutional discourses, which shape the outcome of policy decision. This dissertation will show how actors from different arenas negotiate their interest and present their views in the decision to adopt or not to adopt IFRS.

1.1 Problematizing IFRS Adoption

International Financial Reporting Standards are the key elements of economic reporting infrastructure that provides a standardized format for reporting economic gains and losses. The adoption of these standards have gained global attention in recent times most especially following their adoption in the European Union in 2005 for all listed companies, insurance brokers, banks and financial institutions and the ensued financial crisis in 2008 (Daske, Hail, Leuz, & Verdi, 2008). The adoption of these standards in the EU also triggered similar adoption patterns globally and eventually attracted the attention of developing countries. At present, there are over 120 countries that apply IFRSs in one form or the other (IASB, 2010). IFRS has grown in a space of a decade to become the world's leading truly international accounting standard. What accounts for this trend in the rapid diffusion and adoption of IFRS globally? Which agents facilitate this diffusion process and how are actors involved in the process of diffusion of IFRS particularly in the context of developing countries in Africa?

Institutional economics point to the efficiency based arguments that the benefits embedded in the adoption of these standards appeal to countries, international organizations and economically integrated communities forming the basis of adoption decision by policy makers. IFRS as a premium global accounting standard is viewed mainly from and economic angle of policy adoption aimed at capital market improved performance (Daske et al., 2008), attracting foreign direct investments (Gordon, Loeb, & Zhu, 2012) and as a monitoring device for the financial sector. Proponents of a single set of global accounting standards argue that countries would benefit from the economic consequences of improved comparability of financial statements prepared using IFRS thereby leading to a better functioning capital market (Ball, 2006; Barth, Landsmann, & Lang, 2007). Take for a case, the European Union in 2002 advanced strong economic benefit arguments prior to their decision to adopt IFRS in claiming that

> …. By requiring listed companies, including banks and insurance companies, to prepare their consolidated accounts in accordance with International Accounting Standards (IAS) from 2005 onwards will help eliminated barriers to cross-border trading in securities by ensuring that company accounts throughout the EU are more reliable and transparent and that they can be more easily compared. This will in turn increase market efficiency and reduce the cost of raising capital for companies, ultimately improving competitiveness and helping boost growth See P. Brown (2011, p. 271)

In a similar fashion, Australia and Korea made claims of the economic benefits associated with the adoption of IFRS while considering their adoption decision in 2005 and 2011 respectively. They asserted that

> … compliance with the IASC standards …should .. make Australian standards more internationally recognizable, so that Australian capital markets is not out of step with major overseas capital markets…(*Australia*). The benefits of IFRS adoption will not merely be limited to the competitiveness of Korean companies through their enhanced transparency but will also provide opportunities for Korean accounting industry to expand worldwide. There will be a good opportunity.. to create new overseas markets where Korean firms can provide our IFRS adoption experience to the countries that are considering adopting IFRS. Korean financial companies may also develop new global market opportunities through utilizing the common platform of IFRS (*Korea*). See P. Brown (2011, p. 272)

Literature on the internationalization of accounting standards add to the above arguments by positing that IFRS aid in the stabilization of the global financial architecture (Arnold, 2012; Cornford, 2002), serves as an instrument in the attraction of institutional and foreign investments (Alexander, 2007) and provides a mode of regulating global stock exchanges to improve the overall functioning of the economy. Actors in the international domain assume that these economic benefits will accrue uniformly to adopting nations if they all apply a common financial accounting language. The economic benefits of the standards therefore turn to serve as the motivating factor in the consideration of policy makers in local jurisdictions to adopt the standards. When viewed in isolation, the consideration of economic benefits alone as the motive for the adoption of IFRS shadows important institutional facets that play a key role in the adoption of the standards and may help to explain in part their non-adoption in many parts of the world. The contrast between economic motivation and institutional arrangements draws theoretical discourses of the classical economic school of thought on the one hand and neo-institutional theory on policy adoption on the other hand. These two schools of thought oppose each other in the motive for the choice of policy at the macro-level.

On the debit side of the ledger, the classical economic school of thought is rooted in the economics literature building on the rational actor model, in which organizational/institutional adoption of policy is motivated by a desire for technical or efficiency gains and related to boost economic performance (Kenndy & Fiss, 2009). Organizations engage in the idea of “race-to-the bottom” and intense competition to maximize economic gains from the chosen policy. Such competition may take place at the local or national level of governments in policy arenas involving not only direct economic outcomes but also issues of environment, education such as the race to attract more international students into Europe, minimum wage increments to attract talents in certain industries (Shipan & Volden, 2008). This notion of institutional economists on the idea of policy adoption is sweetened by the notion of the logic of consequence introduced by March and Olsen (2006) who argue that individuals, organizations and policy makers representing countries act rationally by comparing alternative policy outcomes and choosing the option which maximizes their self-interest. Policy choice functions appear in the manner of a calculated game involving possible pay-offs matric where the final policy choice rests on the highest pay-off to the organization or country that adopts the policy. It is no more than an economic exercise involving the logic of profit, economic gain, benefit, improved technical efficiency, and in an unquantifiable setting, a social gain involving the best outcome in the policy choice. Institutional economists rely on models that tend to draw on the informational economics argument of a growing level of general information about the value of a practice (Kennedy & Fiss, 2009) while neglecting the growing pressures from actors in the sociological environment of the adopting country exerting pressure for social conformity in policy adoption (Becker & Stieglitz, 2008).

To the credit side of the ledger, the other approach to policy diffusion which encompasses a sociological perspective emerges from the work of DiMaggio and Powell (1983) which views policy diffusion in the direction of the desire to appear legitimate and powerful to constituents, peer organizations, or outside stakeholders. Institutional theorists on isomorphism suggest that certain pressures drive policy choices either via normative channels, coercive pressure channels or in a mimetic pressure setting. Normative pressures in policy adoption stem from the legitimacy seeking behaviour of professionals who via professional networks are pressured to adopt and conform to rules/norms/standards or codes of conducts of the professional organizations perceived of superior status than they currently occupy. Mimetic isomorphic pressures emerge in times of uncertainty and when organizational rules, norms or standards are poorly defined or understood by actors leading them to imitate others and model themselves in similar patterns. Coercive isomorphic pressures are the result of resource dependency relations where powerful institutions (both internal and external) exert pressure on weaker organizations to adopt standards and rules of best practices.

The work of March and Olsen (2006) contextualize the conformity of actors to certain norms or standards and argue that such behaviour is as a result of the logic of appropriate action. Following rules themselves is not primarily connected to the anticipation of future consequences (economic benefits) as rules are in most contemporary conception of rationality. But following what is institutionally constructed by others as right, true, natural, reasonable and good is a description of the logic of appropriateness. By contrast to the rational actor model or the logic of consequence, this notion suggests that actors use a criterion of similarity and congruence as a premise for deciding to adopt international financial reporting standards rather than the likelihood of value.

Together, institutional isomorphic pressures and the logic of appropriate action better explain IFRS adoption choices in less developed countries and are the driving motivation for the adoption of policies from developed nations. As this dissertation addresses the adoption of International Financial Reporting Standards (IFRS) in Africa, it employs these institutional theoretical lenses to investigate the motivation for adoption of these standards in African countries.

Rather than proceed with the theme of the dissertation, it is important to first explore the background of accounting standards and provide an overview of how international accounting standards historically evolved. This background will help us in understanding the gaps in the diffusion of international standards and highlight important institutional actors that play a key role in their subsequent adoption in many parts of the world.

1.2 IFRS Adoption: Historical Background and Research Questions

In the last decade, debates about the desirability of international accounting standards by all countries have surfaced in fora of securities regulators, politicians, professional accountants, multinational corporations, international organizations, NGOs and governments. Most notably, the Group of 20 country leaders discussed very important but rare accounting matters in their 2008 summit in London where accounting became part of their agenda. According to Lagneau-Ymonet and Quack (2012, p. 211), “It doesn’t happen very often that a technical matter like accounting makes it into the final declaration of a G20 summit, agreed by the heads of government of the world's leading nations. Yet, this happened on November 15th 2008, two months after the bankruptcy of Lehman Brothers petrified capital markets and roughly eighteen months after the first signs of the financial crisis became tangible and started impacting the balance sheets of most banks worldwide". How and when did accounting become an important international accounting political issue? Ironically, accounting standards have taken the forefront of globalization of many standards that need convergence to achieve global macroeconomic stability. To strengthen domestic financial stability and promote international financial stability, actors from the international financial arena have argued for the convergence of standards in banking supervisions, corporate governance, insolvency, insurance regulation, securities regulation, monetary and financial policy transparency, foreign exchange and most importantly in the area of accounting and auditing[1] (Akyuz, 2002; Cornford, 2002) in pursuit of facilitating better informed lending and investment decisions, improving market integrity and reducing the risk of market distress and contagion.

The development of globally acceptable standards which include safety standards, trade standards, environmental standards, securities law, immigration reforms, labour standards (Ramanna, 2013) has become surprisingly not only an economic issue but also a social issue that need to be addressed by countries, governments and international organizations including NGOs. While accounting standards themselves are designed to promote stability in a chosen field, their development can also be viewed as a process of arriving at globally accepted rules, norms and guidelines for policy in the financial and monetary spheres (Akyuz, 2002).

The idea of international accounting harmonization in developing countries came to the fore in 1987 when the United Nations became a place of increasing debate about economic corporation and development issues in less developed countries (Botzem, 2012). In 1972, at the Economic and Social Council (ECOSOC) and at the UN Conference on Trade and Development (UNCTAD) in 1974, developing countries begun to raise demands for a "new international economic order" that would restructure economic relations between

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[1] See Appendix for details on key proposed standards that need global convergence to achieve global market stability.

[2] In 1972, a group of eminent persons were appointed by the UN secretary-general to study the impact of multinational corporations on development and international relations of less developed countries. The group published its report in 1974 and concluded with special relevance to accounting and financial reporting that

industrialized and developing countries. The reason for such concerns though obvious needs a restatement. The exploitation of raw materials from less developed countries by international multinational corporations (MNC[2]) (Botzem, 2012) and the potential loss of sorvereignty in the setting of accounting standards (Camfferman & Zeff, 2007 pg. 188) was the most pressing issue at the time that sparked the international debate about the need to control the activities of foreign multinational corporations from industralized nations in less developed countries. At the time, it was noted that the lack of information and disclosure of financial and non-financial information by multinational corporations about their operations in these countries was a major concern. As a result, the UN established on an ad hoc basis an intergovernmental "working group of experts" from 34 countries, including 22 countries from Africa, Asia, and Latin America (Radebaugh, et al., 2006 pg. 156). This working group of experts named the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting "ISAR[3]"formed in 1982 came to the forefront in the promotion and dissemination of International Accounting Standards in developing countries.

In the 1990's similar efforts came from the World Bank and its partner institutions – the International Finance Corporation (IFC) and the International Monetary Fund (IMF) – to move developing countries towards the use of international accounting standards (Enthoven, 1965)[4]. In 2000, when the IASC was tranformed into the IASB, it became clear that developing countries were more eager to adopt the IASBs standards than countries from the developed world (Camfferman & Zeff, 2007 pg. 288). In fact the work of Botzem (2012, p. 12) show that initial diffusion patterns of the IASCs standards first occured outside of the

[2] In 1972, a group of eminent persons were appointed by the UN secretary-general to study the impact of multinational corporations on development and international relations of less developed countries. The group published its report in 1974 and concluded with special relevance to accounting and financial reporting that "developing countries need to develop the capacity to monitor the pattern of the distribution of benefits between them and the multinational corporations which operate in their economies''. See (Camfferman & Zeff, 2007, pg 188)

[3] ISAR assists developing countries and economies in transition to implement best practices in accounting and corporate transparency in order to facilitate investment flows and economic development. ISAR achieves this through an integrated process of research, intergovernmental consensus building, information dissemination and Technical Corporation. See (Botzem, 2012 pg. 47) for detail.

[4] As writes in Enthoven (1965, pg 30), a number of international institutions concern themselves with the problem of economic development, but the one most directly and extensively concerned with private sector in developing countries is the International Finance Corporation (IFC), an affiliate of the International Bank for Reconstruction and Development (World Bank). The IFC argues that. We have constantly found that there are two key elements which determine the success of our investment project. These two key elements are the accounting controls and management capability. Effective accounting controls and accounting practices will tend to have a stimulating effect on the flow of foreign and domestic capital. The impact which accountancy has, and the role it could play in overall economic development, is extensive and influential than is generally recognized.

developed world in countries like Guatemala (2002), Jamaica (2002), Tadzhikistan (2002), Tanzania (2004) and Kenya (1999) even before European Unoin came on board in 2005.

Africa as the dark continent (Khapoya, 2010) has never shied away from adopting policies/practices from the developed world either by virtue of their colonial relationships with Europe or in search of the one best policy that can mitigate problems and improve efficiency and development in their countries. In search of solutions to solve local problems, many countries rely on the expericences of others that have either already been successful in similar policies or to learn from the mistakes of countries that have failed policy directions. Many developing nations in transition towards developed country status strive to mobilize and attract capital from abroad to solve their social and economic problems and as such look to developed countries to adopt policies that were successful in improving investor climate in those countries. Financial sector reforms, financial market regulatory reforms, corporate governance and capital market regulatory arrangements are amongst the notable policy changes that policy makers expect to boost investment flows into their countries.

International accounting standards are desirable for adoption by every nation. Nevertheless, not all developing countries are motivated by the applicability of these standards in solving local accounting problems. Not only are IFRSs not relevant in solving their local problems, they are also viewed as too complex and a general misfit to the economic needs of most of these countries (Chua & Taylor, 2008; Wallace, 1993; Zeghal & Mhedhbi, 2006).

As at the time of writing, only 30 per cent of African countries have fully adopted International Financial Reporting Standards. Of the countries that have adopted, the motive for their decision to adopt may differ. Nevertheless, an attempt at investigating the motivation for the adoption of the standards augments our understanding of key considerations taken into account by policy makers when deciding to adopt. It is puzzling as to why majority of African countries have not adopted the standards contrary to the economic logic of the benefits associated with them. To investigate this rather broad research theme, the dissertation presents three main research questions that would brighten our understanding of how accounting standards setting differs in the continent to the rest of the world.

As in many policy diffusion/adoption studies, the central questions asked revolve around why dissimilar countries adopt similar policy innovations and why policy models from elsewhere diffuse to many countries of different economic, social, or political characteristics. To answer these questions, this dissertation pursues the following objectives:

1. To investigate the motivations behind the adoption/non-adoption of International Financial Reporting Standards (IFRS) in Africa.
2. To explore the role of international and transnational actors in IFRS policy adoption in Africa.
3. To explain the actions and/in actions of national policy makers in the decision to adopt IFRS in African countries.

1.3 The Argument

My dissertation argues that the classical economic school of thought which suggest that policy makers or actors make policy choices by first considering the economic benefits of the policy is too simplistic and needs further examination to explain why in the presence of economic benefits associated with international policies, actors in certain domains choose not to adopt or are unable to adopt these policies. In the particular context of this dissertation, I argue that although proponents of the globalized single set of accounting standards lay claims to the economics of the standards, these benefits alone are insufficient to explain their adoption in African countries. Rather, the social institutions present in these countries, and the institutional arrangements of the countries themselves explain better the adoption or non-adoption of the standards.

Institutional arrangements organized around isomorphic pressures are stronger determinants for the adoption of the standards in African countries. While this finding is not very new, it highlights the fact that international actors with interest in the diffusion of the standards take for granted these institutional pressures and rather focus on the technical or efficiency gains argument for the adoption of the standards. The economic perspective of accounting standardization over emphasizes the merits of adopting standards to market economies. This emphasis misplaces the institutional view policy adoption failing to capture the important institutions that must function in order to support the adoption of the standards. It is more so problematic in the context of Africa where many countries either lack the vital institutional arrangements that can support the adoption of the standards.

In my thesis, I argue that institutional arrangements such as the presence of capital markets, the general level of economic development, historical colonial relationships and the use of English as a lingua franca at the macro level play a critical role in the decision of African countries to adopt IFRS. Though the economic benefits of adopting international accounting standards matter, the institutional arrangements that complement the adoption of the standards remain critical deciding factors in motivating the decision to adopt the standards. At the meso-level, the structure of professional agency, which revolves around the presence of an active accountancy profession, membership of the accountancy profession to global professional accounting communities and the activities of globally active professional accountancy certification organizations support the adoption of IFRS.

At the macro level, African countries constrained by many economic institutions are unable to adopt IFRS not only because they are unaware of the efficiency gains associated with the standards, but also because these institutions do not support the adoption of the standards. A typical analytical case of countries that have not adopted the standards due to the lack of institutions would include a country that has no capital market, that is economically less developed, that has no previous colonial relationship with Anglo-Saxon countries and therefore does not use English as a Lingua Franca. Economic theory would suggest that these countries would have adopted IFRS although their institutional arrangements do not support the adoption and its implementation. Neo-institutional theory on the other hand would suggest a varying explanation. It would suggest that formal institutions that support the use of the standards create the demand for it causing actors to economically evaluate economic advantages of the standards prior to their adoption.

As will be shown in the dissertation, the combined effect of social and economic institutions and professional agency plays a central role in the decision of African countries to adopt international accounting standards. However, crucially, these two opposing schools of reasoning are not mutually exclusive. Together, they may explain how different countries while pursuing similar interests achieve different policy adoption outcomes.

Institutional scholarship has also highlighted the notion of timing differences in policy adoption to distinguish between the motives of early adopters of policy from later adopters (Kenndy & Fiss, 2009). They suggest that early adopters of the standards pursue improvement in performance and efficiency while late adopters adopt in pursuit of legitimacy. I argue that this distinction is rather too simplistic and misses the opportunity to observe the interaction of both theoretical branches of knowledge in policy adoption. Internally, actors clustered around policy decision machinery have varying interests and each act to maximize these interests whether pursing an economic interest or a social legitimate interest. For instance, states/governments may pursue an improvement in efficiency strategy in the choice of policy alternatives while engaging in policy adoption discourses with other actors. These actors such as professionals on the other hand may seek to legitimize their professional status by pursuing a normative legitimate strategy. This variation in interest must then be negotiated and converged in arriving at the decision of the policy adoption outcome.

The dissertation will also highlight important institutional arrangements that must be present for IFRS adoption to occur. It shows that institutional arrangements that have been taken for granted such as the level of education of professional accountants, the number of professional accountants in the domestic economy and the number of institutions that would apply the standards play a key role in the decision to adopt the standards. These institutional facets have been generally ignored or subdued by proponents of the standards who have failed to recognize that these institutional arrangements to a larger extent shapes the motivation for the adoption of the standards in African countries.

Regional integrated communities serve as a platform for the exchange of ideas, experiences and a channel of contagion among member states. Whereas in developed countries these communities have proven to be a channel for diffusion and adoption of IFRS, it has to a large extent proven to be a barrier to the adoption of IFRS in some African countries. My dissertation shows that regional economic unions in West Africa with different characteristics serve both as a channel for the diffusion, and blockage for the diffusion of the IASB standards in the region.

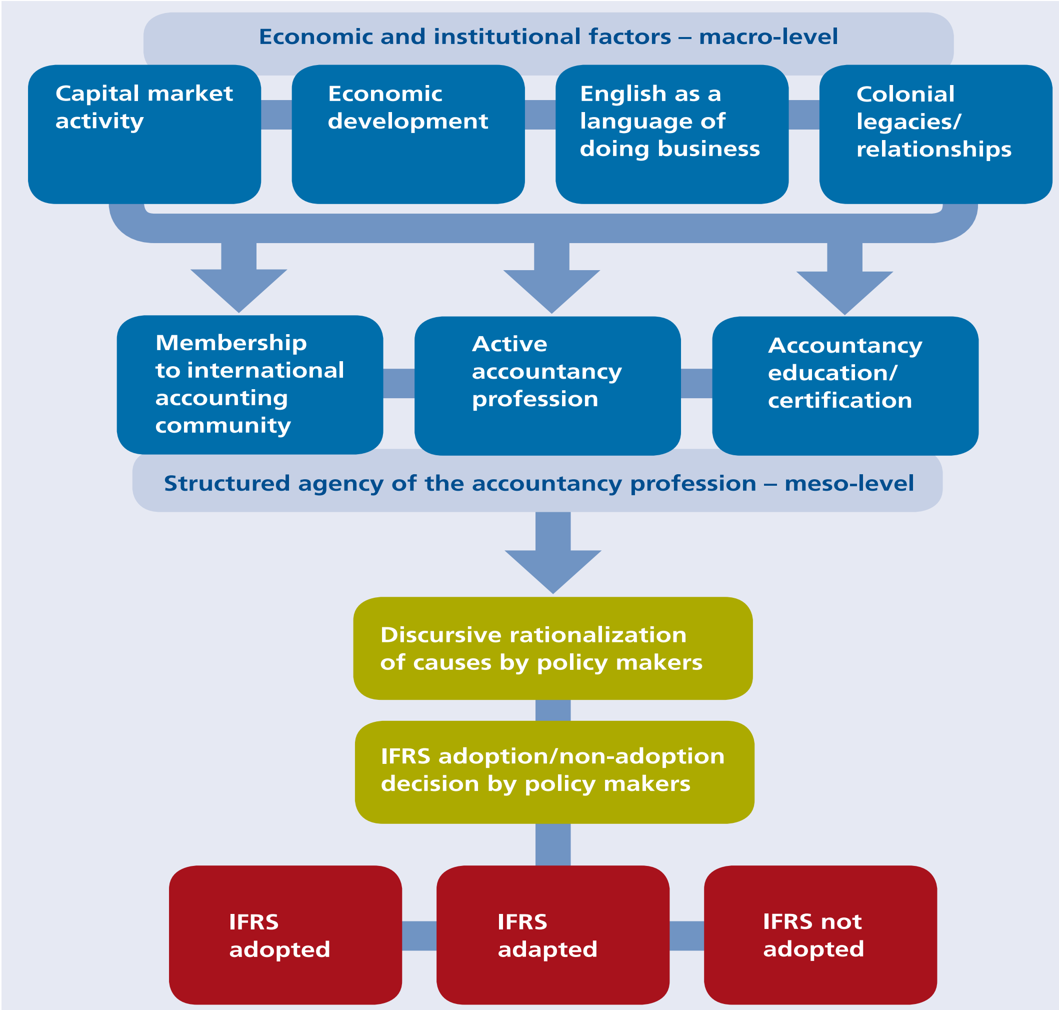

Figure 1: Calculative interactive effects of deterministic variables in IFRS adoption, adaption and non-adoption in Africa. *Source:* Authors own creation

1.4 Structure of the Study

The dissertation is organized in two main parts of nine chapters. The first part consisting of three chapters (1-3) discusses the social connotation of IFRS adoption and sets the stage for the exposés of the main research questions. In chapter 1, I presented an overview of the dissertation, the research questions and the general argument, which the researcher intends to pursue. It discusses briefly the emergence of accounting standardization in developing countries and set the context in which Africa is an interesting case to examine the notion of IFRS adoption in developing countries. It explicates the deterministic features of the accounting and financial reporting environment, which drives the decision of actors to adopt International Financial Reporting Standards (IFRS).

Chapter two provides the theoretical lenses that will be used to analyse the research questions. It draws on the contestation between classical institutional economics view of policy adoption with neo-institutional notions of institutional isomorphism. On the one hand, it argues that efficiency arguments presented by institutional economists as the motivating instruments for the adoption of policies by developing countries cannot sufficiently explain the adoption of IFRS in Africa. On the other hand, neo-institutional argumentation of the notion that, institutional isomorphic pressures of mimetic, normative and coercive pressures are a complementary explanatory theoretical approach to help our understanding of why and how International Financial Reporting Standards are adopted in Africa.

In chapter three*,* the dissertation provides an overall assessment on the current state of play in the diffusion of IFRS around the world. Specifically, it expands on the institutional settings within the arenas of international accounting standardization. It highlights the dimensions or organized actors around IFRS and how together, these actors drive the diffusion and adoption. In the last section of the chapter, I explain the methodological framework applied in the analysis of my data and show the dimensions of how case studies inform the research questions.

The second part of the dissertation contained in chapters 4-9 centres on the examination of the main themes of the dissertation in local context. It provides empirical evidence collected from the field to support the main arguments of the dissertation. In chapter four*,* I analyse the country case study of IFRS early adopters and provide the context within which Ghana became a leader in the adoption of the standards in 2007. I discuss the historical accounting landscape of the country and explore in great detail the discourses that occurred between and within actors in the lead up to the adoption of the standards.

Chapter five expands the case study of IFRS adoption to Nigeria. Unlike Ghana, Nigeria adopted IFRS in 2012 and became the latest newcomer to IFRS in the West African sub-region. By analysing the case of Nigeria, I shed light on why some countries wait so long in adopting international standards despite the merits of the standards. The case extends the idea of the distinction between early and late adopters and shows how institutional arrangements differ in the context of Ghana as an early adopter.

Chapter six introduces and discusses the case of countries that have not yet adopted IFRS. It argues and shows that the reverse of the case of IFRS adoption is not necessarily the same as IFRS non-adoption. Cote d'Ivoire has successfully resisted the idea of IFRS adoption through its institutional setups. The dissertation explores how these institutional arrangements foster the existence of home-grown accounting standards perceived as of higher quality than international financial reporting standards.

The case of Liberia is examined in chapter seven. As a country that has not adopted the standards, Liberia as a case demonstrates that the lack of strong institutional arrangements to support the adoption of the standards is key reason why the country has not adopted IFRS.

Chapter eight provides an analytical case comparison in the preceding *four* chapters. It draws comparison between IFRS adopter countries and IFRS non-adopters. It discusses similarities and differences in the characteristics of countries that have already adopted and those that have not adopted IFRS. Within cases, it shows how adopters differ in the timing of adoption. It also discusses the differences within cases of IFRS non-adoption and how institutional differences account for the similar non-adoption outcomes in the case of Cote d'Ivoire and Liberia.

The concluding chapter; chapter nine summarizes the findings, discusses the contribution of the study to the global diffusion of international standards and how actors with interest influence the process of IFRS adoption. I further present policy implications of the findings particularly directed towards countries that are yet to adopt the standards.

2 Theoretical Framing

In this chapter, I lay the foundation for subsequent empirical evaluation of my research questions. I examine the theoretical approaches to policy diffusion and adoption particularly in the context of a top down approach to the diffusion of international policies from the developed to developing countries. Building on the review of relevant literature, I show that classical institutional economic view of policy diffusion and policy adoption is not the only route to the adoption of policies in developing countries. While it might hold true in the case of the adoption of certain policies, its overreaching effect on the adoption of IFRS in African countries is less pronounced. In the adoption of IFRS globally, proponents view that the adoption of the standards is a means of improving informational flow, improving comparability of financial reports thereby resulting in inflow of foreign direct investments. While this is a desirable feature of the standards, it is far from the case that actors would act rationally in their decision to adopt international standards based on desire to improve technical efficiency of the overall economies. To contest this view in the literature, this section presents an opposing but complementary view that institutional dynamics and social pressures faced by developing countries explain more convincingly, why African countries adopt international standards. These social pressures exerted by actors (internally and externally) produces a myriad of discourses and negotiating positions, which must be properly negotiated to arrive at the decision to adopt IFRS.

2.1 What is Policy Diffusion?

International relations and public policy literature have jointly used the term "diffusion" of policies across geographical boundaries and space referring to a stream of phenomena which spread from place to place, unit to unit or from one organization to the other (Newmark, 2002). It suggests that policies, norms, standards or best practices percolate or diffuse; something that is contagious rather than chosen (Rogers, 2003). It connotes spreading, dispersion and dissemination of ideas or practices from a common source or point of origin to the closest proximity of neighbours based not only on geographical characteristics but also common social characteristics[5] shared by both the diffusing country and the receiving country (Stone, 2001, 2004). A central reason for the cross fertilization of ideas and the spread of common phenomena among states and non-state organizations is the increasing globalization of world economies and the fact that

[5] A generalized expectation in this context is that states or other entities are more likely to adopt a given policy when their officials interact with officials in states which have already adopted the given policy (Cornford, 2002). This interaction is not only limited to state officials but extends to the interaction effect in economic terms of exchanges in trade.

increasingly states interact with one another more than ever before in the past half century. This effect reflects a more generalized definition of the concept of diffusion by Simmons, Dobbin and Garrett (2006, p.787) to mean that "international policy diffusion occurs when government policy decisions in a given country are systematically conditioned by prior choices made in other countries". While this definition seems broader, its application is not limited to international spread of standards, norms and policies and can be extended to encompass internal movement of ideas among state departments, units, counties and municipalities. The most significant impact is that the diffusing practice is transferred from one jurisdiction and is adopted in others.

The diffusion and adoption of best practices and standards from elsewhere often involves a myriad of actors (state and non-state, private and public), institutions (internal and external), and revolves around a complex interaction of these actors with varying interests that must be negotiated in arriving at one best outcome of policy adoption. These hidden interests can sometimes initiate the origination of the policy, but more specifically, actors behave in ways that reflect their interest in the policy adoption process. In turn, this interest can be classified to mean the motivating instruments driving the policy choices that actors make. What interest motivates actors to choose one policy from one country over the other? This question theoretically informs us of the notion that, policy diffusion from one country to the other is necessitated by the preoccupation of policy makers of the successes of these policies elsewhere that must be replicated domestically, or the total failure of such policies elsewhere that must not be implemented in a given country.

When policy makers conceive the idea of adopting similar policies from abroad, they premise their considerations on the fact that the benefits of such policies will exceed beyond current policies. As suggested by Green (2004), adopting units, countries or institutions of a chosen diffusing phenomena suggest that the adoption of new practices and structures is driven by the intrinsic merits of the innovation and/or the characteristics of potential adopters. Actors adopt policies from elsewhere because they are deemed effective with the potential to manifest similar beneficial effects in the adopting localities. Nonetheless, while this view has gained popularity among classical economic institutional theorists' policies on why countries adopt policies from elsewhere; neo-institutional scholars view the diffusion and adoption of policies from institutional pressures perspective and the quest for legitimacy. A convenient scholarly approach to contrast these views is to examine how policy makers construct policy adoption motivations and to reconstruct these motivations at a time when a group of countries adopted similar policies. This will allow for the cross examination by first accounts, what policy makers think of a policy prior to its adoption. First, it is best to examine this contestation and shifting boundaries of institutional scholarship in what drives international policy adoption decisions.

2.2 Why Do Countries Adopt Similar Policies?

The growth of global markets and the internationalization of global trade have caused a synchronized movement towards single economic platform for the exchange of goods and services. Not only must companies conduct their trade beyond geographical boundaries, governments must also create enabling environments to facilitate trade and commerce (Ramanna & Sletten, 2010). But more generally, policy diffusion and adoption occurs for a variety of reasons beyond economics alone. A critical expatiation of these reasons for policy diffusion has been provided by Karch (2007) who examine why policy diffusion occur? His work shows that; a policy may diffuse because officials believe they share a policy-relevant characteristic with a jurisdiction that has already adopted the policy. This is a process of simple imitation, which is driven by shared attributes such as political and demographic similarities. Alternatively, a policy may diffuse because officials view it as a successful model in some other jurisdiction. This is a process of emulation, during which decision makers learn from the successes and the failures of others. Finally, a policy may diffuse because officials adopt it in order to compete with other jurisdictions, a phenomena DiMaggio and Powell (1983, p. 149) terms as competitive isomorphism. This is a process of competition, during which officials feel pressured to enact a policy that exists elsewhere because it affects their state's relative attractiveness (Simons & Elkins 2004).

However, strictly speaking, these alternative explanations for policy adoption can be distinguished into two categorical branches of knowledge of "how things – ideas and practices – get from here to there" (Ansari, Fiss, & Zajac, 2010); on the one hand driven by economic notions of efficiency improvements and on the other hand a rather sociological explanation of the mechanisms in the spread of popular practices (Strang & Meyer, 1993). These distinctions lead us to think that economic scholars only focus on the diffusion and adoption of practices pointing towards the growing level of general information about the value of the diffusing practice whereas sociological models of diffusion only focus more on reputational arguments that relate to growing pressures for social conformity. Nevertheless, neither of these paths to the diffusion of practices can be mutually exclusive, nor are they incompatible (Tolbert & Zucker, 1983). Together, these bodies of literature offer a variety of rational and social explanations for the diffusion and adoption of practices across time and space (Greve, 1995). For a moment, let us consider a standalone examination of each pathway to the diffusion of international practices and apply this concept to the diffusion of International Financial Reporting Standards in Africa.

2.3 Economic Logic of Policy Diffusion

Economic school of competition and “race-to-the-bottom” perspective drives actors to behave in a manner reflecting a rationalized pattern when considering choices in policy diffusion and adoption (Simons & Elkins 2004). Pressured by the need to press ahead of competitors, decision makers may feel that a failure to adopt certain policies put them in a state of competitive disadvantage. For instance, the “race-to-the-bottom’’ approach to enact investor friendly policies to attract foreign direct investments or the need to attract best talents in the job market. States may also act to retain or attract companies from abroad and may do so subject to the economic gains of such intended policies. A good exemplification of this notion is described in the work of Karch (2007, p. 62) who shows that states adopt similar policies from elsewhere to improve their economic attractiveness. As in the case of lottery adoption in the United States, state officials were influenced by the adoption of lotteries in neighbouring states because they did not want to lose out on potential revenue when their own residents travelled out-of-state to buy lottery tickets in other states.

More generally, economic rationale for the diffusion and adoption of global forms of governance demonstrates the desire of actors to transform/challenge current forms of governance with the aim of improving the performance of such systems. This desire of policy makers to effect change in institutional forms is premised on the expectation that the adoption of similar policies by others will result in the increased inflow of economic benefits (Shipilov, Greve, & Rowley, 2010). This expectation is not only premised on the expected future benefits of the adopted policy but also a pre-determined calculation of such future economic benefits. Much like in a game theory perspective, economic action is guided by a pay-off matric of economic gains versus losses. Where such economic gains embedded in the adoption of similar polices from elsewhere exceed current status quo, policy makers are more likely to act rather rationally in the adoption of the policies.

The work of March and Olsen (2006, p. 5) elaborates on the notion of the logic of consequence which draws on the expected future benefits of following certain rules, norms or standards. They argue that, to act in accordance with the logic of consequentiality implies to treat rules, norms, standards and interpretations as alternatives in a rational choice problem and it is usually assumed that "man's natural proclivity is to pursue his own interest". From a rational perspective, institutional change is necessitated by a search for better alternative that would improve status quo. March and Olsen shows that, to act based on the logic of consequential or anticipatory action includes the following steps: (i) What are my alternatives? (ii) What are my values? (iii) What are the consequences of my alternatives views? (iv) Choose the alternative that has the best-expected consequences.

Economic behaviour, which drives the rational account for the diffusion of international best practices cause policy makers to act in such a way that economic gains are the preceding drivers and the expected consequences of the decision to innovate, borrow innovations from elsewhere or more specifically design policies to exceed existing consequences of innovations in other jurisdictions (Beck & Walgenbach, 2005). When happy with the status quo, policy makers are unlikely to seek institutional change (Weyland, 2005). However, when the current status quo does not provide the needed economic efficiency desired, policy makers are more likely to search for and adopt innovations, which promises to deliver efficiency improvements. One way to conceptualize the behaviour of policy makers in this context is that; they act beyond their social environment considering first their ability to benefit economically by adopting innovations from elsewhere irrespective of the origin and social fit of such policies.

A good example in the rationalization of the economic logic for the diffusion of standards or norms and the logic of consequence or anticipatory action in the adoption of institutionalized forms of governance is the work of Tolbert and Zucker (1983) who show that, the adoption of civil service reforms was driven first by the desire to improve efficiency and overcome administrative problems. Such claims have been supported by other studies such as Westphal et. al (1997) who shows that U.S. hospitals adoption of TQM practices was motivated by efficiency concerns. Organizational forms once institutionalized over time and seen to be successful in one way or another turn to diffuse rather quickly owing to the perceived intrinsic efficiency value embedded in them. A key take away in this debate is the fact that, actors turn to assign a rational assessment of their decision to adopt similar policies from elsewhere and argue that such policy choices will spur growth, increase economic output and improve the current status quo.

While the economic school or rational behaviour of actors in justifying their actions in the adoption of policies and norms from other jurisdictions provides a theoretical foundation for the diffusion and adoption of international financial reporting standards in many parts of the world, policy makers have only provided a rather conjectural perspective on why IFRS are adopted particularly in developing countries. This claim is supported by the notion that developing countries have the habit of adopting foreign policies constructed by international organizations as efficient with the ability to improve economic efficiency in their economies. The work of Weyland (2005, 2011), tells a compelling story of the adoption of pension reforms among Latin American countries premised on the perception that such reforms are likely to improve efficiency. To what extent do policy makers act rationally with all relevant information available to them to evaluate whether their policy adoption choices will provide economic benefits? What evidence supports their policy adoption choices and what level of certainty is considered prior to their policy adoption choice? What other alternatives are considered?

Quite contrary to economic motivation for the diffusion and adoption of policies from elsewhere, my dissertation argues that although the desire to improve technical efficiency matters in the decision of policy makers to adopt foreign policies, neo-institutional notion of isomorphism comes in first place as a deterministic characteristic in the decision to adopt international accounting standards. Policy diffusion and adoption is immersed around institutional forces whether visible or invisible. These institutional forces in turn shape the behaviour of policy makers who may choose to act rationally or otherwise in the choice of policy outcome. Take for a case the classic example of a policy maker who must decide whether the adoption of environmental protection policy will benefit his community or not. S/he will first will be influenced by either his background as an expert or as someone who has an experience with such a decision making process. I argue in this context that the institutional background of this expert plays a first order effect role in his decision making process prior to his rationalization of the economic gains and losses associated with the policy.

In the next section, I discuss the neo-institutional notion of isomorphic pressures that drives policy adoption and its accompanying outcomes. I complement this theoretical approach with the notion of logic of appropriate action and show how both approaches complement our understanding of policy adoption in developing countries. I further argue that far from the over simplistic ideology of the two stage diffusion model where early adopters seek to gain economically and technically while later adopters pursue legitimating strategies, such motivations are not always *a priori* and cannot be easily separable in the context of developing countries.

2.4 Neo-Institutionalism and Institutional Isomorphism

Early attempts by neo-institutional scholars to explain institutional change from a non-functional perspective have focused on the social environment of institutions (Shipan & Volden, 2008). Institutional theorists emphasize and maintain the significance of social and cultural aspects of the organizational environment rather than the task and technical elements given the prominence under the contingency theory and resource dependency theory (Ashworth et al., 2007). From the seminal work of DiMaggio and Powell (1983), they maintain that structural change in organizations seem less and less driven by economic competition or by the need for efficiency, but rather that bureaucratization and other forms of institutional change occur as a result of processes that make organizations more similar without necessarily making them more efficient.

A satisfying explanation for the increasing homogeneity in organizational forms and practices across time and space is that institutional isomorphic pressures drive policy adoption outcomes causing organizations with increasingly similar characteristics to adopt policies that reflect their social position. By this disposition, DiMaggio and Powell (1983) describe isomorphism to represent the “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”. They identify three sources of institutional isomorphism namely coercive, mimetic and normative pressures. While these types of institutional pressures are only analytical, the authors maintain that they are not always empirically distinct and that the intermingling of these three types tend to be driven by different conditions and may produce different outcomes.

A critical examination of these forms of institutional pressures and the subsequent application as a theoretical lens to the diffusion and adoption of IFRS in African countries offers great opportunities to explain the institutional conditions that drive the policy adoption decisions. A broad discussion and the context within which each form of institutional pressures play a role in the policy decision making is provided in the next section.

2.4.1 Coercive Isomorphism

DiMaggio and Powell (1991, p. 150) note that coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. It refers to the manipulation of incentives by powerful actors to encourage others to implement policy changes (Simmons, et al., 2008). The underlying assumption of coercion is that there is an unequal distribution of power among actors and that strong actors exploit their dominant position to impose their preferences for policy change on the weak (Simons & Elkins , 2004). Coercive isomorphic pressures can also take the form of external pressures exerted by governments, regulatory institutions, or other agencies to adopt the structures or systems that they favour. These pressures are often associated with legal requirements, health and safety regulations, and so on, but may also stem from contractual obligations with other actors, which constrain organizational variety (Asworth et al, 2007).

Coercion theorists suggest that policies diffuse from the centre both actively through "conditionality" and passively through "unilateralism". Such coercion may come from powerful states or from international organizations like the IMF and the World Bank via conditions attached to their lending (Marsh & Sharman, 2009; Simmons, et al., 2008; Simons & Elkins , 2004). By the same token, DiMaggio & Powell, (1983) argue that isomorphic pressures can occur in a coercive manner and could emerge from formal and infromal pressures exerted on organizations by powerful actors upon which weak ognizations are dependent. In the realm of international accounting, there is evidence to suggest that international organizations have used foreign aid and loans as a coercive mechanism to push for accounting harmonization in less developed countries (Lasmin, 2011; Zeghal & Mhedhbi, 2006; Botzem, 2012; Camfferman & Zeff, 2007; Islam, 2009). As noted in the work of Hassan et. al (2014, p. 373) who focus on the motives for the decision of the Iraqi government to adopt IFRS, they found that the decision to adopt IFRS was as a result of coercive pressures from western and international aid agencies such as the World Bank and the International Monetary Fund.

The role of coercive isomorphic pressures in institutional theory, particularly in explaining policy adoption choices, highlights the impact of political forces on the one hand and an emphasis of resource dependency notion on the other hand rather than technical influences on organizational change. While it may hold true that organizations are pressured by powerful ones to adopt policies that are deemed to be technically efficient, the choice of such policies themselves does not reflect a rationalized process of decision making but what is pre-constructed as efficient. Rather, it seeks to reinforce the notion that powerful institutions legitimize institutional forms constructed as efficient and pressure others to tow to the same line (March & Olsen, 2006).

The work of Annisette (2004) on the true nature of the World Bank and its construction of 'best economic policies' in the eradication of poverty illustrates the effect of coercive institutional pressures exerted on developing countries to adopt liberalized economic policies. Further studies by Neu and Ocampo (2007) and Neu et. al (2010) portray international organizations as agents for the diffusion of international norms, which are constructed and packaged as efficient policies to mediate the economic problems in developing countries. Nevertheless, the sign value of such actions by international organizations remain in the fact that, it is the legitimating position of their policy choices imposed on the adopting countries rather than and a rationalized approach by actors in these countries to construct what is deemed as economically efficient.

The support of the World Bank, International Monetary Fund and other international organizations such as the United Nations UNCTAD-ISAR towards a globalized single set of accounting standards is yet another form of legitimizing the standards of the IASB (Aggestam, 1999). In particular, the application of these standards as a mode of governance towards resource allocation to developing countries reflect how the bank construct what is economically efficient on the behaviour of these countries (Graham & Annisette, 2012; Harrison, 2004). Through the prescription of accounting rules to be followed in the disbursement of funds, the World Bank and the IMF are able to exert pressure on developing countries into the adoption of international accounting standards. Nevertheless, as we may come to see in the case studies in chapters 4-7, important institutional facets that create fertile grounds for the incubation of coercive pressures precede such pressures from the World Bank. To be clear, it is difficult for one to think of how successful these pressures from the World Bank will be in countries that have a total breakdown of vital state institutions that can adopt and implement international accounting standards. Classical examples in the context of IFRS adoption in Africa are the cases of African countries that are currently experiencing prolonged civil wars such as Somalia, DRC Congo, Central African Republic, and Liberia which emerged from a civil war quite recently. While the

Bank continues its funding initiatives in these countries, its capability of imposing international accounting standards remains limited.

The dissertation argues that neo-institutional theorists rightly point to institutional coercive isomorphism as a rich and important source of policy diffusion in developing countries. Nevertheless, it falls short of adding that these pressures can only be successful if other institutional features of the adopting country are properly aligned with those of international organizations. Unless other institutional frames can be easily influenced by international organizations, such pressures will only produce limited policy adoption outcomes (see chapter six and seven) for the empirical case of IFRS-non-adoption in Cote d'Ivoire and Liberia.

2.4.2 Normative Isomorphism

It is hard to conceive and discuss policy diffusion and adoption without the role of professionals/experts. Professionals play a key role in the formulation and advisory aspects of policy across all fields. While professionals strive to adhere to strict codes of ethics and professional practice guidance, they turn to form a social cluster to exchange ideas regarding their professional space. These clusters among professions create social ties between professionals of similar disciplines who must cooperate to legitimize their very existence. DiMaggio and Powell (1983, p.152) argue that normative pressures stem from professionalization. In their view, members of professional are subject to the same coercive and mimetic pressures as organizations because of the interdependence among actors in the wider field. Drawing on the work of Larson (1977) the authors interpret professionalization as the collective struggle of members of an occupation to define the conditions and methods of their work to control "the production of producers" in order to establish a cognitive base and legitimation for their occupational autonomy.

Historically, international accounting standards emerged from the professional association of accountants around the world who wanted a uniform mechanism of reporting irrespective of the geographical location of a particular business transaction. Over time, this idea led to the codification and standardization of accounting rules but also further created a social cohort via which professional accountants seek to legitimize the practice of accountancy. For instance, the formation of the International Federation of Accountants (IFAC) is a clear demonstration of the power of professional communities that seek to create a network of professional accountants for the exchange of ideas in the discipline. In consequence, such professional communities turn to be a platform for the diffusion of norms, rules, best practices and standards. The practice of such rule is not only viewed as a mechanism to show case belongingness to the professions but to show non-professional accountants the power of professional communities. This idea is not limited to only accountants but extends to the practice of law, medicine, engineering, academics and many others.

Accountants from developing countries have tended to follow the practices of those proposed by global professional communities without a rationalization of its practicability in local communities. One reason for this stems from the constant search for legitimacy. However the key question here is legitimacy from whom and for what reason? Contestation of the relevance of some professions provides us a lens to see how such professionals wish to be recognized in society. To remain relevant to society, professional accountants must not only demonstrate their technical knowledge and expertise but also show that they belong to global communities of professional accountants.

This dissertation extends the contribution of professional communities to the diffusion and adoption of international standards. I show that normative pressures produced by professional circles via universities and training centres through the creation of professional normative rules are in part responsible for the diffusion of professional standards in developing countries. Nevertheless, the contribution of this dissertation demonstrates that normative pressures exerted on professionals shape their interests in policy adoption outcomes, which may differ from those of the state. More centrally, when policy makers delegate the role of policy decision making to professionals due to their technical nature with the aim of obtaining technical advice, professionals pursue other strategies first to legitimize their existence and relevance in society, and second to provide policy direction.

2.4.3 Mimetic Isomorphism

In explicating mimetic institutional isomorphism, DiMaggio and Powell (1983, p. 155) argue that organizations that are struggling to establish clear and well-defined technologies tend to import institutionalized rules, processes and practices. They argue that such organizations tend to model themselves on “the best in class” or industry leaders that they perceive to be more legitimate or successful. Drawing on Meyer (1981), DiMaggio and Powell (1983, p. 152) indicate that it is easy to predict the organization of a newly emerging nation's administration without knowing anything about the nation itself, since "peripheral nations are far more isomorphic in administrative form and economic pattern than any theory of the world system of economic division of labour would lead one to expect" They coin this as a 'mimetic process'. They argue that uncertainty is the major driver that encourages imitation. When organizational technologies are poorly constructed or poorly understood, when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may turn to model themselves on other organizations (Radaelli, 2000).

There are many reasons that may cause organizations to mimic themselves against others. More generally, the imitation of more successful models may be to stimulate efficiency for the adopting organization driving them to emulate rather than create (Colyvas & Jonsson, 2011). This could also stem from a cost cutting strategy of avoiding new accounting standards but, rather imitate existing frames that are viewed to be successful. Nonetheless, the overreaching implication is that, it is the legitimation of the rationalization of policies of others rather than an efficiency driven need to adopt such policies.

Throughout the developing world, the concept of mimicry of policies from abroad especially through existing colonial relationships between colonizers and their former colonies seems pervasive. Policies seen as successful in developed countries (in most cases those of their colonial masters) are copied because they are seen as "successful" than home-grown solutions. Globally, international accounting standards have received similar responses to their adoption often being considered as "superior" accounting standards and imported into local jurisdictions without careful appreciation of their specific national accounting needs (Wallace & Briston, 1993). When looking into much of Africa, there is little evidence to suggest that any African country ever independently developed their own accounting standards- not even South Africa, which is considered rather developed than the rest of Africa. The historical origin of accounting standardization in any part of Africa emerged in consequence of the colonial legacies of their colonizers. More interesting in the examination of my research is the fact that, long after colonial rule ceased to exist, African countries continued to mimic themselves against their colonizers in adopting similar accounting standards.

International financial reporting standards and the key actors in favour of a globalized accounting standard have established a field viewed by many as well institutionalized (Botzem, 2012). Key actors that play a dominant role in the institutionalization of IFRS globally have also been viewed as the "best" in the class of accounting standardization arena (Lehman, 2005). In view of this, other actors particularly in less developed countries have attempted at mimicking or mirroring themselves against those of the developed countries. This process has resulted in the adoption of these standards in some African countries without due process – or a rationalized process of considering the potential consequences of the standards in local context. As we shall come to see in the case studies, actors are more inclined to adopt IFRS because of the fact that other countries have been successful in adopting them. This highlights and reaffirms the institutional logic of mimetic isomorphic pressures which drives the diffusion of not only accounting standards by also similar forms of governance perceived as successful elsewhere.

2.4.4 The Logic of Appropriate Action

Turing to the theoretical conceptualization of why countries may choose to adopt international standards, the application of the logic of appropriate action by March and Olsen will prove useful to the analysis of the research questions at hand. This notion informs us that, rules, standards or values are followed because they are seen as natural, rightful, expected and legitimate but not because of their high superiority in a calculation of consequences and expected utility. Following such rules or norms and the decision to do so are shaped by situational recognition and identity (Weber, Kopelman, & Messick, 2004) or simply put using a criteria of similarity, congruence and identities (March & Olsen, 2006).

The actions of decision makers and the justification of their decisional outcomes are premised on what is construed as appropriate by others. The decision-making process of policy makers start by first assessing the unique situation they are faced with and whether such situations are common in other jurisdictions (as in the search of a common identity, to associate with like situations and respond in similar fashion). A further step is to evaluate the appropriateness of different courses of action and then selecting the alternative that appears to be the most appropriate (Stieglitz & Becker, 2008). To identify oneself with others is to show that there are certain underlying characteristics common with the other person, institution, ideologies or circumstances. As pointed out by Weber et al. (2004, p. 283), identity is an umbrella concept that includes all the idiosyncratic factors that individuals bring with them into a social situation. More generally, in the framework of policy adoption, the desire to associate one's situation to the policies of other countries policy makers connotes an extension of the notion of identity. For specific demonstration of identity in pursuit of what is appropriate, let us consider the case of professional identities. Professionals (doctors, lawyers, bankers, nurses, engineers just to mention a few.) associate themselves with each other either on a regional, country or global basis often considering similar practices elsewhere that may suite their local practice purpose. Such professional identification with others may cause the application of similar rules into local context to mitigate or mediate a current local situation.

The logic of appropriate action does not suggest that following what is “appropriate” means that there is not an expected economic gain considered in the decision to adopt the rule, norm or standard. Rather, it highlights the “social” elements than the “rational choice” element in deciding whether to adopt a particular policy. These social elements in choosing what is logically “appropriate” allows policy makers to reflect their personal circumstances in the context of others and think about how to respond to such problems. What is my personal situation? Who am I? What can I do to solve the problem at hand? What is the best way to go about it? How have others in my situation dealt with it in the past? Can I solve the problem by doing as others did it? These questions help decision makers to come to a logical conclusion of choosing what right, good, better or best in solving current problems.

The logic of appropriate action distinguishes itself from the logic of economic consequence. This distinction rests within the fact that while the logic of consequence presumes that organization change is in response to the technical dictates of efficiency and effectiveness, the logic of appropriateness in contrast suggests that, change is driven by developing notions of how best to organize (Entwistle, 2011). Nevertheless, more specifically, these two notions differ from each other to the extent of internalization of the decision making process itself in which the actions of policy makers draw boundaries between them. When policy makers act to make changes to the current institutional setting, the motive and justification for doing so is not the underlying variation between the two notions, but rather how they pursue institutional change. To be clear, the motive in pursuit of institutional change may be the same in either situation, yet the outcome of the decision may vary in that the rationalization of the process of change differs. Take for case that “country A” seeks policy changes on the environmental impact of fracking gas. “Country A” may choose to pursue this objective following the logic of consequence by first rationalizing the process of which policy to adopt first considering all policy alternatives and their potential economic outcomes. On the other hand, “Country A” may choose to pursue the same goal of policy changes following the logic of appropriate action by following which policies others have constructed as logically appropriate. For a simplification of the theoretical distinction between the two approaches, let us consider the steps involved in arriving at an outcome as outlined in the work of March & Olsen (1989 p. 23);

Dimension	**LOGIC OF CONSEQUENCE**	**LOGIC OF APPROPRIATENESS**
Label	**Anticipatory action**	**Obligatory action**
Recognition	1. What are my alternatives?	1. What kind of situation is this?
Preferences	2. What are my values?	2. Who am I?
Evaluation	3. What are the consequences of alternatives for my values?	3. How appropriate are different actions for me in this situation?
Choice	4. Choose alternative with best consequences	4. Do what is most appropriate
Keywords (March, 1996)	Heuristics search, learning, updating expectations, behavioural biases, sequential attention to targets, adaptive aspirations, risk preference, risk & benefits of information.	Matching rules to situations, problematic of choice lying in definition of salient identity and classification of situation, Situation recognition, socialization, institutionalization, and imitation.

Table 1: Comparing Logics of Policy Adoption *Source*: Becker and Stieglitz (2008, p. 6) March and Olsen (1989, p. 23)

In the context of IFRS diffusion and adoption throughout the world, actors have presented multiple views on why and how the standards are adopted into local jurisdictions. These views on the one hand have concentrated on the economic logic of adopting the standards through a rationalized process of considering all the alternatives to international accounting standards before arriving at the decision to adopt them. I call this process the EU model of IFRS adoption. The European Commission established a formal process to consider all multiple alternative approaches of harmonizing accounting standards within member states (Deming, 2005; Rutteman, 1989). Following a formalized due process, this accounting standard setting approach allows constituents to express their views and show how these accounting standards would economically impact their financial statements (Botzem, 2012). These views are then complied and analysed in such a way that previews the economic benefits of adopting international accounting standards in the European Union (Daske et al., 2008).

Following a consequential logic to the adoption of international accounting standards requires national policy makers to consider the costs and benefits of these standards to the national economy. On the debit side, the associated economic gains of adopting IFRS could mean a reduced cost of preparing financial statements by international companies, a reduction in the cost of equity capital (Daske, 2006), improvement in the comparability of financial statements (Franco, Kothari, & Verdi, 2011) or a means of attracting foreign direct investments into the local economy (Gordon et al., 2012). On the credit side, a disincentive for the adoption of IFRS could include; the high cost of implementing the standards (Jermakowicz, 2004), high cost of auditing IFRS financial statements (George, Ferguson, & Spear, 2013) and a potential increase in costs associated in revising current legislation allowing the introduction of IFRS e.g. tax law revision. The contrast of the associated costs and benefits of international accounting standards should provide a clearer picture of the net economic gains of adopting the standards. Such an approach to determining the sign value of adopting international standards has appealed to the economic logic of anticipatory consequences as described above.

In contrast to the above approach, adopting international accounting standards elsewhere may evolve from the perspective of what is logically right to follow. Policy makers premise their adoption on what has been done elsewhere mimicking or following an intuition that their current situation is no different from that of other countries and therefore turn to adopt international accounting standards. Mainly, policy makers identify themselves with others and recognize the similarities between their current situation and others. Adopting IFRS can follow such patterns. Standard-setters consider what can be gained by pursing similar strategies as others by adopting internationally accepted accounting standards. One of such benefits is to gain legitimacy from countries that have already adopted the standards irrespective of the economic consequences of the standards. I present a summary of both approaches below and argue that, in the context of developing countries, evidence points to the fact that the decision to adopt IFRS follows a logic of appropriateness approach (as may become visible in the case study section of the dissertation) through which international organizations construct accounting reforms as done elsewhere and incentivize them to adopt the standards (Andrews, 2013).

	Economic Issues	Social & Political Issues
Logic of Expected Consequences	**Economic Gains:**	**Social Gains**
	-Reduced Cost of Preparing Financial Statements	-Continuation of relationship with International Organizations
	-Reduction in the overall Cost of Equity Capital	-Viewed as an investor friendly country due to the application international best practices
	-Potential to Attract Foreign Direct Investments -Improved Comparability of Financial Statements	-Allowing professional accountants to boast of applying international best practices
	-Used as a regulatory tool to monitor performance of Financial sector -Attraction of aid from International Organizations -Reduced Cost of Accounting Standard Setting	
	Economic Losses	**Social Losses**
	-High Cost of Implementing IFRS	-Loss of sovereignty in setting home-grown accounting standards
	-Increased cost of auditing - Potential of capital flight as Audits are conducted by Big Four International Accounting Firms	-Potentially reduced foreign aid from donor agencies
	-Cost of revising current legislations to fit into IFRS eg. Tax and Business law revision -Cost of enforcement of IFRS and monitoring compliance	-Loss of external legitimacy
Logic of Appropriate Action	-Being part of a global Accounting community	-Accounting standards that reflect socio-cultural setting
	-Following what is globally acceptable	-International Accounting standards are too complex and irrelevant to local economic needs
	-Allowing accountants to be part of a global knowledge pool	

Table 2: Logics of IFRS Adoption. *Source:* Author's Own Creation

2.5 Conclusion

In this chapter, the dissertation explores the theoretical lens applied in the analysis of the research questions. It draws on the theoretical contested argument that institutional economics fail to address,-at least sufficiently the motivation for the adoption of International Financial Reporting Standards in developing countries. Institutional economic theory suggest that, policy adoption is anchored on the pursuit of performance improvement, the urge to reform accounting standards owing to their economic benefits of improved comparability in financial statements, reduced cost of preparing financial statements and the resulting reduction in the cost of equity capital and the potential to attract foreign direct investments into the local economy. While these benefits are desirable characteristics to attract the attention of policy makers when considering the adoption of the standards, evidence fail to support this notion. Instead, a neo-institutional approach highlights our attention to the institutional arrangements, which drives IFRS adoption.

Neo-institutional literature presents us an opportunity to observe how institutions matter most in the developing countries decision to adopt IFRS. This theoretical approach points to the fact that institutional isomorphic pressures of coercive, mimeses and normative nature, collectively explain the pathways through which developing countries come to adopt international norms. Complemented by the notion of the logic of appropriateness, neo-institutional frames highlights the fact that, international accounting standards are constructed as which is right and good for developing countries and leaves little room for the rationalization of the decision making process in the adoption of the standards by African countries.

The dissertation argues that a contrast of the two theoretical approaches in the context of developing countries adopting international accounting standards can contribute to our understanding of the shifts between the motives of adopting the standards. More so, individually, each approach fails to recognize that, they complement each other in explaining policy diffusion. The dissertation aims to show that, within the setting of a developing country's adoption of international rules, both approaches occur but in varying degrees and levels. Specifically, actors involved in the decision making process may pursue either an approach that needs to be negotiated leading to a decision to adopt the standards. For instance, while governments may pursue the latter goal, professional accountants pursue the latter in order to legitimize their position in the global professional area. This divergence in interest must then be negotiated in arriving at the final policy outcome. The dissertation demonstrates how these two approaches are applied in the contest of IFRS adoption.

3 Locating International Accounting Standards

As a background to this study, it is important to revisit the historical antecedents that galvanized and propelled the development and adoption of International Financial Reporting Standards (IFRS) around the world. Accounting standardization is a combined result of gauging the true economic status of the reporting entity not only from the perspective of the owners of the entity but also from a regulatory perspective to monitor the behaviour of reporting managers and for corporate taxation purposes. More so, this need for accounting standardization resulted from a coordinated professional effort from accountants throughout the world to design rules, norms, and modes of best practices to govern the profession. Over time, the institutionalization of accounting standards as a mode of governance and regulatory field has pushed forth the further development of standards to regulate company reporting not only particular to local jurisdictions but across national, regional and transnational borders. The present study delves into the realm of international accounting standards setting explaining why institutions matter in the development of accounting standards. The examination of the need for accounting standards provides us with a clearer view on why countries may desire to adopt them in the first place.

Financial statements have many objectives to a wide range of audience and for different purposes. It is important that standard-setters address the needs of all, or many of such users and to accommodate the demands of diverse actors. More importantly, the objective of publishing financial statements is to give an account of an entity's financial and economic activities. But what is accounting and why is it important? Accounting as its name sounds may connote an over complex method of presenting the calculated gains, profits or losses on business transactions. True as this may sound, it is far more than a numbers game involving the addition, subtraction and multiplication of figures in arriving at the economic stands of an entity. Accounting is not a static phenomenon. This evolving characteristic of the discipline and its craftsmanship has led to a greater diversity in the purposes for accounting activity (Botzem, 2012, p. 7).

The work of Hopwood (1987) shows that these diversities in national accounting practices are the combined effect of factors that surround the accounting environment such as legal reporting requirements and many other variables (see table below). While these factors historically shaped the development of the accounting systems of many countries, these differences have begun to shrink and disappear over the last six decades owing to globalization and the increasing flow of investments across national borders. In consequence, actors such as, securities regulators, investment analysts, international financial institution and accounting regulators have called for a set of single high quality global accounting standards to regulate the activities of corporations across the world.

Reasons For International Accounting Differences			
1	National Business Ownership and Financing System	10	Culture
2	Colonial inheritance	11	History
3	Invasions	12	Geography
4	Taxation	13	Language
5	Inflation	14	Influence of Theory
6	Level of Education	15	Political Systems, social climate
7	Age and Size of Accountancy Profession	16	Religion
8	Stage of Economic Development	17	Accident
9	Legal systems		

Table 3: Eco-Structure of International Accounting *Source*: Adapted from Nobes (1998, p. 162)

Movement towards international accounting standards begun to emerge in the early 1950s driven by the accountancy profession in response to the global diffusion of capital markets and the expansion of multinational corporations. In the post-war periods, the creation of major trading blocs and the quest to eliminate barriers to trade and investments among member states of the European Economic Community (EEC) set the stage for harmonization efforts towards international accounting standards. Two main sources and initiatives created a platform for the movement towards International Accounting Harmonization (IAH). First was the growth in the activities of regional accountancy associations driven by local accountancy bodies in Europe, America and Oceania. Second were the increased calls for the creation of global accounting association in the form of the International Federation of Accountants (IFAC) Nobes (1998, p. 193). By the early 1970s, these calls for uniformity in accounting standards had translated into the formation of the International Accounting Standards Committee (IASC)[6].

The IASC at the time was formed with the primary objective to formulate and publish, in the public interest, basic accounting standards to be observed in the presentation of audited consolidated financial statements to promote their worldwide acceptance

[6] In the 1950s calls for accounting harmonization were still vague and emanating from different sources. However, in 1972 at the Tenth World Congress of Accountants in Sydney Australia, a proposal was put forward for the establishment of an International Accounting Standards Committee (IASC) to spearhead international efforts at standardizing accounting practices. In consequence, in 1973, the IASC was formed with nine countries – Canada, The United Kingdom, The United States, Australia, France, Germany, Japan, The Netherlands and Mexico acting as sponsors for the committee. For a detailed history of the founding of the IASC see chapter three of (Newmark, 2002)

especially for multinational corporations that had cross border listings in other countries. In the course of its existence, the IASC[7] became a leader in international accounting harmonization and was the centre of attention for many years in the search for a single global accounting standard. Following its transformation into the International Accounting Standards Board (IASB), the objectives of the global accounting standard-setter have evolved to become even broader. The IASB now has its objectives as an accounting standardizing organization to:

> (a) Develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions.
> (b) Promote the use and rigorous application of those standards
> (c) In fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.
> (d) To promote and facilitate the adoption of International Financial Reporting Standards (IFRSs), being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRS. (Camfferman & Zeff, 2007)

Over the last 15 years, the IASB has become an influential actor for the setting of International Financial Reporting Standards and has remained very relevant in the sphere of accounting standards setting. A critical success factor for the onward legitimization of the IASB's standards has been their acceptance by the European Community in 2005. The European Union in the quest to integrate capital markets across member states in the EU Commission was for a long time since the 1950s searching for solutions to the diversities in the financial reporting regimes among member states through its Fourth and Seventh Directives. Since 1957 when the Treaty of Rome was signed, the EU continued to pursue strategies towards harmonizing accounting standards throughout its member states. The IASB provided a compromising solution to the EU in which standard setting function was outsourced to the IASB in return for recognition and further legitimization of the IFRS (Andreas No˙lke, 2007; Botzem & Quack, 2009; Ramanna, 2013)

In pursuit of this strategy, the European Commission announced in June 2000 that all listed companies in the community would be required to prepare their financial statements in accordance with IFRS. The EU's Council of Economic and Finance Ministers endorsed this strategy in July of 2000 stating that its objectives for the endorsement of the

7 The IASC was transformed into the International Accounting Standards Board (IASB) in 1999 following the adoption of a new constitution in 1998. In principle, the IASB took over all the standards that were issued by the predecessor body and continued to revise old standards and issue new standards. While IASs refer to the standards issued by the IASC, IFRS are the standards of the IASB.

IASBs standards was to ensure the trading of securities in the EU and international markets on the basis of international financial reporting standards (Andreas Nȯlke, 2007; Botzem & Quack, 2006; Ramanna, 2013). In consequence, more than 6700 companies simultaneously adopted IFRS in 2005 publishing their maiden consolidated financial statements in IFRS.

The adoption of IFRS in the EU triggered widespread adoption throughout the world. Around the same time, the EU adopted IFRS, Australia and New Zealand also announced their intentions to adopt IFRS. South Africa and Mexico also adopted IFRS at the same time (Zeff, 2012, p. 823). By the end of 2011, more than 100 countries had declared their intentions to adopt IFRS and had either begun accounting standardization initiatives to converge local accounting standards towards IFRS or required them in place of local accounting standards. As at 2010, the IASB claimed that over 120 countries had signed on to the standards and that more countries are slowly moving towards the use of the standards (IASB, 2013). Nevertheless, many other countries have expressed concerns about the IASBs standards and have continued to resist their adoption (Prather-Kinsey, 2006). Particularly, in some less developed countries, IFRS is still a far-fetched dream and may never be adopted owing to the major demerits of the standards, which includes the huge cost of implementation of the standards. A critical question to ask here is why countries may choose these standards as a replacement of national accounting standards?

3.1 Rise of International Accounting Standards

International Accounting Standards which emerged as a professional collaboration by national accounting standard-setters became more prominent in the 1990s as international financial institutions such as the ISOCO, FSF, OECD, WTO, UNCTAD, BIS, the World Bank and International Monetary Fund and national and international political bodies such as the Group of 7 (G-7) ministers of financial and central bank governors begun to endorse these standards as a mode of stabilizing the global financial landscape. In particular, one critical event that catapulted IFRS to the forefront was the East Asian Financial Crisis. A major cause of the East Asian financial crisis has been attributed to opaque financial disclosures among large corporations of major Asian financial sectors. Sy and Tinka (2013) discuss the cause of the crisis and show that accounting culture of less disclosure, fraudulent accounting and the lack of investor protection in the character of these countries contributed to the crisis.

In the aftermath of this crisis, major actors including the G-7 finance ministers, the IMF and the World Bank jointly agreed that, a major step forward in averting similar crisis that preceded the Asian crisis such as the Mexican Peso decline, the Russian Debt Crisis in the 1990s and the Brazilian Currency crisis in 1999 and to stabilize the global financial architecture in the future was to streamline business reporting especially for publicly listed companies. International actors took action through the establishment of the Financial Stability Forum (FSF) in 1999 with the aim of bringing together international authorities, international financial institutions and international regulatory bodies on a regular basis to assess issues and vulnerabilities affecting the global financial systems and to identify actions needed to address them Choi et. al (2011). In consequence, 12 major standards (see appendix for complete list) were recommended for adoption amongst which was the idea of International Accounting Standards (IASs) issued by the then International Accounting Standards Committee (IASC) (Arnold, 2012; Cornford, 2002).

International Financial Reporting Standards appeal to nation states for many reasons but chiefly, the notion that these standards have economic benefits embedded in them is the key reason for the adoption. Literature documents that IFRS adoption has the potential to improve the information quality of the reporting environment by providing a comparable measure of financial statements across companies and countries. This view is supported by the notion that the accounting quality of financial statements prepared under IFRS is of superior quality than local national accounting standards (Cornford, 2002). Improvement in accounting quality in local jurisdictions has the added benefit of increasing investor confidence in investing in countries or companies located in countries that already allow, permit or require the use of IFRS (Ball, 2006; Barth et al., 2007; Daske et al., 2008). These improvements in the comparability of financial statements across national borders have the added advantage of attracting foreign direct investments either directly through equity capital markets or indirectly through increased trading activities with other sectors of the economy (Yang, 2012).

A further attraction to the adoption of IFRS is the reduced cost of preparing financial statements. By reducing agency costs, investors can rely on accounting standards as a monitoring mechanism to monitor the behaviour of managers and thereby reduce monitoring costs. Preparers can also reduce the incidental cost of preparing dual financial reports in local jurisdictions or for reconciliation purposes. The overall effect is a reduced cost of obtaining financial information which feeds into further reduction in the cost of capital of reporting entities (Florou & Pope, 2012; Ramanna & Sletten, 2010). Taken together Ball (2006) and Daske et al. (2008) illustrates the above benefits of IFRS adoption when they pick a quote from the work of Cherry (2008) (Chairman of the Canadian Accounting Standards Board) who presented these arguments in favour of IFRS adoption in Canada, arguing that;

> ‘’If every country speaks a different accounting language, investors have difficulty comparing companies and investors ultimately bear the costs of translation. A global accounting language is the best solution for both public companies and investors. [...] Long-term benefits [of adopting IFRS] outweigh any short-term challenges. IFRS will provide more opportunities for [. . .] businesses and investors in [. . .] businesses by reducing the cost of capital, increasing access to international capital markets and reducing costs by eliminating the need for reconciliations’’

Although the benefits in the adoption of IFRS seem promising in improving the comparability of financial statements and reducing the cost of equity capital to the adopting country, critics have voiced concerns that these merits are largely over specified and too generalized to fit the framework of all countries across the globe. Ball (2006) warned that IFRS adoption would only be beneficial if and only if certain institutional and political economic variables are present. He points out that financial reporting quality is shaped not only by accounting standards alone but also by “economic and political forces”. Durocher and Gendron (2009, p. 233) argue that accounting standards develop organically within countries in response to unique environmental conditions such as legal systems, taxation, equity finance (Yang, 2012) or cultural perspectives (La Porta et. al, 1998). In consequence, accounting standardization may not produce financial reports that are relevant for all nations because it may be obscured by those underlying differences in the financial reporting environment. A typical example is the notion of the use of international accounting standards to regulate capital markets. In the absence of capital markets in most African countries, their usage may not produce the necessary economic benefits when compared to countries with existing or developed capital markets.

Going forward, a major disincentive for the adoption of IFRS for countries in the developing world are the cost of adopting the standards (Radebaugh et. al, 2006). Hope et. al (2006) show that while proponents of IFRS adoption focus on the enhanced comparability feature of the standards, few studies speak about the cost of IFRS adoption. They argue that the true return of IFRS adoption should be evaluated by trading off the cost of transition and any other recurring costs of reporting against the recurring benefits of comparability and increased reporting quality. While the issue of improved capital market efficiency may hold true for developed capital markets, it is questionable whether the cost involved in transitioning to IFRS will provide added benefits for countries with smaller capital markets or for countries without equity market activity.

Nevertheless, the examination of the motivations for the adoption of IFRS in developing countries is crucial in this study. My central argument is not to show the net effect of the motivations behind the adoption of IFRS, but to highlight that these motivations, whatever they may be to adopt or not to adopt IFRS are influenced by institutional structures rather than economic benefits alone. When extended to the current debate on motivating effects of IFRS adoption, the diffusion of IFRS is centred around the idea that, the interest of actors combined with the socio-economic eco-system leads them to act first in pursuit of their own interest before the consideration of economic gains. I discuss in the section 3.4 the network of actors that surround accounting standardization particularly in the context of Africa and how these actors negotiate their various interests in arriving at the decision of adopting IFRS.

3.2 Existing Research on IFRS Adoption by Nation States

On a gross national scale, many countries have adopted international accounting standards throughout the world. Most notable amongst them are the 27 member states of the European Union, Canada, Mexico, Brazil, Australia, New Zealand, Israel, South Africa, Japan, Indonesia, Korea, Ghana and Nigeria. The adoption of these standards by national governments as a replacement to local accounting standards is premised on several factors not homogenous to all countries. However, a common characteristic of nation state adoption of the standards is that national actors provide justifications that IFRS is a superior alternative accounting standard to local standards. Current research on IFRS adoption by countries across the world show that, the idea of easy in the comparability of financial statements of local companies to their international peers serves as a significant motivation for nation states to consider their adoption in order to attract foreign direct investments.

Studies focusing on national adoption of IFRS are not rare and shed light on the reasons for which national governments pursue the strategy of IFRS adoption. However, the chief reason for their adoption has been the perceived economic benefits of improved comparability in financial statements across national borders and their ability to attract foreign direct investments. George et al. (2013, p. 429) for example catalogue a number of reasons for accounting harmonization in Hungary arguing that fiscal policy on tax collection, move to the European Community membership, development of the Budapest

Stock Exchange, the need to attract foreign capital and government's need for statistical data accounted for accounting harmonization in the country. Fito et. al (2012) show that IFRS adoption in Spain was motivated not only by the quest to join the European Union but also a mechanism of reorganizing outdated accounting practices that has seen less reform for more than four decades.

Outside the developed world, IFRS is gradually gaining momentum among Middle Eastern countries especially among the oil producing countries of the region such as Kuwait, Saudi Arabia, Lebanon, Bahrain, Qatar, Oman, United Arab Emirates and Jordan which have all already adopted or committed to adopt the standards in the near future (Boross et. al, 1995). Increasingly, the issue of Islamic finance in the global financial space has drawn the attention of accounting standard-setters to think about these countries in the design of future accounting standards to accommodate them. At the IASB level, the Islamic Services Board (IFSB) member represents members of the Gulf Course Corporation (GCC) on the Standards Advisory Committee (SAC) of the IFRS Foundation that increasingly seek the views of the organizations for Islamic financial institutions in accounting standardization matters in the region (AAOIFI) (Haidar, 2007). The IASB and the chairman of the IFRIC Robert Garnett has viewed that "with oil revenues being directed into large investments in the Middle East, the region is increasingly being seen as a potential partner". The recent issue of Islamic securities on the London Stock Exchange has solidified these views and show that the increase in cross border transaction between Western countries and the Middle East is a strong indicator for the further diffusion of the IASBs Standards in the region.

Russia in 2012 also adopted IFRS for consolidated financial statement reporting purposes paving the way for the use of these IASBs standards in former Soviet Union countries. The work of Alon (2013, p. 45) show that although politicians were less inclined to adopt IFRS due to the potential loss of sovereignty in standardizing accounting rules in the country, they eventually caved in to allowing publicly listed companies, banks and insurance companies to apply the standards as a signal to attract foreign capital into Russia. In a similar fashion, Ukraine also announced the adoption of IFRS by all listed and public companies for consolidated financial reporting purposes. Other countries in the region such as Azerbaijan, Kazakhstan, Armenia, Uzbekistan, Albania, Bosnia, Georgia, Croatia, Lithuania and Romania have all progressed towards the adoption of these standards (Razik, 2012).

In Asia, similar efforts were exerted towards the adoption of the standards of the IASB. Notably, Japan, Indonesia, Australia, New Zealand, China, Philippines, Korea, Taiwan, Nepal, Singapore, Sri Lanka and Thailand have either already adopted the standards or have committed to replace national accounting standards with International Financial Reporting Standards (IASB, 2014; McGee, 2008). Individually, these countries have made the decision to endorse the work of the IASB based in their own unique circumstances and the reasons assigned for the decision may vary. Nevertheless, the wide acceptance of the standards in the region is an indication of an underlying motivation for adoption by national governments, regulators and accounting standards setters. This motivation nevertheless could emerge from several quarters ranging from economic reasons to social pressures exerted by international organizations.

The story of IFRS adoption in Latin American and the Caribbean countries is no different. Nearly all capital market regulators in the region now require listed companies and financial institutions to prepare regulatory financial reports using IFRS. Countries such as Argentina, Brazil, Chile, Columbia, Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru and Uruguay all require IFRS for consolidated financial statements (IASB, 2014).

However, the gap in these studies is that, despite the wide acceptance of the standards in other parts of the world, governments in other countries particularly in Africa have not made similar attempts at adopting the standards on the same scale as in other continents. As it would become clearer in the dissertation, less than one third of countries in the African continent currently apply the standards. What accounts for this gap and to what extent do institutions and governments play in the adoption or non-adoption of the standards in the continent?

3.3 Conceptualizing IFRS Adoption: When and how IFRS is adopted

The international accounting literature has so far, at least, failed to arrive at a standard proxy to gauge the adoption of IFRS. What is IFRS adoption? At what point can countries claim to have adopted IFRS? The concept of "country adoption" of IFRS is still conjectural, illusive, fluid and loosely defined. While there is an increasing growth in the terminologies referring to IFRS adoption, few of these terminologies actually provide an exact measure of IFRS adoption. In this section, the dissertation discusses how to conceptualize "IFRS adoption" in a meaningful way. This question of what constitutes IFRS adoption is central to the main theme of the dissertation in that, it helps us understand the key processes, actors and decision-making phases that lead to the adoption of the standards.

Transnational governance literature suggests that, the diffusion of international norms, regulations, rules and standards from the global to the local often take different forms and patterns. Through several channels, the implementation of these standards can produce various outcomes. While some countries must adapt international norms to fit local context, others copy, edit and modify international standards to meet local jurisdictional preferences. To examine the modes of IFRS adoption, let us for a moment refer to the various terms used when referring to the adoption of IFRS.

	IFRS Adoption Phrase
1	IFRS is permitted
2	IFRS is permitted for all
3	IFRS is required
4	IFRS is mandated
5	IFRS is allowed
6	IFRS is not prohibited
7	IFRS is permitted but not mandatory
8	IFRS is required for some, permitted for others
9	IFRS is permitted but not often used
10	IFRS is the only accounting standard in the country

Table 4: Phrases used to reference IFRS Adoption. *Source:* Author's Own Creation from various national and international standards

The often taken for granted feature of IFRS and many other international standards is that the standardizing organization has no power to impose or enforce their adoption upon any nation. Rather, these standardization organizations may only appeal to national governments, local standards setters, regulators and international institutions to adopt and implement their standards in the context in which they were designed. Nevertheless, as suggested by Carvalho and Salotti (2013), Foritn et. al (2010, p. 77) and IASB (2014) a set of international standards (including IFRS) can be accepted into local jurisdictions via several methods; adopting the standard-setters process, rubber stamping each standard from a standardizing organization, endorsing the standards (with the possibility of some differences), fully converging local national standards with international standards or partly doing so or merely allowing use of the IASB's standards. Let us examine these one after the other in the context of IFRS.

Adopting IFRS Through the Standard-setters Process: Accounting standard setting revolves around a formalized process. The IASB refers to it as the "*Due Process"'.* This due process involves the creation of opportunities for actors to present their views and demand the standardization of rules in the accounting of particular business transactions. This demand is then turned into a discussion paper allowing accounting experts, users, preparers, regulators and national accounting standard-setters to contribute to the development of the standards. Over a 3-5 year period, the IASB technical staff creates a draft accounting standard, which is then exposed (often called *Exposure Draft*) to the public for further comments. The final stage of the process involves the collation of all comments from the public and the issuance of the final accounting standard by the board. This method of setting accounting standards is common in developed economies such as the United States of America, Canada, the United Kingdom, Australia and New Zealand. The due process is a lengthy and expensive process that many countries, especially developing countries, cannot afford. In consequence, they often tend to adopt the IASBs standards to reduce the cost of formulating their own accounting standards.

Rubber Stamping the IASB Standards: Again, for reasons of cost, other nations may wait on the IASB to produce accounting standards and such standards are then rubber stamped into local jurisdictions. This often requires little or no revisions to the standards before their adoption as local accounting standards. An example of this method is that of Canada that adopted IFRS in 2011(Zeff & Nobes, 2010, p. 181).

Endorsing the Standards of the IASB: This method of adopting IFRS is the approach adopted by the European Commission where, on a step-by-step basis, each accounting standard is endorsed for adoption by European Companies. It involves a comprehensive review of the IASB standards, which can take a long time in arriving at the consequences of the standards on European Companies. Once satisfied that the standards contain the relevant content and scope, the European Commission would now mandate their adoption to members of the EU. In exceptional cases, the European Commission has not endorsed all standards of the IASB. For instance, IFRS 14, IFRS 10 and its accompanying amendments by the IASB are awaiting official endorsements by the Commission before adoption.

Converging National Standards with IFRS: In rare situations, some national accounting regulators undertake to converge their national accounting standards with those of the IASB. In such situations, national accounting standards are brought closer in resemblance with IFRS though individual peculiarities will remain. The United States accounting regulator, the Financial Accounting Standards Board (FASB) is a typical example of convergence process towards IASB standards.

In this study, I construct IFRS adoption in a way that reflects "*IFRS Adoption*" as a process, consistent with the IASB own methodology of accounting standardization and incorporate the phases of decision making that accounting standards-setters often encounter prior to the adoption of IFRS. I show that IFRS adoption involves several steps of considerations and that "*adoption*" itself is the *outcome* of the process. The table below illustrates the adoption phases of accounting standards in African countries.

Phases of IFRS Adoption

Phase 1	**Initiating the adoption decision**
	A. The demand for accounting standardization
	B. Search for optimal accounting standards
	C. Discovery of superior accounting standards
Phase 2	**Adoption decision (Options)**
	A. Choosing International Accounting Standards
	B. Maintaining Status quo: Local Accounting Standards
	C. Combining international standards with local accounting standards
	D. Designing new accounting standards
Phase 3	**Adoption/Implementation/Adaptation (Outcome)**
	A. Training/retraining accountants, auditor, regulators
	B. Publication of first annual/semi financial reports on chosen accounting standards
	C. Regulating/monitoring compliance with standards
	D. Review of implementation process

Table 5: Conceptualizing IFRS Adoption as a process. *Source:* Authors own creation

This conceptualization can be illustratively applied to the processes involved in the adoption of IFRS in the European Union. The EU approach to IFRS adoption started in 1998 with the commission expressing interest in integrating capital markets in its framework. In consequence, there were several ideas about establishing a common accounting standard for member states of the Union. Although the views of opponents of relegating the EU accounting standard setting powers to a private organization like the IASB were subdued, the outcome of such negotiating positions for an optimal accounting standard was that the IASB would set the standards while the EFRAG will play an advisory role in which standards the EU commission will endorse (Armstrong et. al, 2010). This created the process I show in the timeline below.

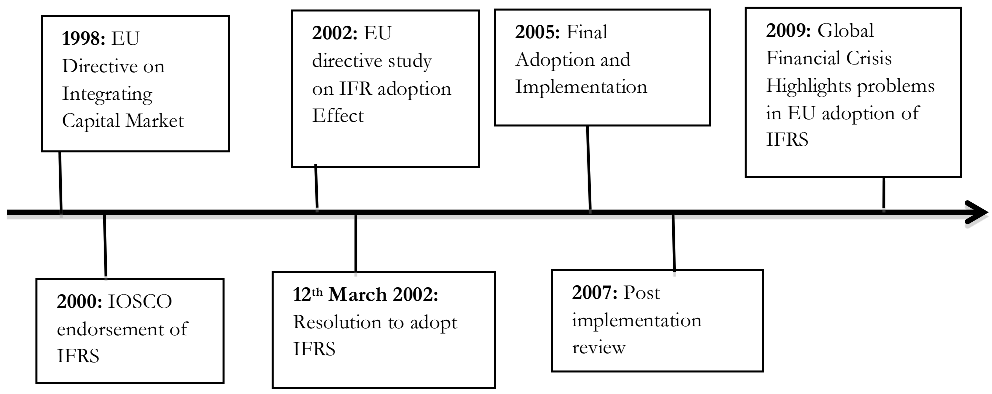

Figure 2: EU IFRS Adoption Timeline. *Source:* Authors construction

The dissertation focuses on the various steps in the decision making process on IFRS adoption. At each stage, actors pursue different interests in their decision to adopt or not to adopt IFRS. These variances in motives to adopt or not to adopt shape the outcome of the adoption decision. More importantly, I argue that the institutional pressures faced by various actors in the adoption process shape these variances in interests in adopting IFRS. For instance, in the course of deciding to adopt IFRS, coercive isomorphic pressures exerted by international organizations on some decision makers can change their interests making them alter their motive for the adoption of IFRS. I discuss in the next section how actors contribute to the outcome of the adoption process. I examine the political negotiations that shape the adoption process and how each actor pursues their interest.

3.4 The Role of Transnational Actors in IFRS Adoption Process

Actors and actor networks in institutions have varying interests in the diffusion of International Financial Reporting Standards (IFRS). From the local to the global and back to the local, these actors pursue varying strategies to make their voices heard and to push through their agenda. Some of these actors push for accounting reforms with the aim of improving accounting and financial reporting quality. For instance, stock market regulators advocate the adoption of IFRS to serve as regulatory instruments not only to monitor the financial and economic position of reporting entities but also to act in protecting investor rights and improve their confidence to invest in domestic capital markets. Such actions may emanate from capital market regulators such as the Securities and Exchange Commission, government investments and commerce bureaus, central banks and independent regulatory commissions (see diagram below).

Other actors may pursue different strategies in legitimating their existence. For instance, professional accountants may advocate standardization of accountancy practices for the sole purpose of seeking normative legitimating recognition from other professionals, lawmakers and governments. By adopting international accounting standards, they signal their professional value that their practices are in line with international norms and best practices. I discuss in the following section how different actors matter in the construction and diffusion of IFRS in Africa. Primarily, I examine the role of international financial institutions, regional and economically integrated communities, professional accountancy association, accountancy certification bodies, multinational corporations and international accounting firms in the diffusion of the IASB standards.

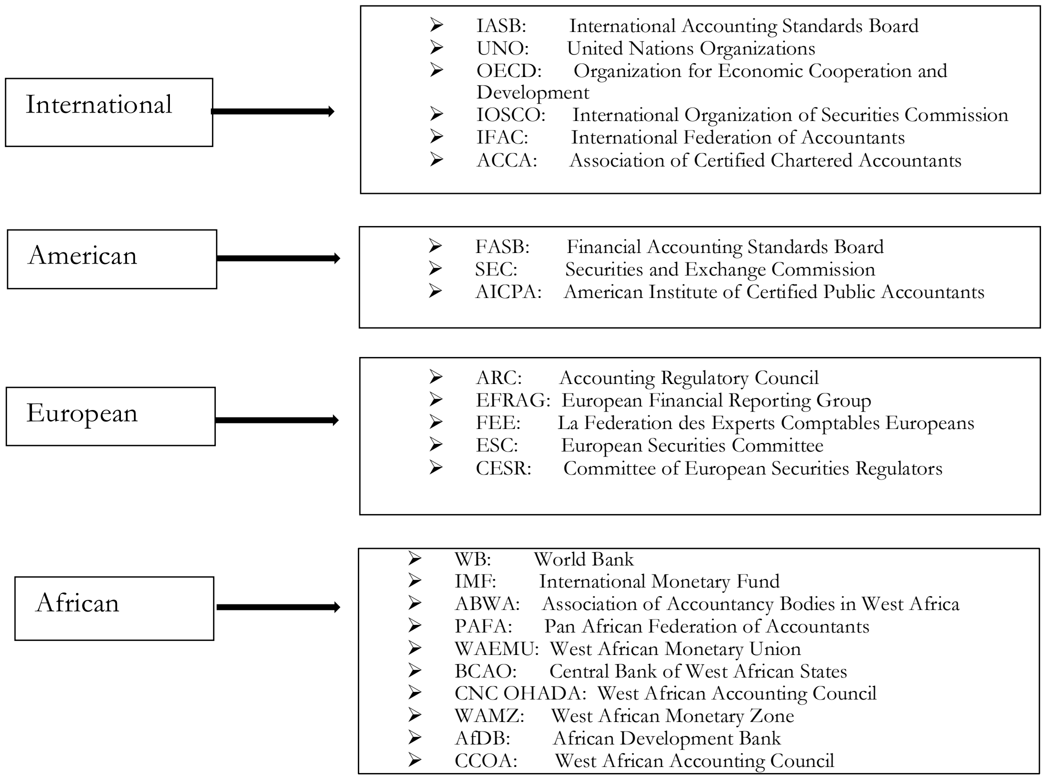

Figure 3: Actors in the diffusion of IFRS. *Source:* Adapted from Degos (2013)

3.4.1 International Financial Institutions

As discussed above, in the aftermath of the Asian financial crisis and several other crisis in Mexico, Russia and the United States, key actors in the financial arena agreed to a number of key standards aimed at stablizing the global financial architecture. These standards did not only include financial reporting standards but extended to banking, insurance, risk and securities regulation among others. The establishment of the Financial Stability Forum (now the Financial Stability Board) to oversee this process led to several reforms in the finance sector not only at the global level but also in transnational and national arenas. An important intiative of the FSF was to task international financial institutions to help in the stabilization of the global economy through their existing networks particularly in developing vulnerable economies. In consequence, the World Bank and the International Monetary Fund were authorized to monitor countries progress towards the implementation of the Forum's 12 standards and codes and report on compliance via the Observance of Standards and Codes (ROSC) programme. As part of this initiative, the World Bank established a programme to assist its member countries in implementing international accounting and auditing standards (Zeff & Nobes, 2010, p. 178).

Consequently, in 1999 the two institutions launched the Report on the Observance of Standards and Codes (ROSC) to check the level at which member countries comply with international standards accounting and auditing. From 1999-2005, they conducted 48 ROSC studies on accounting and auditing globally and by 2010, this number had reached 112 with 30 located in Africa alone. As at 2010, close to fourteen hundred ROSCs, including reassessments and updates, had been completed by the Bank and Fund in 178 member countries, territories, economies and regional groups considered of interest for the initiative (some three-quarters of which have now been published) (ROSC Review Initiative, 2011).

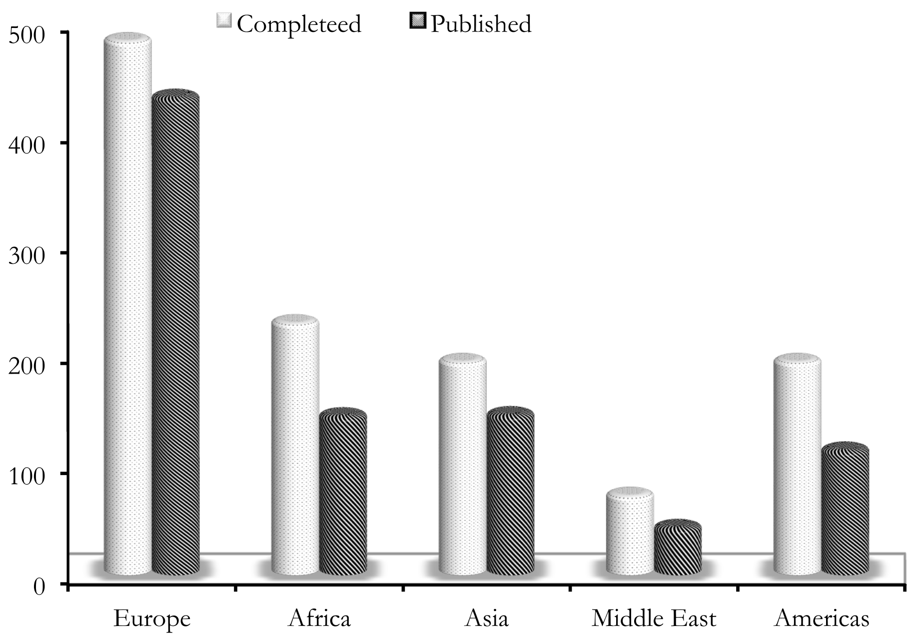

Figure 4: Completed and Published ROSC Reports. *Source:* ROSC Review Initiative, (2011).

ROSC Studies in Africa

	Country	Year of Publication		Country	Year of Publication
1	Ghana	2004	13	Madagascar	2008
2	Liberia	2011	14	Malawi	2007
3	Nigeria	2004/2011	15	Mali	2009
4	Cote d'Ivoire	2009	16	Mauritius	2003
5	Benin	2009	17	Morocco	2002
6	Botswana	2006	18	Rwanda	2008
7	Burkina Faso	2010	19	Sénégal	2005
8	Burundi	2007	20	Sierra Leone	2006
9	Democratic Republic of Congo	2009	21	South Africa	2003
10	Egypt	2002	22	Tanzania	2005
11	The Gambia	2010	23	Tunisia	2005
12	Kenya	2001/2010	24	Uganda	2005
			25	Zimbabwe	2011

Table 6: ROSC Reports from Africa as at 2014. *Source:* WorldBank (2005)

The ROSC project has had tremdeous triggering effects on the accounting reform programmes of developing nations. It is described as the wake up call for financial accounting reforms in most developing countries (Andrews, 2013). In Africa for instance, the World Bank and the IMF have used this programme as an avenue for inciting governments, lawmakers and accounting standard-setters to conduct accounting reforms. Andrews' work show that, though it is not mandatory to accept the findings of the ROSC reports, most countries welcome the the idea of identifying the gaps present in their accounting system by the ROSC programme and work towards the revision of such standards.

Both the IMF and the World Bank have tried to instigate accounting reforms in developing countries by tying accounting reforms as a condition to lending to developing countries. As it will become evident in the case study, such conditionalities have rippling effects on governments in that failure to comply with the adoption of IFRS reflects a general noncompliance with the conditions of these instutitions. Critical examples of such coercion and the use of conditionalities by the two Bretton Woods institutions to push for accounting reforms and the adoption of IFRS are the cases of Kazakstan (WorldBank, 2014c) and Bangladesh (Tyrrall et. al, 2007).

Neverthless, the conceptual basis for the significant exertion of pressure on developing countries to adopt IFRS remains in the domain of widespread poverty in these countries. International Organizations have long recognized that the route to poverty reduction in less developed countries does not lie only with the provision of aid and economic resources but also in the provision of technical assistance in the development of professions to contribute in the judicious allocation of provided resources and nation building. In consequence, this concept has led the Bank to pay attention to the role of financial management practices in these countries and how these could be improved to ensure adequate accountabilty of economic resources (see diagram below). Commenting on the role of the accounting profession in the reduction of poverty in developing countries, Executive Vice President of the International Finance Corporation (IFC which is the investment arm of the Bank) argues that; "we (IFC) have consistently found that there are two key elements which determine the success of IFC investment projects. These two elements are accounting control and management capability. Effective accounting controls and accounting practices tend to have a stimulating effect on the flow of foreign and domestic private capital. The impact which accountancy has, and the role it could play in overall economic development, is more extensive and influential than usually recognized" (Mir & Rahaman, 2005).

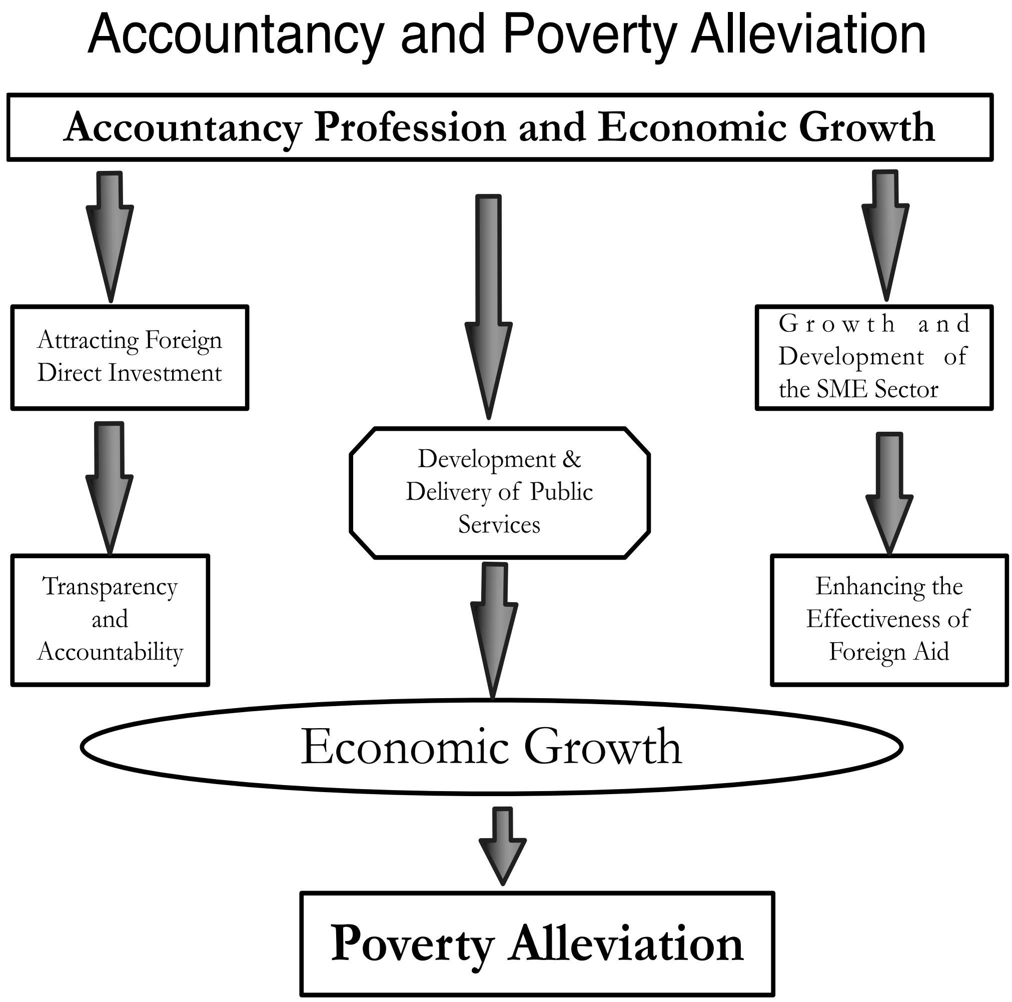

Figure 5: Conceptualizing World Bank Poverty Reduction Strategy through Accounting Standardization. *Source:* Adapted from the World Bank Presentation at the World Congress of Accountants 2010

International organizations are critical agents for the diffusion of international rules, norms, best practices or modes of governance. They serve as platforms for standardization organizations to reach out to a wider audience and persuade them on the potential merits of these standards. The IASB has long been a strong partner of the IMF and the World Bank in the move towards the globalization of IFRS. As early as the 1980s, the Bank contacted the IASC to discuss the possibilities of designing accounting standards suitable for developing countries particularly in the area of agriculture as most borrowing countries were agronomic dependent in nature. The work of Enthoven (1965, p. 30) shows that the Bank was willing to fund a common accounting standard that could be applied to a wide range of countries with which it engaged its lending activities.

The World Bank also more conveniently initiated a twinning[8] project across many developing countries but particularly in Africa and South East Asia where it partnered local institutions with the aim of developing their professional accounting skills. In Bangladesh, Tanzania, Malawi and Liberia, the Bank has worked to create strategic partnering programmes where it links less developed accountancy bodies with those of well developed professional accounting institutes such as the Institute of Chartered Accountants of England and Wales (ICAEW) for the latter to assist the former in the development of its professional curriculum to meet international standards. Through the financing of these initiatives the Bank has created a platform for the diffusion of the IASB's standards to local jurisdictions. An illustration is provided in Africa where the twinning programme between the Institute of Chartered Accountants of Ghana and the Liberian Institute of Chartered Public Accountants sees the former mentor the latter in the development of its institutional capacity to accommodate the adoption of international standards on accounting, auditing and ethics is a classic example of the banks involvement in the diffusion of international accounting standards.

Taken together, international organizations have varrying incentives for pushing developing countries towards the adoption of international accounting standards. It is their belief that improving the financial information environment of developing countries has the potential to aid policy makers in taking investment and economic decisions towards the eradication of poverty particularly in cases where financial resources have been provided by these organizations. In lieu of that, the IASB, IAASB and the IPSAS boards have used these international organizations as an avenue to diffuse their standards among developing countries as they are major actors in the development agenda of such countries (Arnold, 2012; Judge, Li, & Pinker, 2010).

In spite of these initiatives to diffuse IFRS via international organizations, modest results have been achieved in some parts of the world. For instance in much of Africa, these organizations are still struggling to diffuse these standards in the countries they operate.

[8] The word Twinning Project is not new in international policy diffusion literature. In the post war period, European cities were often paired in accordance with those which needed development capacities and those who could provide such support for the latter to support the former in developing its institutional capacity. The World Bank defines twinning as a "process that pairs an organizational entity in a developing country with a similar but more mature entity in another country''. It represents the establishment of an institutional relationship between an organization seeking assistance (the recipient) and an organization providing such assistance (the supplier) Camfferman and Zeff (2007, p. 43)

Why have international organizations been successful in some jurisdictions and yet been unable to achieve similar results as seen in other countries? What are the main challenges faced by these organizations when trying to diffuse international accounting standards in countries they operate or provide financial resources? These questions are addressed in the case study section of the dissertation.

3.4.2 Regional Economic Communities

Economically and politically integrated communities are fertile grounds for the diffusion of policies among member states in that, once a policy is adopted by the supranational body, member states are required/mandated to adopt the policy leading to a large scale diffusion effect (Camfferman & Zeff, 2007). The European Union, the Central American Common Market, the Association of South East Asian Nations, the Asia Pacific Economic Cooperation, the Southern African Development Community, the Economic Community of West African States and the West African Economic and Monetary Union are among the notable economically integrated communities in the world (Iheduru, 2012). Globally, nearly a third of trade takes place between member states of such communities . Together, they aim to achieve greater political economic benefits from such co-operations through the establishment of policies common to all member states that have the potential to improve their political and economic relations.

Within the framework of transnational accounting standards setting, the European Union has acted to create common accounting standards, capital markets, free trade zones, taxation framework and the European court of auditors partly due to the fourth and seventh directives geared towards the creation of integrated equity markets within the community, and partly due to the activities of the Federation of European Accountants in creating uniform accounting standards for member countries (Rutteman, 1989). In consequence, the European Financial Reporting Advisory Group (EFRAG) under the auspices of the European Commission was created to support the commission in the endorsement of standards from the IASB for adoption by member states. This created a large-scale adoption of IFRS in 2005 owing to the fact that the European Commission had earlier on in 2002 committed to adopt IFRS and mandated their use by all member states (Armstrong et al., 2010).

Outside the European Union, there is little or no evidence to suggest similar patterns of a large-scale adoption of IFRS has occurred elsewhere. Nevertheless, the success of IFRS in Europe is anchored on the idea of regionally integrated communities. Individually, there were several resistances or criticisms from some member states of the EU's decision to adopt IFRS. The work of Martin (2009) and Degos and Ouvrard (2008) show that French Banks and accounting regulators resisted the adoption of IFRS from the very beginning which eventually led to the non-endorsement of some IFRSs by the EU as a compromise for their uniform adoption. However, these objections and disagreements from individual member states did not stop the commission from adopting the standards and making it mandatory for all member states of the EU to follow. This reflects the power of regional integrated communities in pushing forth the adoption of common accounting standards in the community.

In Africa, the notion of economically integrated communities is not new. The creation of the South African Co-operation Union in 1910, the East African Community in 1967, the West African Economic Community in 1975 and the Southern Africa Development Co-operation in 1992 are few examples of the existence of economically integrated communities on the continent. Nonetheless, these communities have together achieved modest results in the diffusion of accounting standards among member states (Evraert & Robert, 2007). In 1979, the Organization for African Unity (OAU) now the African Union (AU) created a specialized agency called the African Accounting Council (AAC) to advise the Union on accounting standardization issues. Headquartered in Kinshasa, the Democratic Republic of Congo, the AAC was responsible for providing assistance to institutions in member countries on the standardization of accounting, promoting training and further research in accountancy and related areas. From the onset, the AAC was a complete failure as it lacked financial resources to fulfil its mandate (Salami, 2011). Elad's work shows that the AAC only held a few international meetings in 1988 and a handful of conferences for member states with the help of the African Development Bank. At present, the AAC is largely defunct leaving accounting standardization to individual member states or other smaller regionally integrated accounting communities such as the OHADA and WAEMU on the continent.

In West Africa, economic and monetary Unions are important platforms for the diffusion of common accounting practices. The West African Monetary Institute (WAMI) and the West African Economic and Monetary Unions (WAEMU) are the two main economic blocks in the continent. I show in section 6.5 how accounting standardization is conceptualized within the Framework of the West African Economic and Monetary Union.

3.4.3 International Professional Accounting Associations

Another important actor in the space of international accounting standardization that is more visible is the professional accounting community (Botzem, 2012, p. 36). Historically, international accounting standards emerged from the activities of professional accounting associations. The establishment of the International Federation of Accountants (IFAC) after the IASC was setup paved the way for professional accountants to discuss the further possibilities of standardizing accounting practices Worldwide. The International Federation of Accountants (IFAC) is the leading global community of accountants. It was founded on 7th October 1977 at the 11th World Congress of Accountants held in Munich, Germany. At its establishment, 63 national professional accountancy bodies signed the IFAC constitution (Elad, 1992, p. 71). The objective of IFAC has been to provide leadership worldwide to the accountancy profession in serving the public interest by developing, promoting and maintaining global professional accounting standards and codes of ethics for professional accountants of a consistently higher quality. In relation to financial reporting standards, the IFAC provides guidance to the accountancy community by actively encouraging convergence of professional standards, particularly auditing, assurance, ethics, accounting education and financial reporting standards (IFAC Handbook, 2007). These objectives of the IFAC have led to a collaborative effort between the IFAC and the IASB in the development and diffusion on IFRS.

In the early 2000s when the IASB took over from the IASC, the IFAC took further steps at infusing the IASB standards into its core objectives and legitimized the idea of applying international accounting standards and international standards on auditing. The work of Loft et. al, (2006) illustrates the role of the IFAC in diffusing the IASB standards when they write that, from 1977-2000 the formal oversight of IASC was undertaken by the IFAC, a worldwide representation of national professional associations. Officially, it administrated the selection of IASC board members. Its main task was to provide funding for IASC and to foster the worldwide proliferation of international accounting standards through influencing national standard-setters.

In July 2003, the IFAC approved a compliance programme designed to provide clear benchmarks to current and potential member organizations in ensuring high quality performance by accountants worldwide. The programme required member bodies to implement, with appropriate investigation and disciplinary regulations, both IFAC standards and those of the IASB (Botzem, 2008, p. 50). In its Statement of Membership Obligation

(SMOs), the IFAC expressed that member bodies should adopt IFRS as a means of eliminating diversities in the local accountancy practices throughout the globe. It provides guidance for member bodies seeking to meet these obligations of compliance with international auditing and accounting standards. Through its collaborative efforts with the international accounting education communities, the IFAC has established minimum education standards followed by accounting educators. It established the International Accounting Education Standards Board (IAESB), an independent standard-setting body that serves the public interest by strengthening the worldwide accountancy profession through the development and enhancement of education. Through its activities, the IAESB enhances education by developing and implementing International Education Standards, which increases the competence of the global accountancy profession contributing to strengthened public trust (Doupnik & Perera, 2007, p. 78).

The IFAC, through the IAESB, has listed the work of the IFRS Foundation as a key component of basic curriculum for the training of professional accountants. Section 13 of the IAESB Handbook states that the basic competence of an accountant should include knowledge of IFRS arguing that, for example, a desired competence for a professional accountant working in a financial accounting role may be the ability to produce a set of company accounts in full accordance with International Financial Reporting Standards (IFRSs) and national legal and regulatory requirements. Knowledge of IFRSs, as well as skills and judgment to assess their relevance to the situation, are needed to complete this curriculum. The IAESB Handbook further states that the knowledge content of the financial accounting and reporting subject area should include the following at an advanced level: (a) financial accounting and reporting processes and practices, including relevant current issues and developments; and (b) International Financial Reporting Standards (IFRSs); and/or (c) any other applicable standards or laws (Needles, 2005; Needles et. al, 1992).

Despite these moves aimed at diffusing IFRS among its members, the IFAC has so far not succeeded in a one hundred per cent compliance rate. Though it states that compliance is mandatory, it has not sanctioned any of its members for non-compliance. Out of the 24 permanent members as of 2014 from Africa[9], only 15 countries have adopted IFRSs. This raises questions on how the IFAC can exert pressure on its members to comply

[9] The members of IFAC from the African continent include; Botswana, Cameroon, Cote d'Ivoire, Egypt, Ghana, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mauritius, Morocco, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe with Benin being an associate member.

with its membership obligations. Theoretically, it highlights the notion of normative pressure as one, which does not compel adopting nations but rather seem to reflect a sense of voluntary adoption by local accounting associations as a way to legitimize their existence. It is shown in the case study section how the IFAC membership alone in a country is not a sufficient condition in explaining IFRS adoption.

3.4.4 Globally Active Accountancy Certification Providers

International Professional Associations play a key role in the diffusion of ideas across national borders to the extent that the geographical spread of their members contribute to the transfer of innovations, ideas, practices and norms from the global to the local. These associations are usually formed by a group of individuals in a particular occupation, trade or profession who voluntarily enter into an agreement to form such an association in order to accomplish such objective. Professional associations in recent times span across nearly every recognizable occupation often acting to legitimize the value of the services provided by the profession also to regulate the behaviour of their members through laid down by-laws, norms, ethos and constitutions.

The accountancy profession is one of such that has received heightened attention in the number of professional associations that have emerged with the aim of unifying accountants in the practice of certain specialized types of accountancy services[10]. One common distinguishing feature of professional accountancy associations from others is that, geographical boundaries matter in the construction of how the association is organized and how they claim the legitimacy for their existence. This has often led to struggles between accountancy associations in local jurisdictions over markets and the claim of superiority in the services provided to their clientele.

The establishment of entrant rules is common in gaining a qualification in many professions such as law, medicine, architecture, nursing, accounting and other recognizable professions. These requirements sometimes include both professional level examinations and proof of obtaining practical experiences in the field. In the field of accounting, potential accountants undergo a prolonged period of examinations often lasting up to three years at the minimum. The object of interest here is to ensure that professional accountants have a

[10] In the practice of accountancy, distinctions can be made in the form and shape of the services rendered to clients. For instance, the differences between management accounting and financial accounting depict the differences between auditing and assurances services. The Association of Tax Accountants is yet another type of accountancy association. These distinctions have led to the formation of separate types of accountancy associations although they are all categorized as accountancy associations.

minimum level of education prior to beginning their career in practice. They learn rules of bookkeeping, economics, management, mathematics and business related subjects before they begin their study of accountancy practice. However, most importantly, professional accountants study accounting standards in detail. These standards though can be those applied in the local jurisdiction of the accountancy association; they could also include accounting standards that are used internationally for financial reporting purposes.

By this token, professional accountancy associations have not only become an important actor in the development of accounting standardization process (IFAC, 2014, p. 11) but also they have become a channel for the diffusion of international accounting standards. Professional associations shape and define appropriate practices of interaction through rights of membership (Quack, 2007) by the development of a body of sacred knowledge that defines a shared meaning system and provides an identity for the members of the field. Once this shared meaning is created and specialization is created, it turns to be an asset through which professional associations claim to be experts and therefore demand a premium for their services.

A typical example of such associations is the Association of Chartered Certified Accountants (ACCA), which has gained recognition for its specialization in international accountancy practice. It claims to be the largest accounting community of international accountants. It came into existence in 1904 and through the years has evolved to be the leading accountancy association in the provision of accounting certification qualification. In the period of British invasion and scramble for Africa, the ACCA became one of the most widely recognized accountancy associations through which one could acquire the designation of a *Chartered Accountant* in British colonies (Hussain & Ventresca, 2010).

	2005	2006	2007	2008	2009	2010
Global ACCA Membership	187	209	232	252	293	316
Regional Total ACCA (Sub-Saharan Africa)	34,	41	47	51	60	65
Sub-Saharan Africa as a Percentage of Global ACCA Accountants	18%	20%	20%	20%	20%	21%

Table 7: Spread of ACCA membership in Sub-Saharan Africa. *Source:* ACCA archives Ghana (Numbers in thousands)

In the 1960s, it expanded its services to African countries once under the colonial rule of Britain; first to Ghana, and later to Malawi, Nigeria, and Sierra Leone and in the 1970s -1990s to Botswana, Ethiopia, Kenya, Tanzania, Uganda and Zambia (ACCA, 2014).From the onset, the Anglo-Saxon tradition of accounting standardization was adopted by the association and became a strong supporter of the work of the IASC. In the 1990s even before the work of the IASC on accounting standardization became commonplace in global business environment, the association adopted the standards of the IASC into its curriculum requiring accountancy students to study these standards for examination purposes. It further included in its curriculum the Continuing Professional Development (CPD) for professional accountants who had already qualified before the introduction of international accounting standards to study IFRSs (ACCA, 2014).

Globally the ACCA has continued its efforts to diffuse the IASB standards. It is a strategic partner of the UN-ISAR helping developing countries to develop accounting convergence toolkits which helps them in the adoption of IFRS. It is also a strong advocate and a member of the International Accounting Education Standards Board (IAESB) and a member of the International Federation of Accountants (IFAC) and the IFAC subcommittee of the International Audit and Assurance Standards Board (IAASB). Its dominance in the field of accountancy training places it on a top spot in organizing professional communities and diffusing standards and norms through the global network of its members.

Within the space of international accounting certification providers, the ACCA is not the only association that enables the diffusion international accounting standards. The Institute of Chartered Accountants for England and Wales (ICAEW), the Association of International Accountants (AIA) and the Chartered Institute of Management Accountants (CIMA) and several other local accounting certification providers are among the leading diffusing agents for the IASB standards. By default, these organizations have included in their teaching and learning curricula IFRS has required by the International Accounting Education Standards Board (IAESB).

3.4.5 International Accounting Firms

The "Big Four'' as they are called are a monopolistic group of companies which emerged as a result of several mergers of multinational companies providing accounting, audit and assurance related services. Each of them boasts of more than 100,000 employees worldwide serving the needs of multinational corporations, governments and non-governmental institutions. These firms played a key role in the establishment of the IASB and continue to be instrumental in the work of the IFRS Foundation providing both technical expertise and financial resources for its work (Botzem, 2012; Camfferman & Zeff, 2007; Zeff, 2012)

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
International Accounting Firms Contribution	3,2	4,2	5,7	5,4	5,8	6
Total Annual Funding of the IASB	9	18	14,3	14,1	18,2	19,8
Percentage of Big Four Funding	**36%**	**39%**	**40%**	**39%**	**32%**	**32%**

Table 8: International Accounting Firms Funding to the IASB. *Source:* IFRS Foundation Annual Reports (All amounts in million GBP)

From the onset, the big four audit firms dominated international accounting standard setting not only at the IASB level but also at regional and local levels through their network of firms. Through these networks, these firms are able to provide professional services to their clients in whatever accounting standards demanded. Though they are strong advocates of IFRS and provide about 40% of the annual funding of the IASB (Botzem, 2012; Ramirez, 2010, 2012) for its international accounting initiatives, they also operate in jurisdictions that currently do not apply IFRS. Arguably, these firms are strong diffusion agents of the IASBs standards but only to a limited extent when faced with strong institutional pressures from other actors in jurisdictions they operate. Typical examples of such cases can be found in French West Africa where these firms together have strong operating base but nevertheless have been unable to drive IFRS adoption. In the following chapters, the dissertation discusses the role of Big Four accounting firms in the adoption of IFRS in some West African countries.

3.5 The Role of National Actors in the IFRS Adoption Process

3.5.1 Central Banks

Central banks in many ways are strong local actors driving the adoption of IFRSs through their extensive use as regulatory instruments to monitor the operations of banking and non-bank financial institutions. On account of the introduction of prudential banking regulations by the Bank for International Settlement (BIS) following the Mexican and Asian Financial crisis in the 1990s, international accounting standards together with capital adequacy ratios were introduced into the Basel accord as a way of supervising and monitoring risk taking of banking entities across national borders (IASB, 2010).

Since 1988, the BIS has been developing detailed guidance and industry best practices to ensure prudential banking practices across the globe. It introduced three main accords from the 1980s to date with the support of central bank governors of major economies focusing on minimum capital adequacy ratios, risk based supervision and monitoring. In particular, it introduced the element of increased effective use of disclosures as a lever to strengthen market discipline and encourage sound banking practices from June 2004 onwards. This requirement called for the introduction of international financial reporting standards into banking regulatory standards and for central banks to take steps to monitor banking entities through financial reporting (BIS, 2014).

Though many central banks have already implemented the pillars of the Basel Committee, not all countries have adopted IFRS as recommended by the BIS Basel II and III pillars. In most cases of IFRS adoption, central banks have often led the path to whole adoption in the country (Rodriguez, 2003). Yet, the action of central banks is only limited to the entities under its regulatory space. Beyond that, central banks struggle to convince other actors to adopt IFRS. Why have some central banks played a central role in the adoption of IFRS while others lag behind? I discuss in chapters 4 and 5 how central banks are central to the decision to adopt IFRS in Africa.

3.5.2 Securities and Exchange Commissions and Stock Exchanges

Securities markets are among the primary users of the IABSs standards (Camfferman & Zeff, 2007; Nurunnabi, 2014). International accounting standards were initially designed and targeted at listed firms for consolidated financial statements purposes especially for companies seeking to raise capital on foreign stock markets (BIS, 2014, p. 3). A good exemplification of this idea is when Daimler A.G. sought to list on the U.S Capital market and became one of the early multinational corporations to adopt IFRS (Leuz et al, 2005; Radebaugh et al, 2006).

A major milestone in the diffusion of the IASBs standards was when in 2000, the International Organization for Securities Commission (IOSCO) endorsed the standards for use by members of the organization in the regulation of capital market participants. Since then, local stock exchanges have mandated the use of the standards as a monitoring device to protect investors. In consequence, it is difficult to conceive IFRS adoption in any part of the world without first ensuring a full functioning capital market. Recent studies on IFRS adoption show that a necessary condition for the adoption of IFRS in a localized economy is the presence of a capital market (Ball, 2004, 2006).

Though stock markets and securities regulators are an important pre-condition for the adoption of IFRS, their presence alone does not preclude the adoption of IFRS. The size, efficient regulation and control of domestic markets sometimes serve as a blockage for the adoption of IFRS. A good example of this is the United States Securities and Exchange Commission that has so far not provided a clear timeline when and how IFRSs will be fully adopted in the United States.

3.5.3 National Professional Accountancy Bodies

Professional accountancy bodies at the national level play an important role in accounting standardization either as standard-setters themselves in the context of self-regulated professional bodies or as key actors in the production of accountants to serve the local economy (Greenwood et al, 2002). As keepers of accounting knowledge within the domestic economy, professional accountancy bodies train accountants through a rigorous process of theoretical and practical learning process often involving economics, commerce, business development, mathematics, taxation and business finance (Sikka et al, 2007). More specifically, accountants train to understand accounting standards that are applied in the business environment. In essence, professional accountancy associations are the gatekeepers of accounting knowledge useful in the design and practice of accounting standards. These associations are able to exert influence by controlling the education and training programmes (certification) of professional accountants (Botzem, 2012, p. 37) and socialize them through conformity to norms and standards of the association.

Globally, national professional accountancy bodies such as the American Institute of Certified Public Accountants (AICPA), the Institute of Chartered Accountants of India, Institute of Chartered Accountants of England and Wales (ICAEW) and the CPA Australia, to mention a few, promote accounting standardization locally and strive to set accounting standards that meet the needs of the local economic environment. Even before the birth of international accounting standards, local accountancy bodies engaged in national accounting standardization for local jurisdictional purposes. At present, national accountancy bodies represent the views of accountants at the IASB level often providing commentary on proposed accounting standards (Larson, 2007)

Within the national context, professional accountancy bodies act either to promote the use of the IASB's standards or to block their use where they are not in consonance with local accounting practices. Where these associations tend to act as standard setting organizations themselves as in most cases, they control the nature of accounting standards. In other cases, accountancy bodies maybe distinct from the national accounting standardizing organization. In such cases, these bodies act as advisors to the accounting standard-setter providing technical support in the production of accounting standards.

3.6 Overview of IFRS Adoption in Africa

International Accounting Standards are not new to the continent of Africa. In the 1980s when the World Bank and the International Monetary Fund launched economic reforms in most parts of the continent, International Accounting Standards, then under the custody of the International Accounting Standards Committee (IASC), were recommended for adoption by many countries that underwent Structural Adjustment Programmes (SAPs). In consequence, countries such as Ghana, Nigeria, Tanzania, Malawi, Zimbabwe, Kenya, Uganda, Egypt and Tunisia adopted IASs at the time partly due to the absence of accounting standards in those countries. For instance, Ghana adopted IASs in the 1990s and used it as a basis for the formulation of the Ghana National Accounting Standards. In 1996, Zimbabwe was one of the first to mandate the use of IASs as issued by the IASC. Uganda adopted IAS in 1998 and Kenya followed in 1999 introducing IASs for financial reporting of all listed companies (Archambault & Archambault, 2009; Yang, 2012; Zeghal & Mhedhbi, 2006). Nevertheless, all these initiatives aimed at adopting international accounting standards occurred prior to the transformations in the international accounting landscape, which led to the establishment of the IASB to take over from the IASC. By the time IFRS became mandatory for European listed companies, African countries that had already adopted IASs ultimately also required the application of IFRSs in their countries.

From 2002 following the announcement of the EU commission that European companies would adopt IFRS from 2005 onwards, some countries in Africa also took steps to adopt the standards not due to their adoption in the EU but also as a way of introducing accounting reforms for reporting entities. Tanzania through the directive of the National Board of Accountants and Auditors (NBAA) in 2004 announced the adoption of IFRS for listed companies on the Dar es Salaam Stock Exchange (DSE). Other countries such as South Africa followed and adopted IFRS around the time European companies also adopted the standards. The chart below, explains the timelines of the adoption of IFRS in the continent.

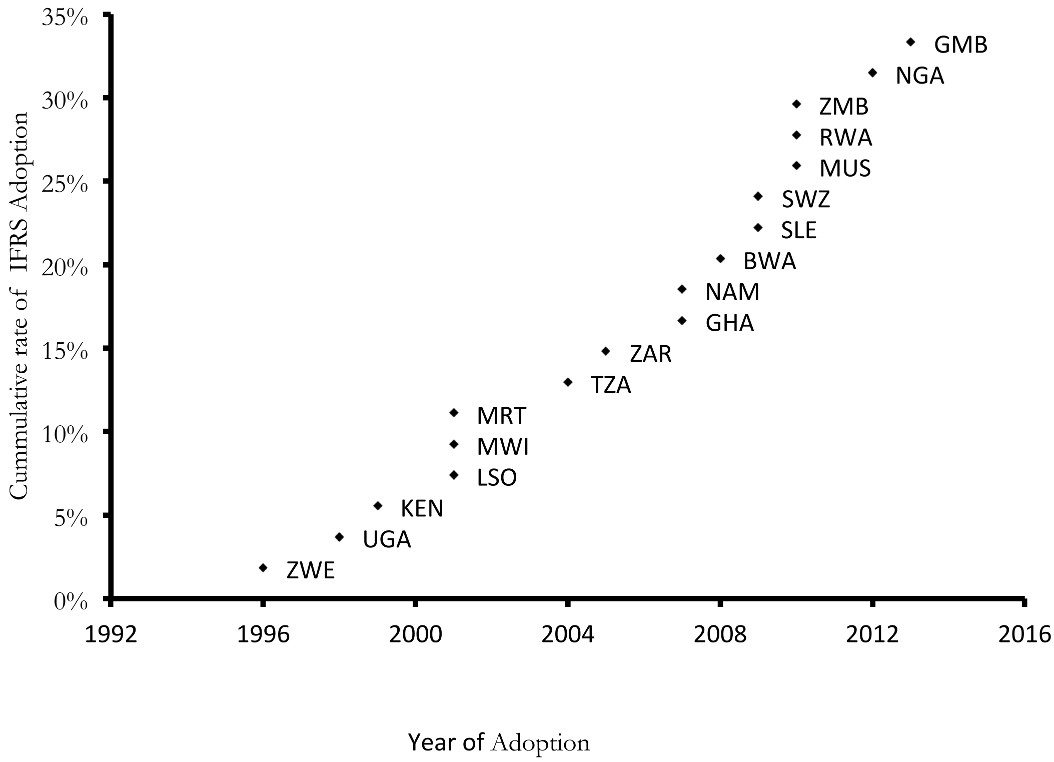

Figure 6: Cumulative IFRS Adoption in Africa. *Source*: Data from IFRS Foundation Jurisdictional Profiles

At present, a close look at the African continent suggest that over the last half decade, only 17 countries have made efforts towards the adoption of IFRS. Whereas economic logic would suggest a ‘’ race-to-the bottom’’ approach in the adoption of IFRS due to their associated economic benefits, it is not exactly the case when looking at the adoption patterns of international accounting standards in the continent. The Map below depicts IFRS adoption patterns in the African continents.

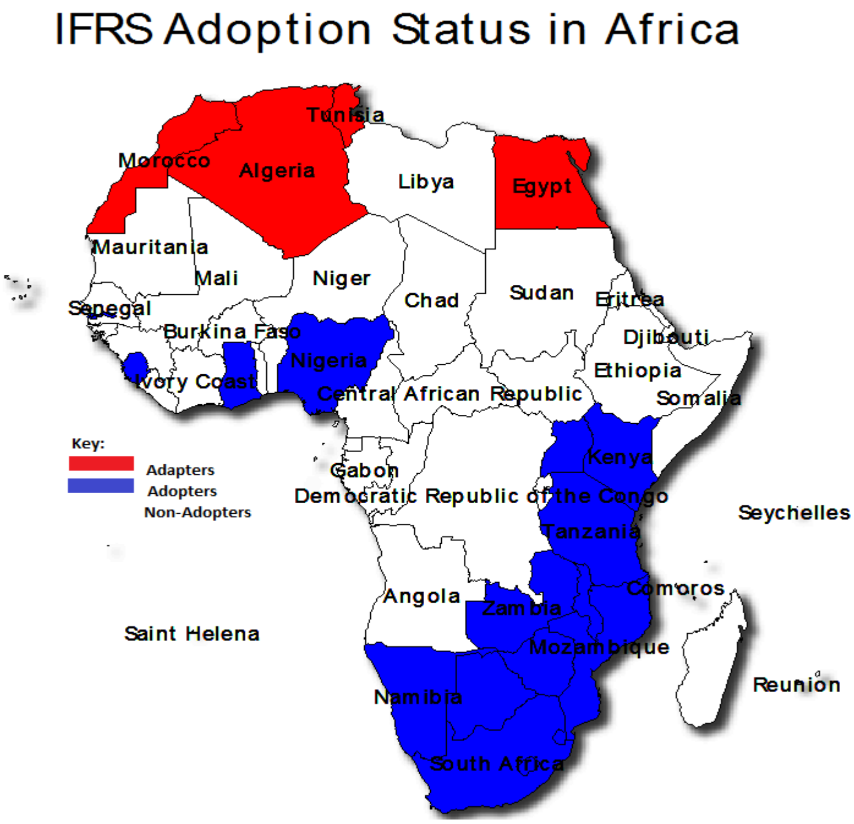

Figure 7 IFRS Adoption status[11] in Africa. *Source:* Authors own construction.
Data from IAS plus, PwC IFRS interactive map, IFRS Foundation Jurisdictional Profiles

In more detail, these patterns can further be decomposed into sub-continental groupings and how they each approach the idea of international accounting standards adoption. As visible from the table below, Southern and Eastern Africa have been in the forefront of the move towards global accounting standards largely driven by South Africa as lead adopters which is the largest capital market and the most developed African country. By contrast, Central and West Africa have been the historical laggards and have made little progress towards embracing international accounting standards.

[11] Following from the conceptual description of IFRS adoption in section 3.3, IFRS adopters here, refers to the application of IFRS as issued by the IASB. IFRS non-adoption refers to the non- application of the standards in whatever form in a local jurisdiction. Often, this depicts the prevalence of local accounting standards over IFRS or where there are no local accounting standards at all. IFRS adapters refer to the modification of the IASBs standards to meet local specifications often involving the removal or addition to the provisions of the standards.

Sub-Regions	Adopters	Adapters	Non-Adopters	Total
Western Africa	3	0	14	17
Central Africa	0	0	9	9
Eastern Africa	10	0	10	20
Northern Africa	0	4	4	8
Southern Africa	5	0	0	5
Total	**18**	**4**	**37**	**58**

Table 9: Continental Split of IFRS adoption. *Source:* Author's own creation, inspired by (IASB, 2014)

3.7 Analytical Framework and Research Design

This section discusses the methodological tools used in the analysis of my research questions. It shows how the empirical cases are selected and provide insights to the data collection process. I then lay the foundation for the analysis of the cases by providing an overview of how the empirical cases are compared.

3.7.1 Analytical Framework

The diffusion of policies from one geographical space and time across national and transnational borders has been defined as the process in which an innovation is communicated through certain channels over time among members of a social system (Rogers, 2003). The diffusion and adoption of similar policies, rules, norms or standards can be viewed from two distinct but complementary approaches that help explain why policies in different states become more similar over time. On the one hand, policy diffusion is driven by the institutional economic notion of efficiency seeking behaviour of the adopting country aimed at performance improvement in local jurisdictions. On the other hand, neo-institutional logic of social conformity through isomorphic pressures and the search for legitimacy explains why countries adopt similar policies from elsewhere.

Neo-institutional scholarship on the notion of policy diffusion within and across national borders is at the heart of this dissertation. The central argumentation is that, institutional isomorphic pressures provide a lens to see through how accounting standard-setters in Africa construct policy adoption decisions. When compared with institutional economic arguments of efficiency seeking behaviour of policy makers, the decision to adopt or innovate should be relatively easier as the motivations for doing so is purely an economic exercise of comparing gains versus losses and choosing the highest pay-off.

The central theme here is to understand the motivations for the adoption of IFRS in selected African countries. What accounts for similar adoption outcomes of some African countries (those that have adopted as one cluster and those that have not adopted as another cluster) while following different pathways to the adoption of the standards? Which actors necessitate or militate against the adoption of the standards? How do national actors respond to the action of actors in the adoption of the standards?

To answer these questions, the dissertation resorts to a comparative framework of tracing processes and pathways leading to the adoption or non-adoption of IFRS in Africa. The aim is to gauge the logic for the adoption of the standards by reconstructing the standard setting process in countries that have already adopted the standards to tease out what accounts for adoption and apply similar framing to countries that have not yet adopted the standards. Within this framing, the aim is to disentangle the economic logic of IFRS adoption from the social pressures that culminates in the decision to adopt the standards. As a second step, the dissertation extends the analysis to a different setting in which African countries have not adopted the standards. Despite the claimed benefits of the standards, these countries have not adopted. I attempt to provide a neo-institutional explanation on why these countries have not adopted IFRS in spite of the economic benefits and the institutional pressures they face.

3.7.2 Research Design

Contextually, examining the theme of this dissertation in the context of developing countries provides unlimited opportunities to explore the contestation and complementarities of classical institutional theory and neo-institutional theory. For obvious reasons, the diffusion of policies from developed to less developed countries is well established in the literature (Green, 2004; Rogers, 2003; Simons & Elkins 2004). Nevertheless, the diffusion of international policies in a top down fashion from developed to developing countries is rarely examined in the context of Africa. In particular, fewer studies examine the notion of IFRS adoption in a multi comparative case study setting and applying the framework of economic drivers of IFRS adoption versus social drivers of their adoption.

Literature on the global diffusion of IFRS explore several economic determinants for the diffusion and adoption of the standards with the hope that standard-setters can better promote the adoption of the standards to countries that have not yet adopted. The work of Hope et al. (2006, p. 2) highlights the importance of isolating the economic characteristics of countries that adopt IFRSs and provides a foundation future research in the context of developing countries. Their work examines a group of factors that might influence a country's decision to adopt IFRS including: securities laws on security offerings, anti-director rights, and commitment to building a more accessible capital market to foreign investors. Of importance to this study, their finding show that countries with capital markets and looking to attract more foreign direct investments are more likely to adopt IFRS than those without capital markets. These findings complement our understanding of how equity capital markets play an important role in the decision to adopt international accounting standards in the1990 by Larson et. al. (1995). Following this argument, my dissertation builds on and attempts to provide empirical evidence to support the view that the existence of a functioning capital market determines whether or not an African country will adopt the standards. I construct my field data collection methology to allow actors express their views about the siutability of IFRS for countries that do not currently have a capital market. I note capital markets as important macro-economic institution that must function in order to accommodate the adoption of IFRS. Capital markets are essential to the economic development of many countries through which countries can attract direct and indirect investments. States benefit from the creation of stock markets in that it allows them to open access to owners of capital (investors) to transfer resources to those who need them most (entrepreneurs) in the creation and management of wealth (Sanders & Tuschke, 2007). To protect investors, states employ several monitoring instruments such as corporate governance codes, securities legislation, taxation rules and most importantly, financial reporting guidelines to monitor the behaviour of reporting managers (Beaver, 1989).

Accounting standards throughout the world are created to reduce financial misreporting and eliminate information asymmetries in agency relationships (Leuz et al., 2005). In consequence, the existence of capital market creates an incentive for countries to think about the adoption of sound accounting practices either creating local accounting rules or the import similar rules from elsewhere. Nevertheless, most countries in Africa do not currently have equity capital market. The lack of functioning equity markets in these countries opens questions on how IFRSs can be adopted and implemented. I show in the empirical case studies how this argumentation propels the decision to adopt IFRS in African countries.

Another important economic determinant of IFRS is the level of economic development in the domestic economy. Conceptually, IFRS has at its heart a capitalist ideology to accounting for economic gains and losses and the associated varieties of capitalism (Palea, 2014). More generally, sophisticated accounting transactions invoke sophisticated accounting rules to govern the way these transactions are conducted. In large economies, the volume and level of complexities in business transactions turn out to be high. When contextualized in the case of Africa, a significant number of countries fall in the bracket of underdeveloped countries. Economic activities in these countries duals around agrarian modes of production and dominated by small and medium sized companies. This creates a usability problem of adopting IFRS, which were designed to govern large companies for reporting purposes. It is fair to hypothesize, however crudely that countries that are relatively less developed with fewer large companies operating in the domestic economy would consider not adopting IFRS.

The work of Lasmin (2011) and Judge et. al (2010) explore the notion of economic development and how that influences the decision of countries in the adoption of IFRS. They argue that economicially more developed countries are more likely to adopt good governance systems to aid the reporting frames of the large volumes of business transactions in the local economy. Zeghal and Mhedhbi (2006) supports this claim when they argue that in countries where the level of economic growth is relatively high, the social function of accountancy is an instrument of measurement and communication. Business and economic activities increases in size and complexity that require a sophisticated, high-quality accounting system and standards. Findings in all these studies confirm that the level of economic development is a strong determinant for the adoption of IFRS. The dissertation extends these studies by examining the level of economic development in detail and applying it as a proxy in the selection of case study countries. I compare countries across the West African region to determine how the level of economic development can help explain the outcome of IFRS adoption.

Nevertheless, as argued previously in this dissertation, economic deterninants alone do not contain sufficient explanatory reasons for the diffusion and adoption of IFRS. Institutions matter in many ways in shapping the decision of policy makers in the adoption of the standard. To gauge why, how and when IFRS are adopted from an institutional perspective, the dissertation relies on the institutional distinctive characteristics of adopting countries to examine how these characteristics from a neo-institutionalist perspective can inform my research questions. As noted in section 1.3, institutional features such as English as a lingua franca and Anglo-Saxon colonial legacies coupled with meso-level characteristics involving membership to the international accounting community, an active accountancy profession and the activities of globally active international professional accounting certification organizations may explain why and how African countries choose to adopt international accounting standards.

An important institutional determinant of IFRS adoption is the colonial relationship between African countries and their former colonizers. In theory, this relationship should not matter when considering the economic benefits of IFRS adoption according to institutional economic theoretical view. This view is nested on the economic idiosyncratic view that, policy action is constructed rationally barring all social ties and considering only the economic benefits that flows to the adopting country. Nevertheless, colonial relationships shape policy direction not only in the sense of social ties that exist between developing countries and their former colonizers, but also in an economic sense of reduced implementation cost of policies that has a historical fit in the adopting country. Where the adopting country is already familiar with the policy, the easy way to its implementation and social fit often turn to motivate policy makers' decision.

Research on international accounting adoption often argues that countries with an Anglo-Saxon cultural fit tend to lean towards the adoption of IFRS (Shima & Young, 2012; Yang, 2012; Zehri & Chouaibi, 2013). An explanation of this seems to emerge from the ease in the understanding of the standards by professional accountants who can then persuade national governments into their adoption. I apply this analytical framing to examine the adoption of the standards in West Africa.

At the meso-level, the notion of professions and professional communities plays an important role in the construction of international accounting standards. As pointed out earlier in this chapter, these standards emerged from such quarters and overtime; professionals apply these standards as rules or norms of not only the profession but also as a normative source of legitimizing themselves. When local professional accountancy bodies are active and strong in the practice of the profession, they become the first point of contact national governments draw upon for expert advice in regulating business reporting frames. To gain legitimacy from politicians, accountants introduce complexity in the practice of profession through formalized rules. In most cases, to signal the sign value of the practice, they turn to adopt international norms from supranational arenas such as the global body of professional accountants-i.e. The IFAC. Though few studies provide direct support for this notion, the work of Botzem (2008, 2012) highlights the importance of the IFAC in the decision of countries in the adoption of IFRS. I examine in my dissertation how standard setters consider their membership to such professional organizations when considering the adoption of the standards.

Another important institutional deterministic feature for the diffusion and adoption of IFRS is the training and certification of professional accountants. As discussed in this chapter, globally active professional accountancy certification bodies have tended to diffuse the IASBs standards often doing so via the inclusion in certification curricula of professional accountants. In the context of this research, these certification bodies do not play a direct role in the decision of policy makers to adopt the standards. Nevertheless, their role is to the supply professional accountants in the labour market who are familiar with application of IFRS in the business environment and can contribute to the discourses leading to the decision of the state adoption of the standards. The availability of skilled and well-trained accountants makes standard setters and national governments confident about the capacity of the profession to interpret, understand and implement international accounting standards into local jurisdictions. To the best of my knowledge, no study directly tests empirically the role of global accountancy certification providers in the diffusion and adoption of IFRS. Nonetheless, the dissertation attempts to provide empirical support to this notion by constructing these certification organizations as institutional drivers of IFRS adoption.

Following previous studies that attempt to explain what causes IFRS adoption, I develop a number of institutional proxies most likely to determine the decision of a developing country to adopt IFRS. From these studies authors attempt to segregate economic determinants from social or institutional determinants of IFRS adoption as discussed above. However, these studies fall short of providing sufficient empirical evidence to demonstrate the role of actors in the decision to adopt IFRS. For instance, what is the role of professional accountants in the decision to adopt IFRS? What is role of other experts (consultants, bankers, securities regulators, politicians) in influencing standard setters to adopt IFRS?

Author(s)	Journal	IFRS Adoption Determinant	Finding(s)
Zeghal and Mhedhbi (2006)	International Journal of Accounting	1. Economic Growth 2. Education Level 3. Foreign Direct Investment 4. Culture (Colonialism) 5. Existence of Capital Market	They conclude that developing countries that enjoy the highest literacy rate, that have a capital market, and that belong to an Anglo-American culture are most motivated to adopt IFRS
Lasmin (2011)	Academy of Accounting and Financial Studies Journal	1. Foreign Aid 2. Stock Market Capitalization 3. Level of Education 4. Foreign Direct Investments 5. Gross Domestic Product.	Results show that foreign aid, capital markets and level of education are strong predictive factors for developing countries to IFRS. They find little or no support for Foreign direct investments and GDP Growth as determinants of IFRS adoption
Judge et al. (2010)	Corporate Governance: An International Review	1. Capital Market Size 2. Economic Growth Rate 3. Foreign Aid 4. Education level	Their study applies these proxies to measure the extent of institutional pressures on the decision of policy makers to adopt IFRS. Specifically the study finds empirical support for three institutional pressures (coercive, mimetic and normative). In this study, normative pressures measured by the level of education amount professionals with technical accounting knowledge were found to be the significant drivers for the decision to adopt IFRS.
Shima and Yang (2012)	International Journal of Business	1. Equity Finance and Foreign Debt Finance 2. Legal systems 3. Taxation 4. Colonialism 5. Trade and Economic Development 6. Education 7. Culture	All variables except for culture are significant determinants of IFRS adoption
Zehri and Chouaibi	Journal of Economics,	1. Culture (colonial history)	Developing countries most favourable to the adoption of IFRS are those having a

(2013)	Finance and Administrative Science	2. Economic Growth 3. Capital Market availability 4. General Level of education 5. Openness to the world economy 6. Political factor 7. Legal system	economic growth rate, a high level of education and a common law based legal system. Their results find no significant impact of culture, the existence of capital markets and political system on the decision of developing countries decision to adopt IFRS. They conclude that the decision to adopt IFRS is closely related to the institutional environment rather than macroeconomic data.

Table 10: Sample Research Design and main findings. *Source:* Author's own complilations from Literature

To correctly gauge what influences standards-setters decision to adopt IFRS, my dissertation clusters and categorizes these determinants into macro-level and meso-levels effects. At the macro-level it is argued that the availability of capital markets, relatively stable development path, colonial relationship and language determines to a lager extent whether a country will adopt IFRS or not. At the meso-level, the role of professionals is constructed to capture the influences they have on standards setters decision to adopt international accounting standards.

The dissertation proceeds to draw analysis on African countries and to explain why majority of countries in the continent have not adopted IFRS given the associated economic benefits of the standards in the presence of absence of these determinants discussed above. Literature documents that Africa is the poorest and the most underdeveloped continent in the world (with the exception of South Africa) (Khapoya, 2010). The notion of developing countries or underdeveloped countries is still fluid, crudely constructed and loosely defined. Nevertheless, there is a general consensus among researchers that developing countries include those that fall in the lower spectrum of economic indicators in Gross Domestic Product (GDP), Gross National Income (GNI) and most recently introduced into the measure of development; the Human Development Index. To examine the research questions at hand, I find no other continent better fit for the purpose of this study other than Africa. Not only am I familiar with the economic realities in this continent, I am now well informed by the field research I conducted in West Africa and therefore making my choice of Africa for this research most suitable. For obvious reasons, Africa is one of the continents that has limited to no history of its own accounting standards setting machinery and relied on accounting standards inherited either from their colonizers or from the importation of accounting systems from elsewhere. To triangulate and arrive at a reasonable conclusion on the motives for the adoption of IFRS in Africa, the dissertation relies on particular country case studies for two groups of countries; those that have already adopted IFRS (Ghana and Nigeria) and for countries that have not yet adopted IFRS (Cote d'Ivoire and Liberia) as noted in section 3.7.1. I select cases based on the characteristics discussed above and how they combine to produce the outcome of IFRS adoption or non-adoption as seen in the diagram below (see page 73).

There are many benefits to a case study based approach in studying the adoption of IFRS in Africa. First, a case study approach allows researchers to analyse causal mechanisms present or absent in the case (events) leading to an outcome (in the context of this dissertation, the adoption or non-adoption of IFRS is the outcome). George and Bennett (2005) explain that case studies helps in the examination of the operation of causal mechanisms in individual cases in great detail. With a single case study, the researcher is able to look at a large number of intervening variables and inductively observe any unexpected aspects of the operation of a particular causal mechanism or help identify what conditions are present in a case to activate the causal mechanism.

It is far from true to establish causal mechanistic conditions with one single case study. The benefit of case study methodology extends far more than that. Case studies allow researchers to tell a story, or make a historical account of how events occurred or better still to trace processes back in time in order to arrive at a better understanding of how events may have shaped the present outcome. My dissertation has considered the potential merit of case based research and has engaged this methodological approach in analysing my research questions. For a start, I reconstruct the accounting standardization architecture of all four case study countries and provide a local context of the accounting environment in the country. I then proceed to discuss the historical origins of accounting standards and the context in which actors were involved in the introduction of foreign accounting standards in Africa. I conclude each case study discussing the discourses that prevailed in the discussions of accounting standard-setters when they engaged with other actors to adopt international accounting standards. To gain insights as to how similar or how dissimilar the case studies are and what they can contribute to our understanding, I draw a comparative case study of all four countries in chapter eight.

Case studies have many merits in allowing researchers to examine broad theoretical frames in local context and the experiment ideas contextualizing the given situation (Smith, 2011). To illustrate how institutions matter in the diffusion and adoption/ non-adoption of IFRS in Africa, the dissertation provides empirical evidence to support the main arguments presented in the introduction section. First, it argues that IFRS adoption is anchored on the idea of their associated economic benefits as a motivation for developing countries to adopt them. In this context, it is appropriate to examine this argument in countries that have already adopted the standards. The conventional approach in social science research is to draw hypothesis that can be tested to validate the claim that, IFRS adoption in developing countries is motivated purely by economic gains. However, an alternative approach is via process tracing in which the major steps, milestones or key processes in the decision making are reconstructed to understand the motives for the adoption of IFRS. To accomplish this, the study selects two main countries that have already adopted IFRS. The proxies for the selection of these cases are not arbitrary but based on the deterministic characteristics discussed in the preceding section and how they combine to produce the outcome of IFRS adoption.

Secondly, the non-adoption of IFRS does not suggest the opposite of lack of interest in search of economic gains. However, it suggests that several institutional factors may diminish the interest of actors in the adoption of IFRS. Greater economic benefits appeal to nearly every economy and policy makers are often keen to achieve such economic benefits. Nevertheless, the selection of an alternate accounting standard over IFRS may suggest a lack of relevance of IFRS in attaining the financial reporting goals of the developing county. This may cause policy makers to prefer local accounting standards to international accounting standards. To examine this assertion I employ two contrasting cases of countries which do not currently apply IFRS in West Africa i.e. Cote d'Ivoire and Liberia. These two countries are similar in the outcome of IFRS non-adoption but are grossly dissimilar in the institutional setups and processes leading to this outcome.

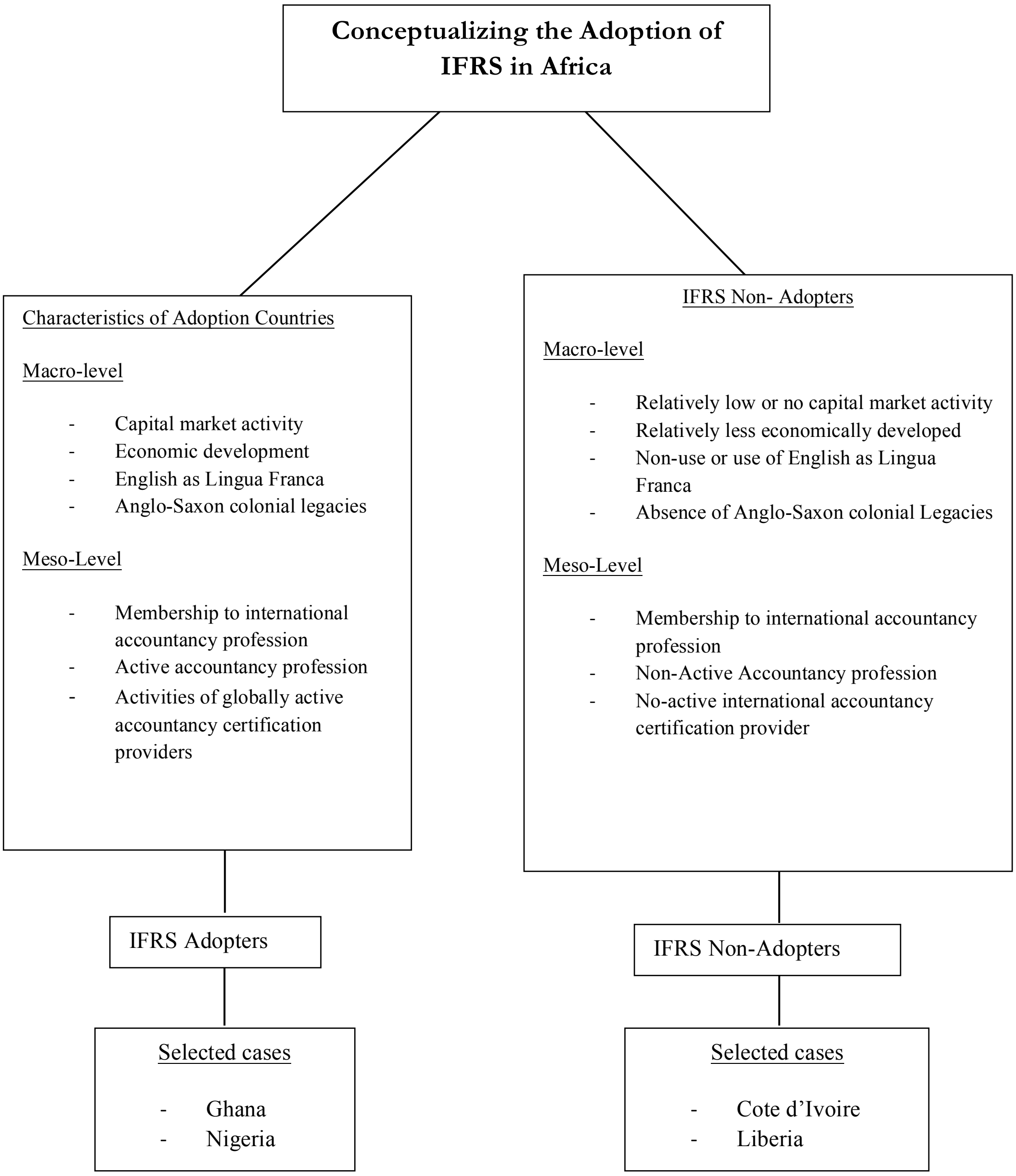

Figure 8: Conceptual Framework in Analysing Research Question. *Source:* Author's own creation

3.7.3 Data Sources and Methodology

In December 2012 shortly after Christmas, I arrived in a warm and welcoming country, Ghana (my home country) to begin collecting data for my dissertation. Ambitious, eager and yet hungry for knowledge, I combed through my phone book calling friends and family and establishing networks to setup interview dates. It was not long until my first interview date was set for January 6, 2013 at the offices of the Securities and Exchange Commission (regulatory body for listed companies in Ghana). This excitement continued until the end of January when I had conducted nearly 17 expert interviews with a lot of photocopied material from accounting standard-setters, central bank officials and accounting professionals. After establishing a rhythm of what data to collect to fulfil the objectives of the project, I repeated the process in Nigeria, Liberia and Cote d'Ivoire and concluded with 41 recorded and transcribed interviews and in some cases (Cote d'Ivoire) with the help of translators as I do not speak French. The interviews and data collection lasted for 6 months by which time I had gained an understanding of how accounting standard setting is conducted in West Africa.

After giving a prelude to what was done in the field, it is time to justify why I did what I did in the collection of data. I conducted 50 expert interviews with 41 of them recorded and transcribed. Interviewees were assured of anonymity and that all interview quotations will not use names unless I specifically seek their consent. The interviews were semi-structured giving interviewees the chance to recount critical events and dates that contributed to the development of adopting or not adopting IFRS in county X or Y. The interviews were targeted towards experts involved in the standard setting process, securities regulators, and central bank officials, professional accountants from the Big Four Accounting firms, international accountancy certification providers and the local World Bank offices in each country. The interview period extended from December 2012, until the beginning of May 2013. Initial interviews were also held with the International Accounting Standards Board (IASB) in London and with the Institute of Chartered Accountants of England and Wale (ICAEW) in their London office. I also participated in high profile accounting conferences where experts shared their views on IFRS adoption in the African continent. I participated in the 29th session of Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) at the United Nations Conference on Trade and Development in Geneva where critical issues on accounting in developing countries were discussed. Through my participation in this conference, I made a number of contacts which later proved useful at the time of conducting interviews in Africa.

Another important source of data for the dissertation came from policy decision documents, minutes of important meetings where IFRS adoption were discussed, World Bank Funding proposals and grant documents as well as communications between government state agencies, central banks, securities and exchange commissions and archival data from national accountancy bodies on the adoption of IFRS.

In the following chapters, I concentrate on the empirical analysis of how IFRSs are adopted in selected country case studies in Africa based on the materials collected from the field. In the next chapter, I start my empirical analysis with a country that adopted IFRS in 2008 becoming the first to do so in West Africa. I present a historical account of the socio-economic environmental characteristics of the country that shapes the developing of financial reporting. I follow this with a brief history of accounting standardization in Ghana. I then proceed to analyse how the decision to adopt IFRS was construed by policy makers. I identify the sequence of the events and key actors and evaluate their role in the process of IFRS adoption in Ghana. In the last section of the chapter, I apply the analytical framework developed in the preceding section to argue how institutional pressures combine with institutional arrangements in the decision of standard-setters to produce the outcome of IFRS adoption. The following three empirical chapters follow similar framing in the analysis of IFRS adoption in African countries.

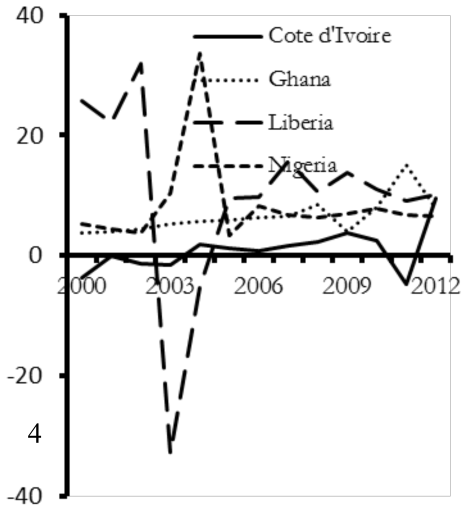

Figure 10: GDP Growth Rates. *Source*: (WorldBank, 2014a)

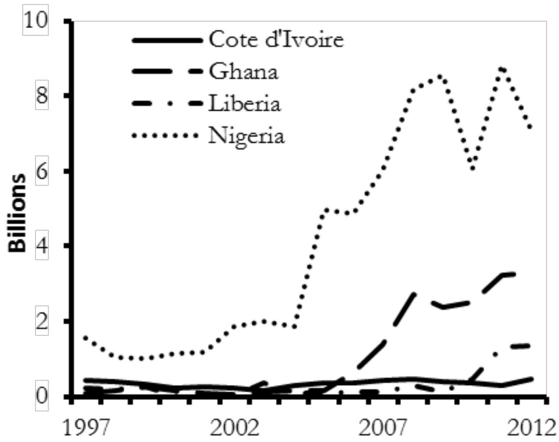

Figure 9: FDI Inflows in US dollars *Source:* (WorldBank, 2014a)

Part II

4 Reconstructing the Process of IFRS Adoption in Ghana

4.1 Introduction

Thus far, the dissertation has presented a broader argument on the diffusion of policies across national borders and what motivates countries, organisations and institutions to engage in policy diffusion and adoption from abroad. It presents neo-institutionalist arguments on the notion of policy adoption arguing that institutional isomorphic pressures, mainly normative, mimetic and coercive pressures helps understand the discourses that ensue leading to the adoption of international standards in African countries. It compares and contrast institutional economic fuctional motives for policy adoption which views that policy adoption from abroad is nested on the search for efficiency improvements with those of new institutional argument of isomorphic pressures and the logic of appropriate action to investigate how policy makers construct and defend their policy choices.

In this section, the idea is to go beyond macro level analytic and theoritical approaches in policy adoption where IFRS diffusion has been discussed at a broader scope; to provide an indepth analysis on how accounting standard-setters construct policy adoption from abroad. By way of case study, I analyse documentary evidence by tracing the key processes involved in accounting standardization. I support these documents with open-ended semi-structured interviews from standard-setters, industry regulators and key actors in the standard setting arena in Ghana.

The chapter is structured as follows. I start with a brief description of the socio-economic history of Ghana and provide a background on how the socio-economic environment of the country supports the development and application of international accounting standards. Specifically, I review relevant historical accounts of how book-keeping, accounting and audit practices first diffused from developed countries into Ghana during the colonial era. I show that the accounting profession first emerged in Ghana owing to the growing trade relationships between colonial Gold Coast and the British economy leading to a mass migration of British accountants to the colony. Additionally, the introduction of modern banking, taxation and securities markets gave rise to accounting practices in Ghana subsequently leading to the formation of an accounting association in the

Gold Coast. I follow this section with the development of the accounting standards in Ghana and discuss the role of different actors particularly in the period economic reforms in the 1980s which resulted in the introduction of the first wave of accounting standards in the country. In the last section of the chapter, I provide an analysis of how different institutional actors exerted pressure on the accounting regulator in the process of adopting IFRS 2008. I apply the analytical framing developed in chapter three and argue that, institutional isormorphic pressures such as coercion, mimesis and professional normativity played central role in the decision of standard-setters to adopt IFRS. The chapter concludes by examining the institutional accounting environmental characteristics that combined at varrying degrees to produce the outcome of IFRS adoption in Ghana.

4.1.1 Brief Socio-Economic Profile of Ghana

The country Ghana emerged from the colonial period from its colonizers (the British) in the latter years of 1950s. Before this period, its economy was dominated by first the Portuguese in 1471, then later the Dutch, Danes, Germans and later the Brtish who eventually successed as the formal colonizers of the country-Gold Coast in 1821. In 1957, the country attained independence from the British to become the first in Sub-Saharan Africa to gain independence. At independence, there was great hope of a turnaround of the country's economy led by Dr. Kwame Nkrumah who had socialist indutrialization ideas. Soon after independence, the Nkrumah Government who spoke against the interventions of International Financial Institutions (IFIs)[12] began to encounter significant economic problems. His socialist ideologies and the vision to make the state play a leading role in the industrial development of the country run into problems. Nkrumah argued that industrial growth could only be achieved through the massive intervention of the state. In a speech to parliament, Nkurmah made his point even clearer by arguing that Ghana would be hampering its advances to socialism if it encouraged the growth of private capitalism. To him, foreign capital was an encroachment on Ghana's economic development (Miller & Vandome, 2009). Nine years into leading the country, Nkrumah's government was overthrown in a coup in 1966. From 1966-1992, the country experienced a blend of millitary and democratic regimes. In 1992, a new constitution came into force paving way for democratic elections to be held.

12 Nkrumah himself spoke against the policies of the IMF and the World Bank. His socialist ideological makeup and anti-capitalist economic policies made him deeply suspicious and ambivalent of foreign capital and its related institutions (see (Ouchi, 2004).

4.1.2 Trajectory of the Political Economy 1957-1980

At the time of independence, Ghana was considered a middle income country with a per capita income high by African standards, an educational system judged to be the best in Africa, fairly well-maintained infrastructure, and adequate government institutions. In 1957, the country had a net foreign reserve of about $269 million; one of the highest in Sub-Saharan Africa. Additionally, the Ghanaian econmy was in good shape as compared to its peers as it was the world's largest producer of cocoa which could earn it more revenue than the country's substantial reserves of gold, bauxite and magnesium (Akonor, 2006, p. xi).

Ghana's growth in the 1950s continued into the early 1960s aided by high world cocoa prices. But falling cocoa prices and dirigible economic policies led to stagnation in the late 1960s (Akonor, 2006). However, from the late 1960s onwards, the country's dependency on imported inputs and excessive export of primary goods for foreign exchange made the Ghanaian economy vulnerable to trends of economic activities in the West (Armstrong, 1996).

In the mid-1970s, inflows of investments into the country delicned to an all time low particularly between 1975-1976 (Armstrong, 1996). The decline in foreign direct investments coupled with increasing inflation and rising food prices was as a consequence of the global economic downturn of 1974-1975 which took a toll on developing countries as investors were no longer confident about investing in these countries. The account of Akonor, (2006), shows that, by 1977 it appeared that investors had lost confidence that the successive governments could effectivily manage the economic difficulties the country was facing. In the period between 1976-83, the Ghanaian economy suffered from a number of crisis in addition to poor economic growth and severe balance of payment problems coupled with natural disasters such as droughts and bushfires which affected food production and led to economic hardships (McMillan, 1995).

According to Leith and Lofchie (1993), the early 1980s were marked by three major events leading to a total collapse of the Ghanaian economy namely; a prolonged drought, a marked deterioration in terms of trade, and the unexpected return to Ghana of more than a million Ghanaian workers expelled from Nigeria. After the collapse of the economy and the general unstable polititcal environment, policy-makers began to look for solutions to bring back the economy on track. Ghana, then remarkably a proclaimed socialist economy which sought to close its doors to the international capital markets and international providers of capital opened up for discussions with International Financial Institutions (IFIs) for help. This help did not come cheaply but came with a series of economic conditionalities attached to every dollar of borrowing.

In the following section, I will reconstruct this process briefly. While Ghana's economic reforms under the Economic Recovery Programme (ERP) are not the main focus of the dissertation, they are nonetheless still important to understand how the relationship that was born between the country and the international financial community in the early 1980s shaped the direction of the diffusion of international accounting standards several decades later.

4.1.3 Ghanaian Economy and International Financial Insitutions 1980-2000

As the Ghanaian economy encountered many challenges, it became apparent that economic reforms needed to be undertaken. Nevertherless, the Nkrumah led government did not stop spending although the macroeconomic environment was weak and debt driven. With inflation sky rocketing and cost of living staggering, poverty levels rose to its highest. Thus, this reversing protracted period of serious economic decline was characterized by lax financial management practices, inflation rates at over 100 percent, and extensive government involvement in the economy.

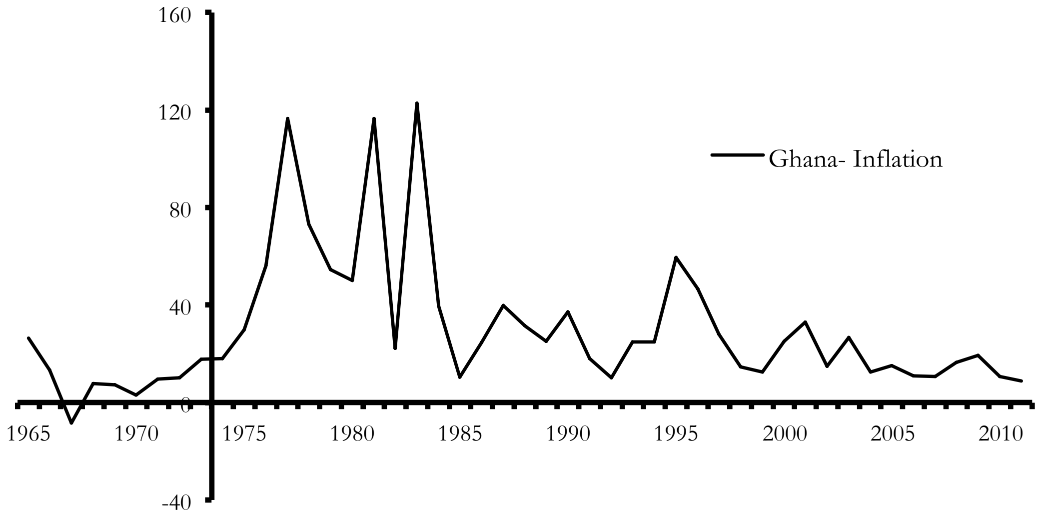

Figure 11: Historical Development of Inflation in Ghana. *Source:* (WorldBank, 2014a)

Prior to the 1980s, the Nkrumah governement had alas gone into a relationship with international financial institutions, first with the International Monetary Fund (IMF) to ask for help which although his government did not admit publicly owing to their strong socialist economic ideaologies[13]. This relationship continued albiet the coup d'etats that befell Ghana and slowed signifiantly until the 1980s when the Rawlings led military government sort to re-engage the IMF in the management of the Ghanaian econmy. Ghana joined both the IMF and the World Bank at almost the same time in September 1964 and worked closely with the two institutions to obtain financial support. In the period of Ghana's historical developments marked by political instabilities, the relationship between the IMF, the World Bank and Ghana became virtually non-existent. A combination of political uncertainty, poor economic policies, and general economic decline rendered it impossible for the IMF/World Bank to maintain either a satisfactory policy dialogue with successive governments or a satisfactory portfolio of projects. In the words of the World Bank;

> "Bank/Ghana relations were strained and difficult between the mid−1960s and early 1980s (largely for the reasons described above) but improved markedly in the decade 1982−83 to late 1992. These relations became very good from about 1985 onwards, as mutual mistrust was replaced by a respectful partnership in which the Bank became the lead donor. Strains emerged between November 1992 and mid−1993 as Ghana's adjustment programme came "off track" and the Bank withheld disbursements on its adjustment operations. But these strains were moderate and transitory, and current relations are again good, and the outlook is for continued good relations at both the technical and the policy levels"

This strained relationship soon changed in the 1980s following the country's progress toward democracy and so the bank increased attention to participate in nation building, institutional development and governance issues. This newly re-established relationship led to the introduction of economic reform programmes between 1981-2000.

In response to the economic crisis, the government of Ghana accepted a Structural Adjustment Programme (SAP) formulated jointly by the World Bank (WB) and

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[13] The account of Akonor, (2006) show that Ghana became a member of the International Monetary Fund on September 20th 1957 six months after Independence from the British. However, poor financial management of the country led to a deteriorating economy. As a result, the fund, concerned about the rapidly deteriorating economic development in Ghana sent its Executive Board to visit Ghana and advise the Nkrumah government on the need to undertake economic reforms. The Executive Board issued a statement that read: "In order to prevent further deterioration in the domestic and external situation the Fund considers that there is urgent need to contain domestic, government expenditure. Total government expenditure should be limited to an amount that can be financed from non-inflationary sources" see Antwi-Asare and Addison (2000.pg. 20) for details.

International Monetary Fund (IMF)[14]. These reforms were aimed at the elimination of price controls which had dominated the politically unstable periods, the privatization of state industries, removal of subsidies, free trade, and other orthodox liberal economic measures (Armstrong, 1996, p. 34). In early April 1983, the government launched the Economic Recovery Programme (ERP), which contained economic reforms aimed at reviving the declining economy. The ERP had at the heart of it to reform the exchange rates systems, reform the tax system, and to slash government bureaucracy, reducing government budget deficit and reforming state owned enterprise subsidies (Ackah & Aryeetey, 2012; Jeong, 1995).

The ERP, which adopted a market-oriented approach, made considerable progress in reducing macroeconomic imbalances and liberalizing the external sector. Inflation dropped from 142 per cent in 1983 to 10 per cent by the end of 1991. The balance of payments registered sizable overall surpluses throughout the period. Real GDP growth averaged about 5 per cent a year, resulting in appreciable increases in real per capita incomes (Jeong, 1995). Between the periods of 1983-2000, IMF lending arrangement with Ghana totalled nearly $1.2 billion (see Table below)

14 . The IMF had written explicitly to Government of Ghana indicating the areas that will receive both monetary and technical assistance from the fund and its allies. Ghana's programme of macroeconomic adjustment and structural and sectorial reforms was to be supported by technical assistance from the World Bank, IMF, and several bilateral and multilateral agencies. The World Bank will assist the authorities in the following areas: implementation of an expenditure control system; re-evaluation of spending priorities in the social sectors; development of a public service restructuring plan, including identifying areas for downsizing of functions and employment, and specifying structural benchmarks; implementation of the VAT; banking supervision; divestiture and privatization of parastatals; concessioning of rail transport services and reform of the road network management and maintenance. On the part of the IMF, the Fund will provide the following technical assistance: review monetary statistics and the database management system of the BOG; assistance with improving the BOG's banking supervision capacity—including a resident advisor—and developing the indirect monetary control system of the BOG, including the introduction of a book entry system; review of progress on the implementation of the VAT and general reform of the tax structure and tax administration; and assistance with measures to improve the timeliness and quality of statistics.

Facility Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount Agreed	Amount Drawn	Amount Outstanding
PRGF2 Trust Fund	05/03/99	11/13/02	228,800	176,218	149,465
Enhanced Structural Adjustment Facility	6/30/95	5/2/199	109,600	82,200	82,200
Enhanced Structural	6/30/95	5/2/99	54,800	54,800	38,360
Adjustment Facility	11/9/88	3/5/99	102,250	102,250	-
Structural Adjustment Facility Arrangement	11/11/87	11/9/88	129,858	40,900	-
Enhanced Structural Adjustment Facility	11/9/88	3/5/92	286,300	286,300	-
Extended Arrangements	11/6/87	11/8/88	245,400	97,550	-
Stand-By Arrangements	10/15/86	10/14/87	81,800	81,800	-
Stand-By Arrangements	8/27/84	12/31/85	180,000	180,000	-
Compensatory Financing Facility	8/1/83	8/1/84	120,500	120,500	-
			1,539,308	**1,222,518**	**270,025**

Table 11: Ghana Historical lending Arrangement with IMF *Source:* IMF Annual Report (1983-2000) adapted from (I. M. Fund, 2000 pg. 85)

These lending arrangements did not come without any conditions[15]. The IMF, the World Bank and its donor agencies such as the IFC imposed significant conditions in the

[15] The Term ‘‘*Conditionality*’ or conditions in relation to the work of International Financial Institutions (IFIs) has been loosely defined in the International Financial Institutions literature. It is a term often used to represent many forms of ‘‘do’s’’ and ‘’don’ts’’ of lending institutions to borrowers or recipients of some form of financial assistance? The World Bank’s technical definition for conditionality means: “the specific conditions attached to [the] disbursement of policy-based lending or budget support”. or “the set of conditions that, in line with the Bank’s Operational Policy (OP) […], must be satisfied for the Bank to make disbursement in a development policy operation. These conditions can be (a) maintenance of an adequate macroeconomic policy framework, (b) implementation of the overall programme in a manner satisfactory to the Bank, and (c)

reforms that needed to be undertaken and the financial assistance that would be provided. They called for further reforms in the financial sector and initiated programmes to restructure the banking sector.

As a result of these programmes, the Govervenment of Ghana (GoG) initaited the Financial Sector Adjustment Programme (FINSAP) backed by a credit facility from the World Bank which commenced in the last quarter of 1987. The objectives of the FINSAP was to address the institutional deficiencies of the financial system by restructuring distressed banks, reforming prudential legislation and the supervisory system, permitting new entry into financial markets by public and private sector financial institutions, and developing money and capital markets (Akonor, 2006).

Both reform programmes had as an objective to streameline business reporting requirements, not only for the entire local economy, but, for financial institutions under the purview of the banking regulator. The international community believed that clear reporting guidelines for banks in the manner accepted by investors had the potential of improving the investment climate of the Ghanaian economy. However, until that time, Ghana never had in place any accounting or auditing standards that could easily be adapted to meet the requirement of the financial secor reform programme. As one interviewee describes the financial accounting architecture prior to accounting standards setting in 1993;

> ''When we (Ghana) gained independence and many companies remained, there were too many accounting standards operating in the country. American GAAP, UK SAPs as the accounting profession did not regulate companies reporting to the extent of prescribing accounting standards… the SAPS are the old versions of the IFRS's that UK has been applying'' (Interview GHA6)

In 1963 when the Ghana Companies Code was promulgated giving powers to the Institute of Chartered Accountants Ghana (ICAG) to regulate financial reporting and auditing of companies in Ghana, there was no accounting standards that could be enforced for reporting purposes. This gave the IMF and the World Bank the impression that financial reporting in the Ghanaian economy was unregulated particularly in financial institutions which were the backbone of the economy.

In 1992, discussions begun as part of the financial sector reform programme to reorganize financial reporting by introducing the Ghana National Accounting Standards

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implementation of the policy and institutional actions that are considered critical for the implementation and expected results of the supported programme. These conditions are usually included in the Bank's loan agreements (Antwi-Asare & Addison, 2000)

(GAS). Financial sector reforms were directly linked to banking and monetary policy reforms which controlled the economy and viewed as the engine of economic growth in Ghana. Arguably, banking has been at the center of financial reporting developments in the history of the country. In fact, pre-colonization booking-keeping took no more than the form of counting or inventory taking. Evidence from the Ashanti men show that the king at that time made sure that kingsmen incharge of his treasury kept a detailed account of inventory (Kapur et al, 1991). However, the birth of modern day banking in the colonial Gold Coast, paved way for formal booking-keeping not only as a profession but also as an institution that was transferred from the British to the people of the Gold Coast.

In the next section, I discuss the related developments of other sectors such as banking, capital markets and state institutions and how reforms in these sectors led to the introduction of financial reporting in Ghana.

4.1.4 Interplay of demand for financial reporting and the supply of accounting standards

In chapter three, the dissertation discussed the notion of actors in accounting standard setting and how the financial reporting demands of each actor group influences the development of accounting standards both locally and internationally. At the international level, the development of accounting standards has broadly progressed in line with developments in the finance industry and its associated regulatory bodies such as auditing, banking regulatory standards, capital market rules and corporate governance codes.

On the domestic front, the development of accounting standards in Ghana has taken the combined efforts of several industry actors with a collective demand for standardized rules of reporting. Industry regulators have individually developed guidelines for financial reporting in their respective industries. However, they have collectively delegated the standardization of financial reporting to the accounting regulator while providing guidance on the nature of accounting standards needed to regulate their industries. I discuss in the next section, the development of the banking sector, financial markets and state owned enterprises and how the financial reporting requirements of these institutions shaped the adoption of accounting standards in Ghana.

4.1.5 Development of Banking Sector in Ghana

The history of modern banking in Ghana can be traced back to the colonial era. Like many insitutions in Ghana, modern banking was one of the legacies the British bequeathed to, and used in the socialization of Ghanaian elites into taking up banking and finance as a profession. Modern banking begun in the nintheenth century with the opening of the Post Office Savings Bank (POSB) in 1888. In 1896, the British Bank of West Africa now called Standard Chartered Bank-Ghana opened an overseas office in the Gold Coast to finance trade on behalf of British merchants in the Gold Coast. This was soon followed by Barclays Bank in 1917 (Miller & Vandome, 2009). By 1935, a Co-operative Bank was established by local farmer co-operatives.

The account of Antwi-Asare and Addison (2000) on the history of Banking in Ghana shows that banking was conducted in a manner that favored only the Europeans, Levantine and Asian communities in their operations often advancing credit to locals only on rare occasions. This led to complains by locals who demanded the opening of banking to all citizenry. As a result in 1951, Sir Cecil Trevor was contracted by the colonial government to examine the possibilities of setting up a national bank in the Gold Coast on commercial lines. Sir Trevor, recommended to the colonial administration to consider the formation of a national bank partly owned by the government to be managed by local staff with the aim to operate for the benefit of advancing credit to the indigenous private sector while maintaining government accounts and acting as an agent in the floatation of government bonds.

In 1912, the Colonial British administration set up the Bank of British West Africa headquartered in London to issue a common currency for all the countries under British control in West Africa i.e. (Ghana, Gambia, Nigeria and Sierra Leone). Post independence, Ghana separated itself from the British West African common currency just as all the other countries followed along the lines of Ghana after independence by issuing their own currencies and hence The West African Currency Board was subsequently wound up in 1964 (Antwi-Asare & Addison, 2000). This separation paved way for the operation of the Bank of Gold Coast which was later split into two operating units creating the Central Bank of Ghana with a focus on Central Banking and the Ghana Commercial Bank which took on commercial banking activities.

Banking businesses needed some form of book keeping just as the colonial government needed tax administrators. Little record exists as to how bookkeeping was performed at the time, but in no doubt, financial reporting started around the same time as modern banking began in the Gold Coast. At present, the banking sector continues to play an important role in the development of financial reporting in Ghana. During the period of financial sector reforms in the 1980s, the banking regulator had already produced guidelines in the form of banking codes and acts. Although, these guidance on financial reporting rules were inline with the UK standards on financial reporting, the banking regulator did not enforce these rules resulting in financial malprictices in the sector.

The banking sector is the largest user of financial reporting standards both by numbers and by asset size. With 29 commercial banks, 138 rural banks, 53 non-bank financial institutions, the banking regulator develops and strealines financial reproting requirements for all enties under its regulatory field. These regulatory instruments used by the central bank has often required banks to comply with financial reporting standards issued by the accounting regulator. In the last section of this chapter, I shall discuss in detail how the banking regulator first introduced IFRS as a regulatory requirement even before the accounting regulator.

4.1.6 Financial Reporting Requirements for Capital Markets in Ghana

In the late 1960s, there were efforts to establish a stock exchange in Ghana to facilitate trading of securities and further expansion of the financial sector. In 1968, a committee conducted feasibility studies into the possibility of creating a local stock exchange in Ghana. The committee upon completion of its work recommended through the Pearl Report to the Government of Ghana that a local stock exchange would increase the competitiveness of the Ghanaian financial sectors (Mensah, 1997). In 1971, the idea of a local stock exchange received legal attention via the enactment of the Ghana Stock Exchange Act. However, due to frequent changes in government and political instability throughout the 1970s, creating a local stock exchange was not possible until 1989 when the Ghana Stock Exchange (GSE) was born.

In the early days of operations, the Ghana Stock Exchange became one of the best performing stock markets in Sub-Saharan Africa. For instance, in 1994, the GSE became the best performing stock market among all emerging markets gaining 124.3% in all its index levels. However, the following year in 1995, it performed quite poorly with a disappointing growth of only 6.3% partly due to high inflation and interest rates. Again, in 1997 and 1998, the GSE index grew at 425% and 58% respectively. Today, the Ghana Stock exchange is amongst the best performing capital markets in West Africa. With a total market capitalization of $140 million (2009), it prides itself among attractive markets for investors worldwide.

There are currently 34 listed companies on the Ghana Stock Exchange with nearly 40% of companies listed on the GSE being either foreign owned companies or subsidiaries of foreign companies. For instance, AngloGold Ashanti Ltd, Ecobank Ghana, Guinness Ghana Breweries, Golden Star Resources, PZ Cussons Ghana Ltd, Standard Chartered Bank, Total Petroleum Ghana, SG-SSB, Tullow Oil and Unilever Ghana Ltd all have foreign parents at the group level.

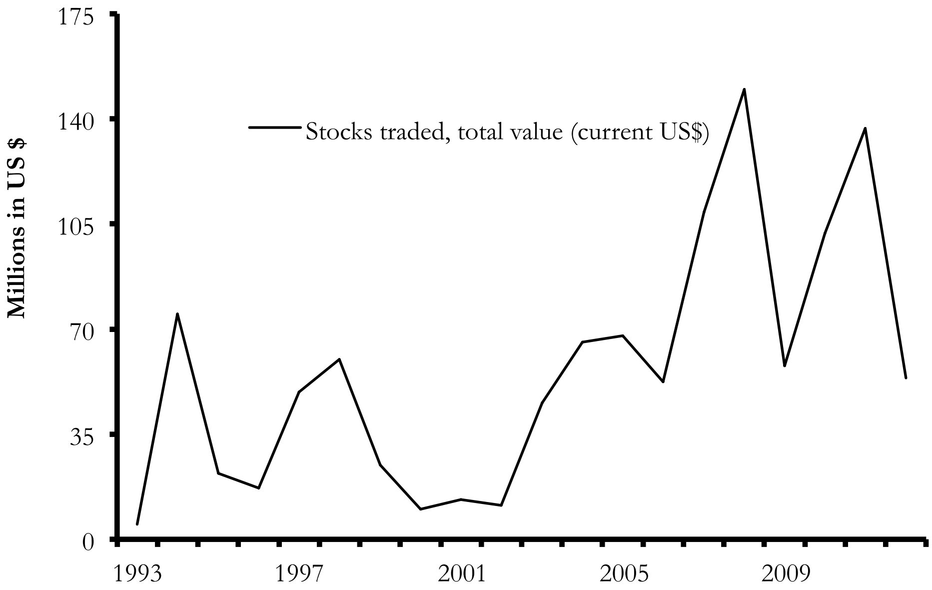

Figure 12: Stock Traded on the GSE, Total Value *Source:* (WorldBank, 2014a)

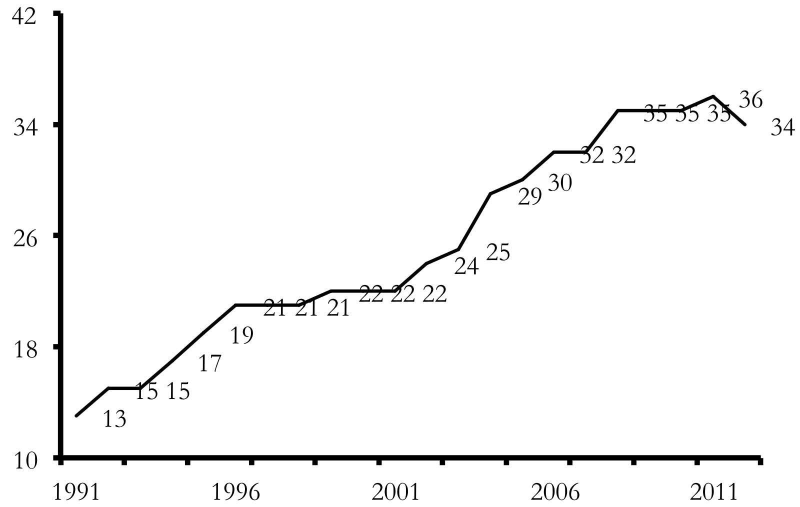

Figure 13: Historical Development of Companies Listed on the Ghana stock Exchange

Source: (WorldBank, 2014a)

The Securities and Exchange Commission of Ghana (SEC) regulates activities of companies listed on the exchange. It provides strict guidelines regarding financial reporting to companies not only on an annual basis but also as a requirement for companies to obtain listing status on the exchange. At the beginning of its trading sessions in the 1990s, the GSE did not have accounting standards to use in the regulation of companies listed on the exchange. It relied on a hybrid of accounting standards operating in the country at the time which were predominantly those from the United Kingdom. In 1993, the Securities Industry Law (P.N.D.C.L 333) was enacted giving exclusive regulatory rights to the commission to regulate the Ghana Stock Exchange (GSE). As a regulator, it required companies listed on the stock exchange to provide financial reports by following regulation 90 of the Act;

> A dealer shall, in respect of each financial year, other than a financial year that ended before the date of commencement of this Law or ended on or after that date but before the date on which the dealer commenced to carry on business as a dealer prepare a true and fair profit and loss account and balance sheet on the basis of accounting principles and containing such information and matters as are prescribed, and lodge them with the Commission before the prescribed day for that financial year, together with an auditor's report containing the prescribed information matters.(Antwi-Asare & Addison, 2000: pg 23)

Around the time the Securities law came into place, the accounting regulators also engaged in accounting reforms and successfully issued its first homemade accounting standards based on those of the International Accounting Standards Committee (IASC).

However, it was not possible to amend the law to allow the securities regulator to apply the Ghana National Accounting Standards as a regulatory instrument in the regulation of the securities industry. In 2003, following the revision of the Securities Industry Law, the Commission inserted a clause into the regulation requiring registrants and stock market participants to comply with the standards of the accounting regulator, which at the time were the Ghana National Accounting Standards. Section 54 of the Securities and Exchange Commission Regulation (L.I. 1728) states that;

> An issuer of securities to the public shall prepare and circulate to the Commission, the stock exchange, its shareholders and bondholders and the Stock Exchange on which it is listed before the expiry of three months from the close of its financial year, an annual report containing audited annual financial statements presented in accordance with the Ghana National Accounting Standards issued by the Institute of Chartered Accountants (Ghana)(SEC- Ghana, 1993, pp. pg, 56).

However, in the year 2004, the World Bank ROSC study found that the GSE and the SEC maintained a weak institutional regulatory setting, which needed significant reforms to meet up with the regulatory guidelines proposed by the International Organization of Securities Commission (ISOCO). Following the initiatives of the accounting regulator to conduct accounting reforms in the country, the SEC as a major stakeholder in financial reporting agreed to work together with the ICAG to undertake accounting reforms in Ghana. The Commission together with the Stock Exchange argued that;

> "We have been working together with the ICAG to provide clear guidelines for financial reporting for all listed companies in Ghana. Globalization is catching up with us and many investors continue to deal on the exchange through custodian banks. This makes it even more prudent to consider moving towards IFRS as we are part of an international community" (Interview GHA7)

The Ghana Stock Exchange and the securities regulator both admit that prior to the proposed accounting reforms by the ICAG in 2005, they operated a hybrid of accounting standards in the country particularly by foreign companies on the Exchange. In consequence, it was difficult to compare financial results across companies on the exchange. Whereas local accounting rules demanded companies to apply the Ghana National Accounting Standards (GAS) for reporting requirements on the exchange, there was no enforcement of this requirement leading to different accounting standards on the Exchange. As put correctly by an interviewee from the exchange;

> "we see financial reporting as key as far as the performance reporting of the market participants is concerned. And so for that reason, we had clear reporting regimes in that period for which listed companies had to use their own reports and certain specific issues that you need to apply within the report. All along, we have been following the Ghana National Accounting Standards GAS. I think it

is based on UK GAAP, the generally accepted accounting principles of the United Kingdom but companies of foreign origin could apply the financial reporting requirement so long as they presented a true and fair view" (Interview GHA7).

As discussed in the opening section of this dissertation, International Accounting Standards evolved for the purpose of regulating capital markets, minimizing financial misreporting and improving comparability of financial results of listed companies from country to country. This idea situates capital markets at the heart of IFRS diffusion across the globe. The development of financial markets in Ghana was an added incentive for accounting standard-setters to consider how introducing IFRS would improve market efficiency. Although not critically consistent with the overall argument of the dissertation, capital markets helped shape the development of financial reporting guidelines and required listed companies to comply with these standards.

4.1.7 Financial Reporting in State Owned Enterprises

State Owned Enterprises play a key role in national development. This sector was at the forefront of governments' development agenda between the 1960s-1980s until the Structural Adjustment Programmes of the Government ushered in an era of private sector dominance. Nevertheless, their contributions have never been under estimated. State Owned Enterprises (SOEs) occupied an important part of the Ghanaian economy from independence until the last 10 years when their role begun to erode and finally disappeared. In this section, I discuss the historical developments of SOEs in Ghana and how they contributed to the development of accounting standards in the country.

At independence in 1957, the number of State Owned Enterprises (SOEs) were only four. However, the socialist government believed that the state should play a crucial role in the management of the Ghanaian economy. By 1966, the number of state enterprises had risen from 4 to 53 and created some 11,000 to 116000 jobs between 1957-1987 (SEC-Ghana, 2003, p.27). The number of SOEs in Ghana further increased to nearly 300 by the late 1980s and played an important role in the economy of Ghana. However, due to military coups, and persistent changes in governments between 1966-1983, there was general mismanagement and corruption in these SOEs. By the time Ghana begun its relationship with International Financial Institutions (IFI), financial consultants engaged by the IMF and the World Bank believed that mismanagement and corruption in State Owned Enterprises could not be left unckecked. As part of the conditions for financial assistance under the

Enterprise Reform Programme (ERP) discussed in the opening section of the case, the government was forced to privatize a large number of these SOEs. By december 2011, the number of SOE had declined to some 35 entities. As at the time of writing (March, 2014), there were 38 State Owned Enterprises under the regulation of the State Entperprise Commision (SEC).

In 1987 during the Strutural Adjustment Programme of economic reforms, the State Enterprise Commission was established to control and monitor the accountabililty of SOEs following recommendations by the World Bank and the IMF (Odainkey & Simpson, 2010) The regulatory framework of the state enterprises stiputes all SOEs to prepare and present financial statements in accordance with the accounting standards prescribed by the commission. In the 1980s when the number of SOEs was significant, a number of these companies were following financial reporting requirements from the United Kingdom. However, when the Ghana National Accounting Standards was rolled out, these enterprises were then required by law to report to the commission applying the Ghana National Accounting Standards (GAS). This made the SOE sector an important user group of accounting standards that had significant influence in the direction and further development of accounting standards in Ghana.

4.2 Colonial Antecedents of Accounting and Auditing in the Gold Coast

I discuss the development of accountancy and the professional historical context of accounting in the Gold Coast in this section. The country emerged from the post-colonial British West Africa in the late 1950s to become the first country in Sub-Saharan Africa to attain independence. At the time of colonial invasion and the scramble for Africa, accounting was never known to indigenous cultures of the people of Gold Coast and only came to exist following the invasion of African by the West. Among many things that diffused from the west to Africa, accounting was perhaps one of the late comers as trading between colonies and colonial merchants were mainly controlled remotely by merchants back in Britain. Like many other professions such as law, medicine, banking, architecture, pharmacy, etc. accountancy found its roots into the Ghanaian society not as a direct consequence of indigenous origins but as a result of the increase in the exportation of the profession from

Britain to its former colonies. The next section of this chapter discusses the historical origins of accounting, accounting standards and accounting standard-setting in Ghana.

4.2.1 Post Colonial Periodization of Accounting and Auditing in Ghana (1956-1980s)

In the Gold Coast there is very little evidence of the origin of accounting and booking keeping in pre colonial times. However, during the period of colonization by the British, accounting was introduced as a managerial instrument in the colonial administration. Colonial administrative work was carried out by clerks and staff brought in from Britain to run the economy in the interest of the British (either as colonial administrators or as merchants in the trade of natural resources and slaves). During this time, accounting was very much restricted to book keeping of accounts in the fashion of profits made from the export of mineral resources, slaves and agricultural produce. Running the economy was pretty much limited to monetary stability and monetary growth which was tied to the preformance of the export industries.

A turn of events came in 1896 when the first commercial bank was established in the Gold Coast. The Bank of British West Africa Limited (BBWA) was established with the aim of importing silver coins from the Royal Mint. Banking was established with the objective of providing banking services to British trading enterprises and the British Colonial Administration (Uddin & Tsamenyi, 2005).Though many accounting academics do not associate the development of the banking sector to the development of accountancy in Ghana, it serves as a basic account for the earliest form of the importation of accounting skills from Great Britain to the Gold Coast.

Formal attempts at putting accountancy at the forefront came at the birth of taxation in the Gold Coast to govern the people. As a way of governing the people, the colonial administration introduced taxation to regulate the behaviour of colonial people by forcing them to work in order that they may fulfil their tax obligations. The account of Mensah (1997) shows that as early as the 1930s, the imposition of taxation in the British West African states of the Gold Coast, Sierra Leone, and Nigeria was met with fierce resistance from the colonized people. In 1852, the Governor of the Gold Coast, Major Hill, introduced a poll tax of one shilling per head per every adult to finance the administration of the Gold Coast colony. In the following years, the people of the Gold Coast resisted attempts by Lord

Frederick Lugard to introduce taxation in April of 1892. Alas in 1943, when the World War was already in place and budget cuts had come to the colonial administration from Britain, the colonial administration in a way to raise more revenue to run the colonial administration introduced the Income Tax Ordinance (No. 27) which became operative in April 1944 (Bush & Maltby, 2004).

The production of accounts for tax purposes increased the demand for accountancy services, both internally in organizations and externally for auditing purposes. By 1948, the composition of the accountancy profession had changed dramatically as there were a significant number of British and expatriate accountants then resisdent in the Gold Coast. Nevertheless, there was no record of any African accountant in the country at that time. Records show that there were 29 British accountants and one German accountant in the Gold Coast to facilitate trade with Europe.This consequently led to the formation of the Association of Accountants of the Gold Coast in 1954. The formation of the Association of Accountants in the Gold Coast was nothing close to the effect of aiding African development but as a consequence of cordinating the lobbying power of accountants who found it neccesary to speak with one voice in their dealings and interactions with the various government agencies at a time of rapid change in the Gold Coast economy (Abdallah, 2006; Agyeman, 2005).

Accountancy practices in Ghana like many other former British Colonies have always been in the British tradition (Poullaos & Uche, 2012) and often been influenced by the British even long after they ceased to be colonial masters in British West Africa (Annisette, 1999, 2010; Graham & Annisette, 2012) by virtue of the formal institutions that support the development of accounting. When the Association of Accountants was first established, its main aim was to serve the interest of foreign companies then operating in the Bristish territory. As evident from the account of James Barnes of Deloitte:

> ''When I first arrived in the Gold Coast in 1939 there were very few qualified Accountants in the country. Most organizations only produced local returns, which were forwarded to their overseas bodies to be incorporated into final accounts. With the introduction of Income Tax in 1943, the production of accounts for tax purposes increased the demand for accountancy services both internally in organizations and externally as auditors and after the war…[the number of accountants] increased in professional practice, the commercial firms, the mines, Government and income tax and the the need for an Association whereby we could meet, discuss common problems and have a unified body to make representations to Government.'' Barnes, (1981,p.6) as cited in (Uche, 2010; Wallace, 1992).

The formation of an Association of Accountants in the Gold Coast in the 1950s had very little if nothing at all, to do with the production of indeginous accountants. By 1948, population census conducted in the Gold Coast concluded that there was no indigenous accountant in Ghana.

After the attainment of independence in 1957, Ghana begun to pursue industrialization aimed at rapid economic development and the need for an indigenous institute became ever more pressing. However, the achievement of establishing a full fledged institution to take care of the accounting needs of the country was limited by the fact that there were very few accountants that remained in Ghana by the time British colonial rule was over. To solve the problem of the shortage of qualified professionals who could contribute to national development as envisaged by the socialist government led by his Excellency Dr. Kwame Nkrumah, the government begun to offer scholarships to students to study abroad notably in the United Kingdom in many disciplines such as medicine, law, engineering and accountancy (Poullaos & Uche, 2012).

Efforts to build an accountancy profession did not stop to wait for students to train abroad and return. In 1957, a sub-committee of the Association of Accountants was set up to examine the need for the development of the accounting profession in the country. In 1958, the committee submitted its report to the state recommending that;

i. The new status of the country (independence) made the establishment of an independent professional accountancy examining body desirable and enviable.
ii. A local examining body would be better able to frame an examination curriculum and a general educational policy suited to the particular needs of the country.
iii. Only one recognized accountancy body in the United Kingdom, the ACCA opened its gates for local examinations in Ghana
iv. The syllabus of the United Kingdom bodies (whose examinations were principal ones taken by Ghanaians) covers certain subjects such as executorship law and accounts, which had little relevance or practical application in Ghana. (Ghartey, 1992)

In submitting its report, the committee noted that although these recommendations were valuable to develop the accounting profession, the establishment of a local examining body was premature. A number of factors were responsible for this. First, there were no facilities for the practical training of accountants as most professional accountancy firms in the country at that time were training only the required number of staff in the firm and many continued to import accountants from Britain. Secondly, even if there were facilities in the country to accommodate the training of accountants, there could not have been enough competent accountants and accounting academics to prepare examination papers for local accounting examinations. That apart, to establish an institute of accountants, there needed to be some level of international recognition by the International Federation of Accountants (IFAC). At that time, these requirements were impossible to fulfil (Ghartey, 1992, p.92).

In the early years of the 1960s, the idea of a local institution to organize the accountancy profession was reborn, spearheaded by the old but the defunct Association of Accountants in the Gold Coast and subsequently in 1963, precisely on the 19th of April, the Institute of Chartered Accountants Ghana (ICAG) was formed via the signing of the ICAG Act of 1963 by the president becoming the first of its kind in British West Africa. Perhaps the greatest stimulant towards the establishment of the institute was the decision by the Gold Coast Government to revise the Companies Act of 1907 into a world class Companies Code in line with practices of the United Kingdom. In the Companies Act of the UK, it required that all companies duly registered shall have a qualified auditor who shall sign off the financial statement issuing a "true and fair"opinion on the financial status of the company (Anyane-Ntow, 1992).

At the time, the main statutory function for the formation of the institute, according to Uche (2010), was to organize and regulate the accounting profession. The ICAG, just as the Association of Accountants in the Gold Coast, had amongst its objectives to promote the accountancy profession and provide local training and education of accountants in Ghana.

In 1963, when the Institute of Chartered Accountants Ghana was established, it was noted that its infant nature and the inexperience of many accounting educators could not support the development of the profession. In 1964, an agreement was signed between the ICA Ghana and the Institute of Chartered Accountants of England and Wales (ICAEW) for the latter to mentor the former until its maturity. Nearly all the examinations and teaching materials were in the format prescribed by the ICAEW. These efforts to gain legitimacy as a noble profession comparable to medicine, law, politics and well noted professions did not produce the desired results as fewer students qualified as accountants in the ICAG organized examinations. In 1974, the State owned daily newspaper *The Ghanaian Times* carried an article which was entitled "Train More Accountants". The article claimed that;

> "Ghana needs an intensive recruitment of experienced professional accountants into the high echelon of Public Services to redress the unduly late submission of accounts of state owned enterprises some of which are three to four years in arrears" (Ghanaian Times, January 22, 1974) cited in (Ghartey,

1992)

The demand for an increase in the training of more accountants came from the state as an actor. Not only did the accounting profession respond to this request, other actors such as British accountancy certification associations responded by taking steps to provide certification qualifications in the country and to expand their membership numbers. For intance, the Association of Chartered Certified Accoutants opened its offices in Ghana in the 1960s conducting examinations for students interested in the Chartered Accountant designation.

Table 12: Qualifying Rate of Accountants by ICAG

Year	Number of Qualifying Accountants	Year	Number of Qualifying Accountants
1968	2	1981	11
1969	3	1982	8
1970	-*	1983	9
1971	-*	1984	12
1972	-*	1985	11
1973	5	1986	45
1974	2	1987	29
1975	7	1988	19
1976	10	1989	12
1977	3	1990	44
1978	4	1991	36
1979	5	1992	36
1980	5	1993	26

Source: ICAG Archives. * No data available

The ICAG recognizing these challenges in the training of accountants in the country begun to look for solutions to the problem. As a first step, it entered into an arrangment with the Institute of Chartered Accountants of England and Wales (ICAEW) in which the latter will provide technical support to the former in the conduct of its own local examinations. The account of (Uche, 2007) show that;

> The Institute of Chartered Accountants in England and Wales... gave every help in the conduct of examinations. An arrangement was agreed such that, for every examination subject where the English Institute appointed an Examiner, the Ghana Institute would appoint a Moderator and vice versa, so that every examination paper was scrutinized by an Examiner and by a Moderator. We were bent on keeping our examination standards equal to, if not better than the English Institute's. This went on with all examinations of the Ghana Institute from 1968 to 1978 when the English Institute of Chartered Accountants, gave our Institute its independence, satisfied that we could carry on our own (Amegashie, 2003, p.70) cited in Uche (2007).

The results of the above initiatives were still not encouraging as shown in the table above. The ICAG again took steps to mitigate the situation. It held extensive discussions with the School of Administration of the University of Ghana on how both institutions could collaborate (in an academic/professional partnership) to help remedy the situation. The result was the introduction of a four year Bachelor of Science in Administration scheme to help accelerate the training of accountants in the country. In the same year, three polytechnics were also approved by the ICAG to participate in the accelerated training programme for accountants (Boakye-Agyeman, 1988). Despite this, there was no material improvement in the training of accountants by the Institute. This led to the cancellation of these institutional arrangement between the ICAG and the University of Ghana.

Yet, on the international front, ICAG did not loose sight of what was being discussed regarding the development of the profession. It participated in discussions and subsequently became a founding member of the International Federation of Accounts (IFAC) in 1977. With this new status it had acquired, it meant that more efforts were needed to propagate the vision of IFAC in Ghana. Gradually, student numbers improved but were still generally unsatisfactory. I shall in the last section of this chapter discuss the membership of the ICAG to the International Federation of Accountants. (IFAC).

4.2.2 The Audit Industry in Ghana

The audit market in Ghana is quite large and plays an important role in the development of the accounting profession. Audit, just as modern banking and taxation played a significant role in the development of the accountancy profession in Ghana and resembles the business cultures practiced in Britain at the time of colonization. At the promulgation of the Companies' Code in Britain, it elevated the audit function of the accounting profession to safeguarding the interest of investors who had invested in sugar plantations, mining and slaves trade in British colonies. Investors wanted to be sure that their investments were safe and pushed for reforms to include professional liability on the part of auditors. When the British Companies' Code came into force in 1929, it required auditors to provide a "*true and fair view"* on the financial statements it had audited both locally in the UK and in the overseas branches of all companies. The 1929 UK Companies Act also required auditors to report on whether the balance sheet exhibited a 'true and correct' view (Uche, 2007).

In the late 1940s, many British accountancy firms opened local offices in the Ghana to support their clients that had overseas operations in the Gold Coast, particularly in the mining industry. In 1949, the first British accountancy firm to begin operation in Ghana was Pannell Kerr Foster (PKF) (present day PKF International), which was soon followed by Coopers & Lybrand (present day PricewaterhouseCoopers), Peat Marwick, Okoh & Co (present day KPMG), Deloitte Haskins & Sell (present day Deloitte and Touché Tohmatsu). These accounting firms soon established the British tradition of auditing in Ghana and became very respectable companies for multinational corporations particularly in the mining and cocoa sectors, which was booming at the time.

At present, the audit market in Ghana is European in nature and has international audit firms operating in the country. As at January 2014, there were six major accounting firms in Ghana (see table below);

Name	**Number of Employees**	**Resident Partners**	**Year Establishment**	**Parent Company**
PricewaterhouseCoopers	180	7	1947	British
Ernst & Young	200	7	1949	British
Deliotte and Touché Tohmatsu	90	3	1949	British
PKF International	n/a	n/a	1949	British
Mazars	26	3	2011	French

Table 13: Top 6 Accounting Firms in Ghana. *Source:* Field Data (March 2014)

There is no available statistic on the annual revenues of these firms. However, estimates show that they together control 95% of the audit market and currently over 90% of the firms listed on the Ghana Stock Exchange. These firms audit banks, multinational corporations and State Owned Enterprises. In the section on the role of actors in the diffusion of IFRS in Ghana, I discuss in detail the contributions of International accounting firms in accounting standardization in Ghana.

4.3 Introducing Ghana National Accounting Standards (1993-2003)

At the establishment of the ICAG in 1963, there were no existing accounting standards, rules, norms or principles used in the preparation of accounts in Ghana. At best, it is safe to assume that even if there existed any accounting standards, they were accounting standards bequethed by the British or were equivalent to standards practiced in the UK at the time. The predecessor body of the ICAG, the Association of Accountants in the Gold Coast, initially observed the need for setting up accounting standards reflecting the socio-economic needs of the country. However, these attempts were hindered by a general lack of expertise in accounting standard setting in Ghana.

In the early 1990s, two major factors accounted for the idea to develop accounting standards to streamline financial reporting in Ghana and to eliminate the numerous accounting standards operating in the country. The first was the financial sector reforms programme which included financial reporting requirements for banks and financial institutions, as well as state owned enterprises. Second was that the number of qualified accountants in Ghana begun to improve. From a mere less than 20 trained accountants per year in the 1980s, the number nearly doubled in the 1990s (see chart below). This improvement in the number of qualified accountants in the country meant that standard-setters could draw on their expertise to develop accounting standards and implement them at the industry level.

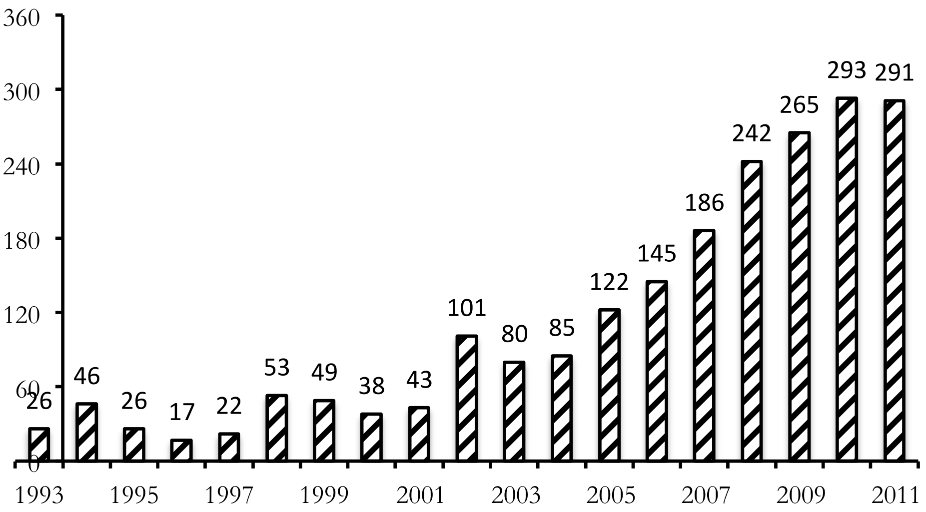

Figure 14: Number of Qualifying Accountants Per annum. *Source*: ICAG Archives

In 1993, the increase in the number of trained professional accountants coupled with the membership of the ICAG at the International Fedration of Accountants showed that the ICAG was ready to engage in accounting standard setting. This led to the establishment of the Ghana National Accounting Standards Board (GNASB). The board was established to develop and issue accounting and auditing standards together with their accompanying guidance and interpretations. The GNASB in 1993 issued the Ghana National Accounting Standards (GAS) and the Ghana National Auditing Standards which were the main standards for companies in the private sector (mainly listed companies), banks and financial institutions, as well as State Owned Enterprises (SOEs). The board at the time relied on International Accounting Standards (IAS) issued by the IASC in the 1970s to formulate the Ghana National Accounting Standards.

However, after its manadate to set the Ghana National Accounting Standards, the GNASB became dormant. There is lack of clarity as to why the GNASB became dormant. In a letter to the Big Four accounting firms seeking expert advise on how to proceed on accounting standardization in Ghana, the ICAG stated that;

> …..the GNASB has since been defunct and needed to be revised to continue its manadate as the accounting standard-setter in the country.

This reflects the gap between when the first accounting standard was issued in 1993 and 2007. Accounting standard-setting has received only modest attention from lawmakers since the Ghana Companies Code was passed into law giving legislative powers to the

ICAG to set accounting standards in the country. Accounting like many other regulatory fields, does not occur in a vaccum. It involves a complex circle of interactions between state actors, non-state actors, international organizations, multinational corporations and most importantly, the accounting profession and multiple layers of such interactions. I shall now turn to the process of accounting standard setting in the recent adoption of the International Financial Reporting Standards in Ghana.

4.4 Process leading to IFRS Adoption (2004-2008)

The preceeding section has given a general overview of how accounting standard-setting has evolved in Ghana since the 1990s. However, from the time the last accounting standards were developed, there has not been any effort to review or revise the Ghana National Accounting Standards for nearly a decade. In this section, I discuss the main triggers of accounting reforms in Ghana and how this led to the adoption of International Financial Reporting Standards in Ghana in 2007.

4.4.1 World Bank and IMF ROSC Report 2004

In 2004, the World Bank and the IMF coordinated and conducted a study on the Report on the Observance of Standards and Codes (ROSC) on Accounting and Auditing (A&A) in Ghana. The main aim of the study was to provide an assesment of the level of compliance with International Accounting and Auditing Standards by the Ghanaian accounting regulator. The findings of the report claimed that the country had not conducted any unpdates on the Ghana National Accounting Standards in issue since 1993 and that the accounting standards practiced were outdated and did not comform to international norms. It argued that,

> "Both Ghana National Accounting Standards and the Ghana National Standards on Auditing are outdated. At present, there are several gaps between the national standards and the international standards. The ICAG has not made any effort to review and update the national standards since they were adopted in the 1990s. The ICAG also lacks technical skills for the task" …..and that the legal requirements on accounting and reporting by companies, banks, and insurance companies were not consistent with International Accounting Standards" (ROSC Report Ghana, 2004).

These findings were discussed with the accounting regulator at a stakeholders meeting in 2004. In the aftermath of this meeting, the accounting regulator initiated talks with other stakeholders in accounting standard-setting discussing the possiblity of responding to the issues raised in the ROSC report by adopting International Financial Reporting Standards as a key recommendation of the report. These stakeholders included the capital market regulator, insurance regulator, banking regulator and the Big Four audit firms in Ghana.

At their first meeting in 2005, stakeholders agreed jointly with the accounting regulator that there was the need to revamp accounting standard-setting in Ghana. However, it was unclear how these accounting reforms could be achieved. This lack of clarity further introduced uncertaintly on the type of accounting standards that needed to be adopted or modified for local use. In consequence, the accounting regulator established a task force to study the possiblities involved in accounting standard-setting in the country.

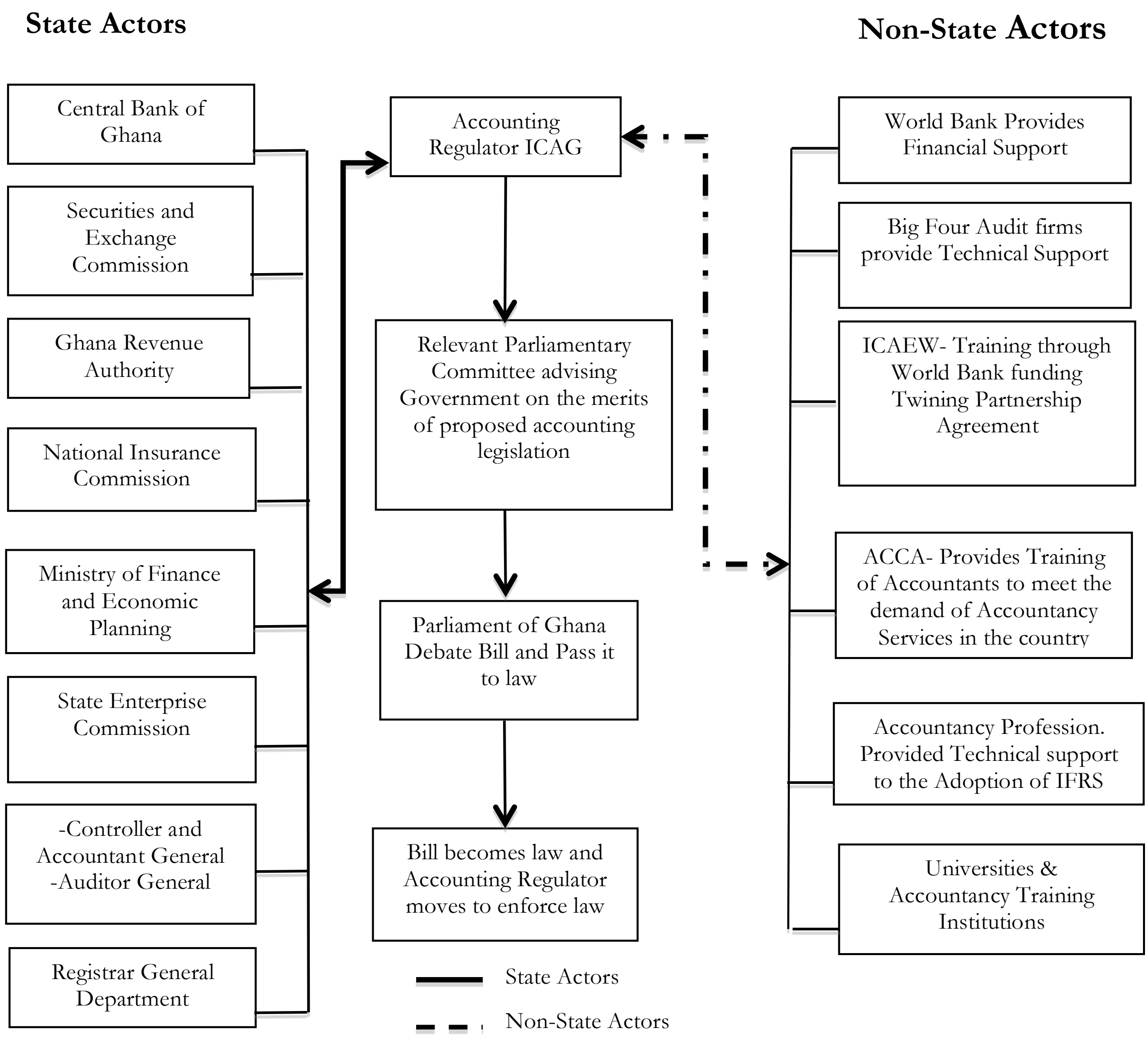

Figure 15: Structure of Accounting Standard Setting in Ghana. *Source:* Author's own creation

4.4.2 Establishment of IFRS Adoption Task Force (2006)

The general reaction of the accounting community to the findings of the ROSC report was that it wanted to demonstrate to the international community that it was prepared to embrace the change that had swept across European countries and adopt global standards to be a part of the international community. The governing body of the accounting regulator quickly constituted a committee to examine the possibility of adopting international accounting standards in the country. As a result, it constituted an 11-member IFRS Adoption Task Force to replace the already defunct Ghana National Accounting Standards Board (GNASB). The Task Force was then charged with the overall responsibility of putting into action the due process of accounting standardization in the country and to recommend to the ICAG Council whether or not it was appropraite to adopt IFRS and if so, how to proceed.

In 2005, the IFRS adoption Task Force issued a discussion paper to constituents to solicit their views on whether or not Ghana should adopt IFRS and if so, which mechanisms of accounting reforms was most suitable for the country. The board wrote that

> "The board seeks broad-based input from users, preparers and auditors of financial statements, regulators and all other interested members of the public…. Comments will assist the board, in consultation with the Task force in deciding where to focus its attention and resources and will affect the determination of specific project priorities. Comments are requested primarily on issues of general policy and approach".

This invitation to comment on the discussion paper provided three main levels of policy alternatives allowing stakeholders to select the option they believed would be a better alternative. At one level, the board was considering maintaining its own standard-setting capacity as existent in most developed countries where an independent accounting standard setting authority would develop accounting standards suitable to the country's socio-economic environment. Maintaining an independent accounting standard-setter would put the ICAG at par with the UK Accounting Standards Board, US Financial Accounting Standards Board, Australian AASB, or the AcSB of Canada. On the second level, the board was considering maintaining its own Generally Accepted Accounting Principles (GAAP) or to adopt either International Financial Reporting Standards (IFRS), the Standards of the International Accounting Standard-setter (IASB). At level three, the board considered a strategy of working to support the international convergence of accounting standards globally, which will in turn feed naturally into local accounting jurisdiction. Finally, there was a consideration to modify current GAAP requirements to provide better information to users of financial statements of various types of entities through, for example, a wider application of different reporting (ICA, 2005).

Scenario	Effect on Standard Setting	Timing	Implication
Continue with Status Quo	Maintain Current Standard Setting Arrangement	It should be clear by 2007 whether major capital markets would accept IFRS.	Transition to IFRS begins in 2007-08
Adopt IFRS for all Entities	Disband or significantly curtail current standard setting arrangements.	Implementation depends on when financial statement preparers, auditors and users have adequate resources	Need to Retain/educate all stakeholder groups. Transition to IFRS begins in 2007
Abandon the field. Allow the market place to determine Reporting practices	Disband or significantly curtail current standard setting arrangements	Could begin immediately	Require private negotiation reporting requirements for entity

Table 14: Choosing from alternatives. Approaches to IFRS Adoption in Ghana *Source:* IFRS Adoption Task Force

Going further, the Task Force invited accounting experts mainly drawn from the Big Four accounting firms for expert knowlegde on whether or not IFRS adoption was an appropriate action to take by the accounting regulator. However, one problem existed. The Task Force, together with the stakeholders, lacked the requisite experience on accounting standardization in Ghana. To solve this problem. It was proposed and accepted that the Task Force will consult with other accounting standards-setters in Africa that had already adopted IFRS. The Task Force, therefore decided to engage with their Southern African counterparts, The South African Institute of Chartered Accountants (SAICA) to learn the process of accounting standardization; particularly in the adoption of the IASBs standards.

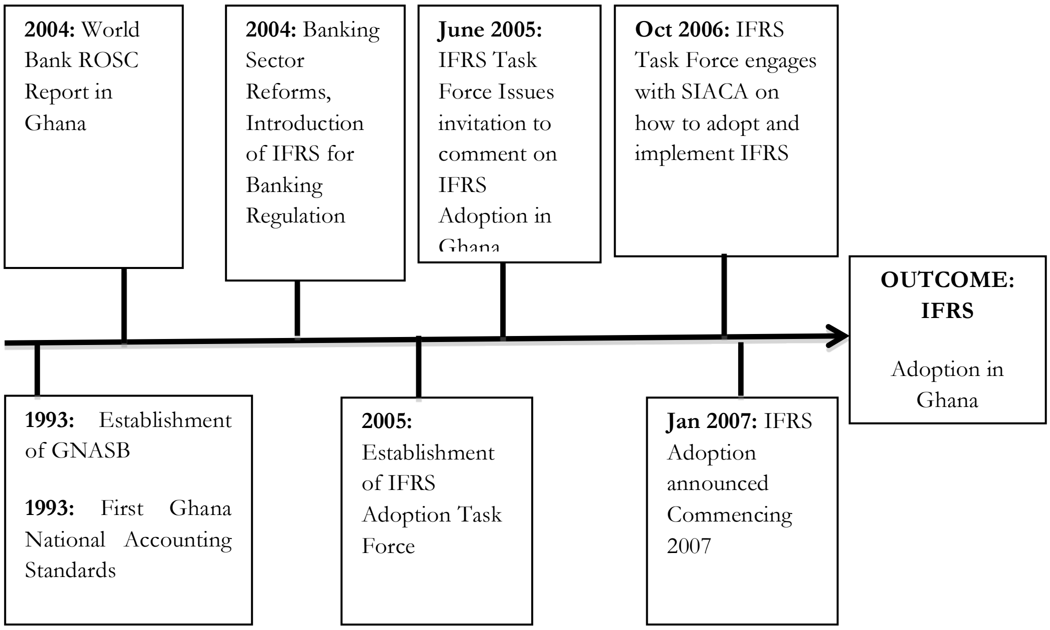

Figure 16: Timeline of critical events leading to IFRS Adoption in Ghana.
Source: Authors own compilation

Following the learning visit to South Africa and based on the comment letters that were received from the accounting community, the Task Force recommended to the ICAG Coucil to adopt IFRS without any further modifications and to do so without any further reservations. The Task Force argued that given the resource constraints faced by the accounting regulator and the fact that it does not have a full functioning technical department to review the IASBs standards and make recommendations for modifications, it was in the best interest of the ICAG to adopt the IFRS as issued by the IASB. It further supported this view by arguing that the fast rate at which the IASB standards are revised means that any modification based on the IASBs standards will have to be modified at the same rate as the IASB. In support of this argument, actors generally agreed when they said;

> The basic fact of the case is that we don't have a full-fledge technical department, well-resourced in terms of human resources capacity, to actually take that (IFRS) and come up and say look, maybe this one, this is the modification we may want. (Interview GHA4)

Prior to the ROSC report, the accounting regulator had made efforts to revive the defunct Ghana National Accounting Standards Borad to take accounting standardization as it was originally set up to perform. However, due to the reasons of resource contraints and the lack of technical experts and government support, the GNASB was unable to carry out its mandate as the accounting standard-setter. Expressing these sentiments, the past president of the ICAG argued that;

At the time that I became president, there was initial effort to revive this standard -setting committee with full representation. We tried and wrote to the ministries. Nobody was interested. We wrote to industry and commerce they did not respond. So it was like total vacuum where our standards were old, they were not being updated because a committee was not available. So we tried some people initially to see whether we could review what was happening in the developed world and relate to it. Eventually, we realized that if we want to follow the old thing and we are not getting people we will be totally out of alignment and indeed, we had reservations about some areas not being too relevant to our operation because these standards were set up in a slightly more sophisticated business environment than ours (Interview GHA1)

After unsuccessful attempts to conduct accounting reforms in Ghana due to the lack of both financial and technical support, the ICAG gave up the idea of any modifications of IFRS and embraced the standards of the IASB. In January 2007 following broader consultations with stakeholders, ICAG finally announced IFRS adoption in Ghana and that full compliance was expected for all public interest entities including banks, insurance companies, financial institutions, pension fund, mutual funds, State Owned Enterprises, and Utility and Telecommunication companies by the end of 2008.

4.4.3 Pre-IFRS Adoption Initiatives in Ghana (2004)

The banking industry regulator had taken steps ahead of the ICAG to adopt IFRS for banks and non-banking financial institutions under its regulatory field. In 2004, the Central Bank of Ghana begun to reform its regulatory instruments (i.e. Banking Act 2004) used in monitoring the activities of banks in the sector. The Banking Act gives the Central Bank the legislative powers to prescribe the accounting practices or standards to be used in the preparation of financial statements by banks under its supervision. A former director of the banking supervision department notes that;

"The Central Bank in which I was assistant director was in the process of reviewing our Banking Act and whiles we were doing so I chaired that committee. At that time, Basel II was in the west but we knew the structure of the three components capital determination and the last one was market discipline. Whiles doing the Banking Act and the Basel II reporting systems, we made sure we factored some of these things into the Act and even though we had not yet adopted Basel II we knew Basel II was coming. We factored in market discipline, capital determination, and supervisory review process. With the supervisory review process, what we did was to start the risk based provision system. By the risk based provision system, you are going to challenge the banks to adopt a risk approach that will help you to focus on the areas that pose a threat to the institutions and the industry so we adopted that. Once we started the risk-based system, we saw that two components of Basel II were on their way. The first component is the market discipline which requires more disclosure was that the market should have information to enable them decide which institution to punish or reward and that will mean more disclosure. That is when we thought that then IFRS fits in there, because IFRS was a framework for a more elaborate disclosure (Interview GH14).

Prudential banking regulations spearheaded by global international organizations such as the International Monetary Fund (IMF) and the World Bank (WB) have supported the work of the International Bank for Settlement (BIS). All these three institutions have also shown strong support for the standards of the IASB and together these institutions have encouraged and supported member countries from developing countries to adopt IFRS. The Central Bank of Ghana became the leading actor to mandate the use of IFRS for banking entities. The central bank claims that;

> …. the banking sector was the driver of the financial system in Ghana …... it was the banking industry and for that matter the banking supervision department at the Central Bank that championed the adoption of IFRS. I might say the Bank of Ghana, for that matter the banking supervision was even more vibrant than the institute itself because it carried more weight (Interview GH8)

This view has been uncontested by the accounting regulator as it knew at the time that the Central Bank was in the process of revising its regulatory instruments to accommodate the requirements of Basel II in prudential banking regulation. To gain the needed support for the adoption of IFRS, the accounting regulator engaged with the Central Bank asking for advice on how it wanted to implement IFRS for banking institutions. In response, the Central Bank in principle wanted to mandate IFRS for banks but did not agree with all the provisions of IFRS.

Prudential banking regulation required banks to make provisions for loan losses and non-performing loans. IFRS on the other hand presents preparers with alternative accounting treatment of impairments either via the incurred loss model or the expected loss model. The Bank of Ghana was concerned that allowing banks to apply IFRS in the valuation of non-performing loans was less conservative especially given the application guidelines fair value accounting in the valuation of loans. Under IFRSs, loan loss provisioning rules will often lead to a lower provision for potential defaults in loans by banks than when applying prudential banking rules. The Central Bank argued during an interview that;

> The major thing that for us happened in the banking industry is that we thought that majority of the IASBs Standards were alright and could have been adopted without any modification. The problem for us was the issue of impairment, which we thought that, looking at our system, the way the standard was treating impairment was less conservative. And going by Basel II principles, basically which we have adopted, IFRS will lead to a more stringent impairment competition than what the Basel II standard has adopted (Interview GHA8).

In a communiqué to the banking industry, the regulator asked banks to reconsider IFRS application in the provisioning of loans and apply prudential banking regulations in cases that IFRS produced different results (see in text box below). These modifications did not change the substance of IFRS. It only highlighted the idea that adopting International Standards could have conflicts with local legislations, and that such conflicts can be a determinant for countries looking to adopt similar polices to adopt modified versions of the standards as opposed to adoption without modifications.

4.5 Neo-institutionalism at work: Arguing the case of IFRS adoption in Ghana

Neo-institutional scholars express the view that similarities among organizations are caused by institutional forces that surround the social system. When adopting countries share commonalities, they tend to be influenced by others in the same social space. This view focuses primarily on the cultural cognitive aspects of organizations instead of technical aspects and resources to explain how organizations act. The work of DiMaggio and Powell (1983) and March and Olsen (2006) provides a lens to examine the case of IFRS adoption in Ghana. The aim here is to explore the extent actors construct IFRS adoption and how different actors influence the adoption process.

In chapter three, the dissertation introduced formal organizations as actors for the diffusion policies across national and transnational borders. Actors play a key role in how they control and influence policy-makers in their decision making process on final policy outcomes. Combined with the theoretical approaches introduced in chapter two, this section explores how this theoretical conceptualization can be applied to explain IFRS adoption in the context of Ghana. It starts be applying the notion of coercive isomorphism and identify how international actors pursue this strategy in the adoption of IFRS in Ghana.

4.5.1 The World Bank and IFRS Adoption in Ghana: Case of Coercive Isomorphism

The World Bank and the International Monetary Fund have been involved in acounting standardization in Ghana since the 1980s when they togther pressured the Government to adopt international accounting standards issued by the IASC. At the time, the World Bank conditioned finanacial support to the government for financial sector forms on the adoption of the standards. Literature on the role of the World Bank at introducing accounting reforms in African countries is not rare. The work of Andrews (2013, p. 66) show that the World Bank initiated accounting reforms for the most part of Africa in the 1980s; particularly for countries that underwent structural adjustments programs. In 1992 after Ghana undertook accounting reforms, much had been hoped for by the Bank in light of other reforms that were undertaken. However, after the adoption of international accounting standards in 90s, not much happened until 2004 when the Bank returned to conduct their ROSC assessment.

Following its ROSC project in Ghana in 2004, the Bank recommended that the country should "fully adopt IAS/International Financial Reporting Standards (IFRS) and International Auditing Standards (ISA) without modifications and ensure mandatory observance of these standards". In defense of their recommendations and offer of financial assistance to the Ghanaian government to conduct accounting reforms, the World Bank articulates that;

> By strengthening the accountancy profession, the project [financial support] will contribute to improving the availability of credible finanacial information which will support financial sector development in the country. The availability of credible corporate financial information is very important for developing financial markets. The participants in financial markets need reliable information for decision making purposes (World Bank IDF Grant Proposal, 2009 pg.6)

The relationship between the ICAG, Government of Ghana and the World Bank on the adoption of IFRS developed further shortly after the ROSC report was issued in 2004. On the 18th of April 2006, the World Bank organized a workshop to review the findings contained in the ROSC report and to engage with actors aimed at encouraging them to perform accounting reforms. In general, there was a broader consensus by participants on the need for the country to have a Structured Country Action Plan developed by stakeholders identified in the ROSC report in order to move the accountancy profession towards trends in the international arena. This country action plan indicated a strong reaffirmation of the World Bank's position on the need for Ghana to adopt International Financial Reporting Standards (IFRS) and International Standards on Auditing particularly in meeting their membership Obligations of the International Federation of Accountants.

This action plan recommended by the World Bank required an initial capital commitment to kick start the process of IFRS adoption in the country. However, the ICAG could not readily produce a convincing proposal to meet the format of World Bank funded projects which had as its main focused on public sector financial management reforms. The grant proposal issued in 2009, the World Bank writes that the ICAG had tried to obtain financial support from the Bank and other donor agencies for the implementation of the policy recommendation of the ROSC since 2005. However, there was no success in this regard as the ICAG did not fulfill the requirement for obtaining funding for such a project. As correctly put by the Chief Executive Officer of the ICAG;

> When the ROSC report was issued, we were asked to respond to the issues raised… we discussed it at Council level and the ICAG was more or less compelled to accept the real situation. …. We tried to obtain funding from the World Bank to support the IFRS adoption process but that came late because of techincal problems with the proposal. We used our own money to adopt IFRS. (Interview GHA5)

The Accounting regulator acknowledges that the relationship between the World Bank and the Institute of Chartered Accountants created a good working atmosphere that encouraged them to undertake financial reporting reforms in Ghana.

> The World Bank gave the support. They brought in the ICAEW and they have supported us in so many ways. The flagship of that kind of collaboration is the establishment of the Audit Quality Monitoring and that has helped a lot even though the institute paid a large sum of money to the person working there but through the instrumentality of the World Bank we have been able to establish it. It would have been expensive approaching the English institute to offer that kind of facility to us. There would have been some kind of unwillingness to do that, but when they saw that it was coming from World Bank they were much willing to support us indeed they have supported us. We are very grateful to the World Bank and the English institute for this collaboration and that has not ended. Our relationship with the World Bank have been very supportive but it has been respect for each other and very supportive. (Interview GHA5)

The World Bank and the ICAG together initiated a Twining Partnership arrangement with the Institute of Chartered Accountants of England and Wales (ICAEW) and the Institute of Chartered Accountants Ghana (ICAG) for the former to mentor the latter in a capacity-building framework where the ICAG could improve on audit monitoring in the country. A major component of the capacity building twining arrangement was that of Training-of-Trainer (ToT) on IFRS. To facilitate this project, the World Bank disbursed $310,000 to the ICAEW in respect of these services rendered to the ICAG. (See below the budget for the project)

Budget breakdown/Activity	**First Cost**	**Client Contribution**	**Total (in USD 000s)**
Component/Deliverables: **1. Modern Legal framework**	15000	0	15000
International Consulting Fees	10000	0	10000
Project Management and Consulting	2000	0	2000
Travel	0	0	0
Other Expenses	3000	5000	8000
Total Component 1	**30000**	**5000**	**35000**
Component Delivery name: 2. **Capacity Building of ICAG**			
2. Capacity building			
International consulting Fees	90000	0	90000

Local consulting Fees	70000	0	70000
Project Management and Supervision	25000	0	25000
Travel	40000	0	40000
Other Expenses	15000	17000	32000
Total Component 2	**240000**	**17000**	**257000**
Component/Deliverable name: **3. Strengthening the capacity of financial sector regulators to ensure compliance with the applicable accounting and auditing standards**			
International consulting Fees	20000	0	20000
Local consulting fees	5000	0	5000
Project Management and Supervision	3000	0	3000
Travel	10000	0	10000
Other Expenses	2000	8000	10000
Total Component 3	**40000**	**8000**	**48000**
Total Project Cost	**310000**	**30000**	**340000**

Table 15: Financial Incentive for Accounting Standardization. *Source*: World Bank office-Ghana

The World Bank has been constructed in organizational studies and governance literature as a formal institution that exerts pressure on national governments to adopt foreign policies which has little prospects of thriving in local economies (Andrews, 2013; Harrison, 2004). A large body of research in this area argues that the Bank has supported economic reforms, privatization of State Owned Enterprises, banking sector reforms, agricultural sector reforms and the like and the promise for financial resources used as a condition for such reforms to take place. In accounting reforms, evidence from developing countries suggests that the World Bank has often used financial incentives on national governments to pressure them into adopting international accounting standards. A good example reflecting the use of conditionality in the adoption of IFRS in developing countries is illustrated in the work of Tyrrall et al. (2007) argues that;

> ….the Kazakh Government applied for financial and technical aid from international institutions, including the Asian Development Bank, EBRD, IMF, OECD, USAID, and the World Bank. e.g., the World Bank has provided 24 project loans totalling almost US$2bn to date. As with others, this financial aid was conditional upon Kazakh acceptance of IFRS-based accounting standards, International Auditing Standards (ISA), and internationally recognized audit firms.

In recent years, the use of conditionality has begun to fade in the work of Bretton Woods' institutions. One plausible explanation is the rise in economic liberalism of once less powerful nation states in the east that has now become a source of financing projects in developing countries. Specifically, the rise of Chinese economic partnerships with most developing countries has opened up the market for credit by developing countries giving them the opportunity to shop for the cheapest credit facilities without conditions attached (Moyo, 2009).

The Bank, recognizing this fact and coupled with the overwhelming criticisms it receives from the international community, has resorted to economic partnerships in the execution of its mandates in some developing countries (Interview LIB4). It now approaches technical assistance and lending arrangements issues in developing countries by engaging in talks at senior levels of governments and experts often-twisting conditionality to mean friendship/partnership which has the potential of developing into long-term arrangements (Interview GHA12). One example in this context in the words of the Bank staff in Ghana is that;

> When you say compel, we support countries with the IFRS adoption. If in a particular country there are restrictive practices impacting their development efforts in a negative way and we have a development policy and budget support we come out with actions. We now call them prior actions or triggers. As one of the actions that have to be completed in terms of reforms to support the course of development and create linkage between that action. In the development of the action, it is important that you do A, B and C. These now are called prior action in budget support operations. So by implication, we are telling them we are giving you money to support your budget but you need to come out with legislation to support A, B or C because these are critical to your socio- economic development. By implication, we are not forcing them because the bank cannot force anybody but when you require money from us we say the money should be used to support your budget as long as you do A, B, and C. We used to call them conditionalities (Interview GHA 11 &12)

By and large, these relationships between the Banks' local office in Ghana, the Government of Ghana and the Institute of Chartered Accountants Ghana (ICAG) on the adoption of 1```IFRS has been a complex web of actions by local actors and counter actions by the World Bank leading the decision of the ICAG to adopt IFRS. There is little evidence to suggest any conditionality in the financial support provided by the Bank for IFRS adoption. Rather, it reflects the Banks use of convincing relationship through the Government of Ghana to force regulators to engage in accounting reforms. It did so by identifying important stakeholders that could drive the process and provide technical support to these regulators, which has had a direct impact on the accounting regulators decision on whether or not to adopt IFRS (see diagram below).

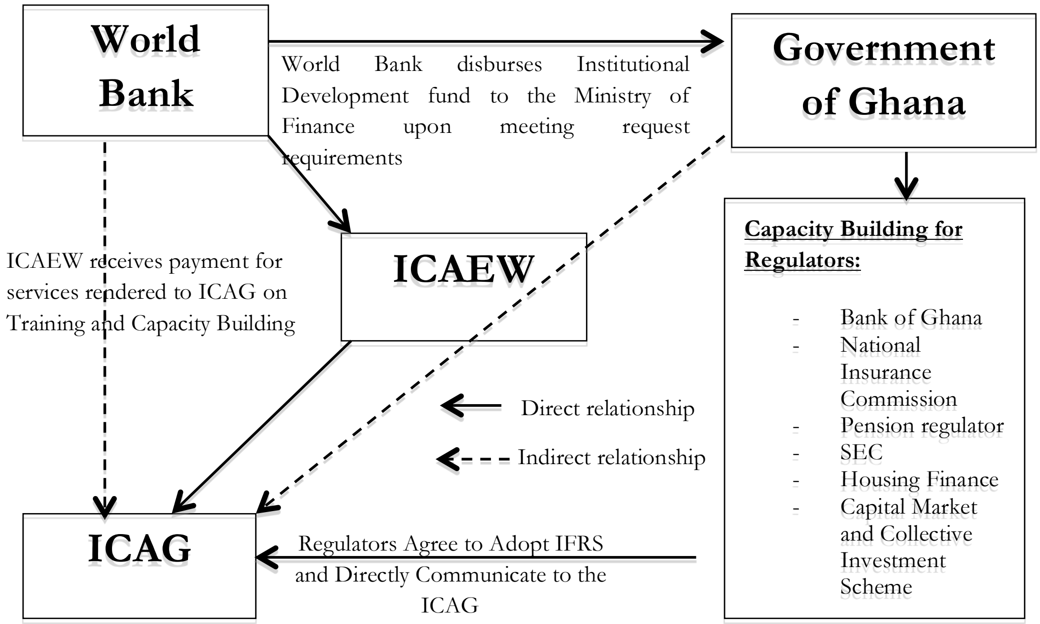

Figure 17: Actor network, funding arrangements of the World Bank and Government of Ghana in the adoption of IFRS.
Source: Author's own drawing

The descriptive case of coercive isomorphic pressures in the adoption of IFRS in developing countries anchors on the salient conceptualization of how the Bank has continued to use its relationships with developing countries to push forth accounting reforms while twisting and turning to hide the coercive elements in their relationships. In the case of Ghana, the Bank maintains that, there have not been any conditions attached to the financial assistance offered the government of Ghana through the accounting regulator as has been done in the past in the 1990s during the first wave of accounting reforms. However, continuing involvement of the Bank in accounting reforms issues is to suggest that, their aim is to diffuse neo-liberal policies to ensure the continuity of its mandate in supporting developing countries move towards poverty eradication.

4.5.2 Normative Discourse in the Adoption of IFRS in Ghana: IFAC Membership

As discussed in the theory section of the dissertation, new institutionalism positions professional situations as the source normative discourse between members of the profession and accounting standardization organizations. Normative institutional pressures emanates from the notion that professionals often share the same educational background, practice philosophy and hence these relationships produce a common identity amongst them. This common ground in the education of professionals socializes them into a common cultural cognitive framework that promotes the cross fertilization of ideologies, norms and standards (DiMaggio & Powell, 1983). Furthermore, professionals often participate in professional networks, communities and associations that create arenas for ideas and norms to diffuse and to be reinforced (Greenwood et al., 2002). In the words of DiMaggio and Powell (1983), the socialization-taking place in such professional environments will affect professionals in a way that will make them receptive to the ideas and views of their professional peers. In the case of Ghana, professional accountancy organizations have played a lead role in the institutionalization of international best practices around the arenas of accountants. Three of such discourses matter in the decision to adopt IFRS. First is the membership of the country's accounting regulator to the International Federation of Accountants. Second is the activity of large international accounting firms that provide a platform for accounting standard to draw their knowledge from. Finally is the role of international accounting certification organizations in the education and training of professional accountants.

Ghana was one of the countries that participated in the founding of the International Federation of Accountants (IFAC) and has since then continued engage in the discourses of this professional community of accountants. It also became a leading member in the founding of regional accountancy association representing the IFAC in West Africa in 1982 i.e. The Association of Accountancy Bodies in West Africa (ABWA) and most recently in May 2011 in the founding of the Pan African Federation of Accountants (PAFA).

In 2004 when the World Bank issued the findings of the ROSC report, the Bank argued that the Ghana National Accounting Standards and Ghana National Auditing Standards were not in line with the standards prescribed and recommended by the IFAC for adoption by its members. In response, the ICAGs desire to adopt IFRS was also in line with the expectations of the IFAC that had initially contacted the ICAG to fulfil its membership obligations by adopting IFRS. The ICAG admits this when they said;

> The driver to adopt IFRS might have come from our membership of IFAC but the main driver was the ROSC report to comply with the Statement of Membership Obligations which was the need to adopt IFRS but how to and how quick was driven by the ROSC report (Interview GHA5).

> The ROSC report, which was presented to us, informed the institute to wake up and adopt international standards or else you cannot run an accountancy institute and not adopt international standards when the international body IFAC has recommended it (Interview GHA5).

Membership to professional associations creates a collective identity among members. To follow what is prescribed by these associations is to follow what is constructed as appropriate (March & Olsen, 2006). A reconfirmation of identity within professional arenas occurs not only during education, but also continuously via meetings and activities within their professional associations. Since professional associations create interaction among professionals, they are important in creating and maintaining a collective identity (Greenwood et al., 2002). Such professional identities have been a driving force in the decision of standard-setters to adopt IFRS. They argue that;

> We are members of an international accountancy body. To maintain our membership, it is important we follow the rules and norms of the association (Interviewee GHA 5)

Professional associations by their nature cannot issue binding rules that must be followed by nation states. Rather, their authority remains within issuing strict rules of entry or punishment to exiting members for non-compliance (Ahrne, Brunsson, & Garsten, 2000). The IFAC in the past did not sanction or punish members for non-compliance in the adoption of IFRS but had strongly recommended to members to comply with all the statements of membership obligations of the Federation. Interviewees expressed this when they argued that;

> Being a member of IFAC, you are more inclined to adopt it [IFRS] but how quick are you able to do that? IFAC also adopted the attitude of persuasion instead of cohesion or compelling to do it in the past. You should educate the person to understand, he might be willing to commit himself fully than to compel. That was the posture of IFAC. It [IFAC] now they say if you do not adopt it, you stand the risk of losing your membership. (Interview GHA5)

> ..The audit quality monitoring processes we had in the country was not anything to write home about and obviously, we were under pressure from IFAC to make sure that we meet the seven membership obligation, one of them being quality evidence that you are monitoring your practitioners and things like that (Interview GHA4)

These sentiments expressed by accounting standard-setters in Ghana regarding the pressures that pushed them into the adoption of IFRS is a reflection of the types of normative discourse discussed in the diffusion literature in the opening section of this dissertation. Institutions with power, bargaining positions, expert knowledge upon which weaker institutions depend for resources easily bow to pressures from powerful ones to adopt international policies. However, in this context, these normative pressures lacked the necessary authority to pressure accounting standard-setters into adopting IFRS. Logically, the constant reminder of the accounting standard-setter of its non-compliance with international accounting standards represented a weakness in the accounting profession. This socialization process of the accounting regulator among its peers and the desire to be a part of a global community of professionals contributed to the decision to adopt IFRS.

4.5.3 Role of Big Four Accounting Firms in IFRS Adoption

In any specific accounting jurisdiction, it is difficult to conceive the idea of accounting standardization without the involvement of the "Big Four" accounting firms. Over 100s of years of their existence, they have gained a special set of expertise and reputation in the field of accounting and have created a global network where accounting regulators simply cannot conduct accounting reforms without their participation especially in situations involving the adoption of accounting standards across national and transnational borders..

In developed countries, the Big Four dominate accounting standard setting by providing a pool of resources that standard-setters can draw upon. Such resources do not only include financial contributions as discussed in section 3.4.5, but also their specially trained staff who has industry experience and can guide standard-setters in the process of accounting standardization. The "Big four" accounting firms started operating in Ghana following the expansion of multinational corporations into the Ghanaian economy. Internationalization of accounting firms generally developed in the same direction as global expansion of Multinational Corporations. International accounting firms have the slogan thus

"Follow thy client wherever they go"

Once established in the Ghanaian local business environment, Big Four accounting firms became experts in the field of accounting dominating the business sector. Over time, the accounting profession has come to recognize the core competencies of these firms. Their role in the diffusion and adoption of global auditing and accounting standards into Ghana cannot be underestimated. If ever there was an accounting problem that needed expert interpretation, the "Big Four" was always at hand to provide a technical interpretation (Interview GHA 6). The cross fertilization of their trained professionals within the network of global accounting firms in the family of the Big Four shows that most accountants in these firms were already familiar with IFRS long before the accounting regulator in Ghana made progress towards their adoption.

In some instances, professional staffs of these firms were sent on secondment in other global offices to gain knowledge of recent accounting standards. It was the case that at the time the ICAG council decided to adopt IFRS, they engaged the services of the Big Four firms in providing guidance on how to proceed. Interviewees from these firms describe their role in IFRS adoption in Ghana as;

> I think our role was very numerous. When it came to training, you know we championed it and we are still doing it. In 2005, there was some collaboration with the institute of chartered accountants when the whole thing started. There was a committee formed and we were part of that committee and that committee was to, look at whether to adopt IFRS or to try and take portions of it that is relevant… I think [redacted] played a key role in that committee (Interviewee GHA 9)

When faced with uncertainty, organizations go in search of expertise and sometimes delegate the task of searching for alternative solutions to professionals. This was the case of accounting standardization organization in Ghana who sort the help of professional accountancy firms to provide then with professional advise on how to conduct accounting reforms in the country. At the ICAG, once the Council was convinced that accounting reforms were necessary, they initiated the process by inviting the Big Four accounting firms to join the IFRS adoption Task Force in providing technical advice on IFRS adoption. As a first step, Deloitte and Touché, PricewaterhouseCoopers, Ernst &Young and KPMG were invited to a high level meeting regarding their mandate in the adoption of the standards. In a copy of the invitation to these firms, the ICAG stated that each firm should nominate one professional to assist in the standard setting process.

Box: 1 Placing Big Four Accounting Firms high on the stakeholder consultation agenda

INVITATION TO PARTICIPATE IN TASK FORCE ON GHANA'S CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS [IFRS]

We recall that an all-member Ghana National Accounting Standards Board [GNASB] was set up at the instance of the Institute of Chartered Accountants [Ghana] (ICAG) in March 1993 principally to develop Accounting and Auditing Standards best suited to Ghana's Local Conditions and to monitor their consistent application to ensure sound financial reporting.

GNASB published Ghana's Accounting and Auditing Standards drawn largely from the International Accounting and Auditing Standards, and has since become defunct. It is proposed to revive the GNASB to seek legal and stakeholder acceptance of adopted Standards as soon as possible.

Meanwhile, convergence to International Financial Reporting Standards [IFRS] has not only become necessary but inevitable, as a result of globalization. It has been noted that South Africa, the European Union, Australia, USA and other countries which operated their own standards are shifting to IFRS in order to avoid the cost of maintaining independent accounting reporting systems alongside global requirements. Already, many firms in Ghana are enjoined to prepare accounts to meet International Financial Reporting Standards. Therefore, to continue to maintain Ghana's own accounting standards in the wake of globalization will be counterproductive.

Accordingly, the ICA [Ghana], proposes for all companies registered under the Ghana Companies Code 1963 (Act 179) to adjust to International Standards as from January 2007. The ICAG has set up a Task Force under the Chairmanship of the Institute's Technical and Research Committee, [redacted] to submit a comprehensive position paper to inform the Institute and various stakeholders on the full implications of convergence to IFRS, the practical implementation difficulties and recommendations for smooth implementation.

In the above regard, the Institute requests your reputable firm to assist the Institute in the preparatory work required for convergence to IFRS by nominating one officer to serve as a member of the Task Force which is expected to complete its work in about three (3) months.

We would therefore be grateful if you could furnish the undersigned with the name of your nominee by February 4, 2005 and arrange for the nominee to attend the inaugural meeting of the Task Force on February 16, 2005 at the Office of the Institute at 2:00 p.m. We will welcome any documentation that will assist the Task Force in its work.

Any enquiries on the subject matter can be made with [redacted] on [redacted].

Your assistance will be most welcome.

Figure 18: Invitation Letters to Big Four Accounting Firms *Source:* ICAG Archives

On receiving these invitations, all the Big Four accounting firms contacted by the ICAG responded positively, nominating one accounting professional each to support the ICAG in their bid to reform accounting standards in Ghana and ultimately adopt IFRS.

Box: 2 Legitimizing and maintaining the lead. We are happy to help while indeed, you cannot do without us. The Case of Big Four Audit firms

Deloitte response to invitation

Re: Invitation To Participate In Task Force On Ghana's Convergence To International Financial Reporting Standards [IFRS]

We refer to your letter dated 28 January 2005 on the above subject, and hereby nominate Mr. [redacted] to be part of the Task Force.

PriceWaterouseCoopers response to invitation

Re: Invitation to Participate in Task Force on Ghana's Convergence: International Financial Reporting Standards (IFRS)

We acknowledge receipt of your letter dated 28 January 2005 on the above subject. We nominate our Mr [redacted] to be a member of the task force.

We thank you for the opportunity to serve the Institute.

KPMG response to invitation

Re:Invitation to participate in the Task Force on Ghana's Convergence to International Financial Reporting Standards (IFRS)

We acknowledge receipt of your letter with reference [redacted] dated 28th of January 2005. We are pleased to inform you that one of our staff Mr. [redacted], a partner of many years, is available to serve the Institute as a member of the Task Force.

We commend the Institute for this initiative and look forward to a successful accomplishment of its objectives.

Figure 19: Responses to Invitation. *Source:* IFRS Adoption Taskforce Minutes

Prior to the decision by the ICAG to adopt IFRS in Ghana, the Big Four had already developed a set of expertise in the application of IFRS for their multinational clientele in Ghana. In anticipation that Ghana would adopt IFRSs, some of the Big Four initiated in-house training programmes and staff transfers to develop the skills needed to serve their clients when the country eventually adopted IFRS. As intimated by interviewees from the field;

> Yes we knew something like that could happen and we also knew that the way the IASB was going about its work, it was possible that Ghana at a point would have to adopt IFRS. We started on our own even before these events I just described what unfolded. We invited the technical people of PKF international in charge of IFRS, in charge of training. We had one partner from UK and then another technical person who was in charge of training who came down and then we had a training seminar. That was in 2005/2006 and we invited finance and then the managing directors, people from finance, heads of finance and managing directors of our key clients at that time together with us. The partners and the managers of the firm and then soon after the training seminar, the following year, before the audit could commence that's January, we asked the partner Mr [redacted] to come back to run separate

training for just us alone. So these were the steps that we took in getting ourselves prepared for the implementation process of IFRS in Ghana (Interviewee GHA2)

Throughout the consultative process, these firms controlled and managed all the technical aspects involved in accounting standardization up to the point when IFRS was launched in Ghana. Together, they provided training to professional accountants who were members of the ICAG and concurrently provided a Continuing Professional Development (CPD) programme for the Association of Chartered Certified Accountants (ACCA) in Ghana.

Unlike professional associations that develop norms that must be followed, professional firms develop technical expertise as a resource, which they control in exerting pressure on policy makers. The work of Ramirez (2010; 2012, p. 44) show how accounting standardization is conceptualized in such a way that the state assigns the mission of defining norms in a given area of economic and social life to experts rather than politicians or technocrats. As these firms grow and conduct business across national borders they legitimize their knowledge position via the vast network of professionals across the globe. This feature of Big Four firms makes them powerful actors who can influence the process of adopting international accounting standards. In the context of Ghana, their role has been demonstrated to include advising the standard-setters on how to implement IFRS locally, and advising their clients to consider the adopting IFRS.

4.5.4 Professional Accountancy Certification Bodies and IFRS Adoption in Ghana

Globally, active professional certification associations have been proactive in providing training for accountants in Ghana. In the 1960s when there was an effort to establish a local accounting institute, it became clear that the only accountancy association in the country that provided examinations to Ghanaian students was the Association of Chartered Certified Accountants (ACCA). In the over 50 years of its operation in Ghana, it has produced the largest community of accountants in Ghana; more than even the local accountancy institute in the country. In 1991, the ACCA officially opened an office in Ghana to serve the needs of its members in the country and to provide easy access of ACCA membership to professional accountancy educational network.

I have constructed the association as one of the key actors in the diffusion of international accounting standards in Ghana for many reasons. First, in the early 1990s when accounting standardization was in progress, it became clear that most experts who were drawn to provide technical assistance in the setting of the Ghana National Accounting Standards had obtained the designation of ACCA prior to joining the Institute of Chartered Accountants Ghana. Their expertise in the application of Anglo-Saxon accounting standards proved to be useful in the formulation and promulgation of the Ghanaian Accounting Standards. Second, the ACCA became the largest source of accountancy professional training in the country. The Big Four accounting firms encouraged their employees to pursue the qualifications of the ACCA as it provides students the knowledge of internationally accepted practices in accountancy. Interviewees from these firms confirm that ACCA has been a strong partner in the training and certification of their professionals.

> Yes certainly, that was the case in PWC. In PWC, we had students, most of whom were doing ACCA. Yes, we had a few who were doing ICAG in PWC; maybe the other big four may have certainly had similar situations (Interview GHA4).

Historically, the ACCA has been proactive in the training of accountants with the knowledge of international financial reporting standards. Though not directly involved in the accounting standardization process, the number of accountants in the country trained by the ACCA suggests that it aided the diffusion of the IASBs standards in Ghana even before their formal adoption by the accounting regulator.

Membership to such a professional association is a source of legitimacy not only by claiming mere membership but also through the practice of the shared values of the association. As claimed by Abbott (1988), to claim professional status, a profession must be exclusive, the claim to abstract knowledge and the application of such abstract knowledge in practice. In consequence, professionals are exclusive occupations applying abstract knowledge in practice to particular cases. By this measure, members of such professional associations strive to put their knowledge at work to legitimize their professional status by distinguishing themselves from others. In the case of ACCA members in Ghana, many professional accountants were eager to apply the knowledge gained through their certification process with the association when it was announced that the country would adopt IFRS in 2008.

4.5.6 Analytical Exposé of IFRS Adoption in Ghana

The theme of this chapter has attempted to point out how accounting standard-setters arrived at the decision to IFRS. National standard-setters faced with institutional pressures from multiple stakeholders conducted accounting reforms by adopting international accounting standards in response to these pressures. The findings of the study show that multiple actors influenced the accounting reform process via different channels. Some of these pressures for instance paved the way for others to emerge and develop leading to the adoption of the standards. For instance, when the World Bank initiated accounting reforms in 2004, the IFAC and other professional associations had not initiated moves to pressure accounting standard-setters into adopting IFRS. Nevertheless, by 2005, professional accountancy associations had entered the accounting standards setting space created by the World Bank's ROSC project. I summarize below the list of actors and the nature of institutional pressure associated with accounting reforms in Ghana.

Proxy/Actors	**Coercive**	**Normative**	**Imitative**
World Bank ROSC Reports/ Funding	✓		
IFAC Membership		✓	
Big Four Accounting Firms		✓	
Accounting Certification Providers		✓	

Table 16: Institutional effects on IFRS adoption decision in Ghana. *Source:* Authors Creation

The adoption of IFRS is preceded by institutional arrangements that must be present to facilitate the implementation of the standards. Nobes (1998) and Gray (1998) refer to these institutional arrangements as the accounting environment. When considering accounting reforms, standard-setters premise their decision on the institutional arrangements that surround the accounting environment. At the macro-level, socio-economic variables such as capital markets activity, general level of economic development, historical accounting traditions and the use of English language in common business transactions turn to influence accounting standardization.

Macro-economic variables such as capital market activity are perhaps the biggest drivers of IFRS adoption around the world (Leuz et al., 2005; Palea, 2014; Shima & Young, 2012). It is difficult to conceive the idea of adopting IFRS where there are no capital markets as these standards were specifically designed with listed companies in mind (Interview INT 4). In consequence, countries that have considered adopting the standards have tended to do so owing to the perceived capital market benefits of improved comparability of financial statements of listed companies with the overall aim of reducing cost of preparing dual accounts leading to a reduction in the overall cost of capital (Daske, 2006). The presence of a fully functioning stock exchange in Ghana was a major deciding factor by the accounting regulator to adopt IFRS. The question is “IFRS adoption for whom?” There would be no IFRS adoption if the SEC and the stock exchange did not exist (Interview GHA 6 & 7). These statements reflect the views of local actors on how they perceive international accounting standards and their use in the domestic economy.

A general assessment on why countries adopt international accounting standards in relation to economic development is that, the volume of business transactions within the country and across national borders turn to be high in countries that are relatively developed and therefore would require some level of disclosure to properly account for such transactions (Ramanna & Sletten, 2010; Yang, 2012; Zeghal & Mhedhbi, 2006). Though this assessment finds favour in classical institutional scholarship, empirical evidence to support this claim is mixed. Others observe that, economic development has an inverse relationship with the adoption of IFRS in that, countries that are relatively less developed would adopt IFRS as a signal to external investors in order to spur the inflow of foreign direct investments into the local economy. Whatever direction this argument takes, the case of Ghana is reflective of both arguments. Among its peers in West Africa, the country is relatively more developed than others and has enjoyed a relatively stable economic environment over the last two decades. Furthermore, some standard-setters have expressed the view that, adopting IFRS was in part in a bid to attract foreign direct investments into the country (Interview GHA 6).

The accounting literature has well documented evidence to support the notion that colonial legacies play a central role in the diffusion of standards and codes across boards. As noted by Nobes (2011, p. 11), it is easy to predict how accounting will work in Gambia (a former British colony) compared with neighbouring Senegal (a former French colony). The same general point applies to predicting how accounting will work in Singapore or New Zealand, both of which have been influenced by the British accounting tradition. Historically, accounting traditions of former colonizers have tended to remain in the country after colonial rule ceased (Poulloas & Sian, 2010). Though the British had very little or no influence in the adoption of international accounting standards in the 1990s in Ghana, and IFRS adoption in 2008, their indirect influence of socializing Ghanaian accounting professionals with the standards of the United Kingdom in the 1950s played a key role in the decision of the accounting regulator to adopt IFRS. For one, their familiarity with Anglo-Saxon style accounting standards proved useful as IFRSs were not complex to read and was easily understood by Ghanaian accountants. As intimated by the accounting regulators;

> Our history with the UK in terms of accounting standards made it easy for us to adopt IFRS. These standards are not too new and we could easily adapt and understand them (Interview GHA 6)

While this finding is not completely new in the context of IFRS adoption particularly in countries that has a colonial history with the UK (Lasmin, 2011; Yang, 2012), it highlights the importance of how cultural dimensions are factored into the decision to adopt or not to adopt international standards. Where policy makers feel far removed from the origin of a policy and a general misfit to current cultural traditions, it is less likely to consider it as a policy choice. In particular, March and Olsen's idea of common identity plays a central role here where policy makers feel there is a general congruence with others they share similar forms of governance with not in terms of context, but a cultural link such as colonial historical background. This idea holds true also when considering countries with other historical colonial relationships other than with the British e.g. Spanish, French and Portuguese.

Furthermore, colonial legacies translate into familiarity with the colonizers language. In the history of colonization, one of the largest institutions that were bequeathed by colonizers is that of language (Nwanosike & Onyije, 2011). Globally, language experts agree that the most common language of conducting business transactions is English (Jeanjean, Lesage, & Stolowy, 2010). Studies in international accounting research have so far shown modest results of the effects of English language on IFRS adoption. However, essentially, there is consensus that from the onset, the IASB has always conducted its work predominantly in English and until most recently, only issued accounting standards in other languages (Camfferman & Zeff, 2007). In the case of Ghana, though not a direct consequence of their decision to adopt the standards, it highlights the choice of social identities.

At the meso-level, factors that galvanize the decision of the accounting regulator to adopt IFRS turned to be much more normative in nature as discussed in section 4.5.6 and centred on the activities of the accounting profession. Professionals play a lead role in the decision to adopt the standards. This role has been shaped by the training and affiliation to professional associations and communities both locally and abroad.

Deterministic Characteristic of IFRS Adoption	Presence or Absence
Macro-Level	
Capital Markets	✓
Economic Development	✓
Anglo-Saxon Colonial Legacies	✓
English as Lingua Franca	✓
Meso-Level	
Membership to Global Accountancy Associations	✓
Active Accountancy Profession	✓
Activities of Globally Active Accountancy Certification Providers	✓

Table 17: Institutional Drivers of IFRS Adoption in Ghana. *Source:* Author's own construction

Together, these characteristic features of the accounting environment, coupled with the institutional pressures faced by standard-setters help explain how the decision to adopt IFRS in Ghana was constructed. While it is not clear-cut on how institutional economic theory influenced the decision making of standard-setters to adopt IFRS in Ghana, field evidence points to new institutional perspectives of coercion, normativity, mimesis and the logic of appropriate action to be the major determinants of IFRS adoption in Ghana.

4.6 Conclusion

The case study of a developing country's decision to adopt internationally recognized accounting standards have been examined in this chapter. It opens with a broader argument that, the diffusion and adoption of international norms, practices, laws and standards from developed countries to less developed countries have been constructed by actors to mean that, the economic benefits embedded in the adoption of international financial reporting standards are the motivating agents for a country's attempt to adopt these standards. I argue that this assumption is miss-specified, oversimplified and often overestimated (Andrews, 2013), leaving important sociological perspectives on why policy adoption from abroad may occur. I show that the actions of standard-setters is not often clear cut nested on economic benefits alone but that, their actions are in many cases reflective of institutional pressures they face either via coercive means, normative channels or through imitation.

To support my arguments, the case started with the history of accounting standardization in Ghana. It reveals here that, accounting standards-setting most likely started in Ghana owing to the colonization and the administrative legacies inherited from the British colonizers. Starting with the introduction of modern banking and taxation in the colonial administration, it is most likely that bookkeeping rules diffused among Ghanaian elites through these channels.

Modern era of accounting standards was born following the reform of the Ghanaian economy that was struggling in the 1980s and needed development assistance from International Financial Institutions (IFIs). As part of conditions of financial assistance, IFIs required the Ghanaian accounting regulator to adopt International Accounting Standards issued by the predecessor of the IASB marking the first wave of accounting reforms in Ghana. In the wake of Europe's adoption of IFRS in 2005, it triggered similar events in most developing countries. Coupled with the activities of the World Bank and the IMF in assisting developing countries compliances with international standards on accounting and auditing, their ROSC project pushed forth the idea of adopting IFRS in Ghana in 2004.

Professionals and experts matter in the diffusion of global norms in many sectors of society either in medicine, law, environment or labour laws. In the context of accounting standards, professional accountants play a key role in their diffusion globally. The case highlights how professionals position themselves in advising standard-setters in the outcome of IFRS adoption. The normative dimension of professionals seeking to legitimize themselves by following global professional norms is exhibited in this case.

5 Reconstructing the Process of IFRS Adoption in Nigeria

5.1 Introduction

In the last chapter, the dissertation discussed a case of IFRS adoption in a developing country context of the West African state of Ghana. It draws attention to the factors embedded in statehood, institutional/organizational structures which drive policy makers to adopt international policies. In this chapter, the idea is to further the argument that most often scholarship in the area of international policy diffusion does not sufficiently explain policy adoption from an institutional angle and often relies solely on the notion of economic gains hypothesis as the driver of international policy diffusion. African states like many nation states have a unique socio-economic environment, which distinguishes them from many nation states in other parts of the world. This unique characteristic presents policy makers with a hybrid of motivations for alternative policy choices.

In March 2014, Nigeria became the largest economy in Africa elevating her from the position of the largest economy in West Africa. In 2010, the accounting regulator made a decision to adopt International Financial Reporting Standards (IFRS) for all public interest entities starting from January 2012. This decision was a reverse of the previous policy option of the accounting regulator to set its own national accounting standards often combining international accounting standards with other internationally recognized standards in arriving at the Statement of Accounting Standards of Nigeria (SAS). I discuss in this chapter the discourses, disagreements, confusions and final agreements by policy-makers in deciding to abandon local accounting standards and to adopt IFRS. I show how formal institutions, institutional modernizers and professionals play a key role in the adoption of international accounting standards. The chapter also discusses the idea of how crisis can lead to reforms and thereby prompt the diffusion of international standards.

5.1.1 Brief Socio-Economic Profile of Nigeria

Nigeria is a shining star in the continent of Africa in many aspects of socio-economic development. Host to the largest population in Africa and home to abundant natural resources, the country boasts of rich oil reserves which is the chief revenue earner. Attaining independence from Great Britain, Nigeria emerged to become one of the most promising former British Colonies in terms of economic development, institutions bequeathed by the colonial masters and an organized political economy (Ihonvbere, 1993). Between the 1970s and 80s, the country experienced a mixture of military and democratic political governments until the late 1990s when democracy returned in its entirety. Within this time, the Nigerian economy stagnated often resulting in economic reforms dictated by international financial institutions (Anyanwu, 1992).

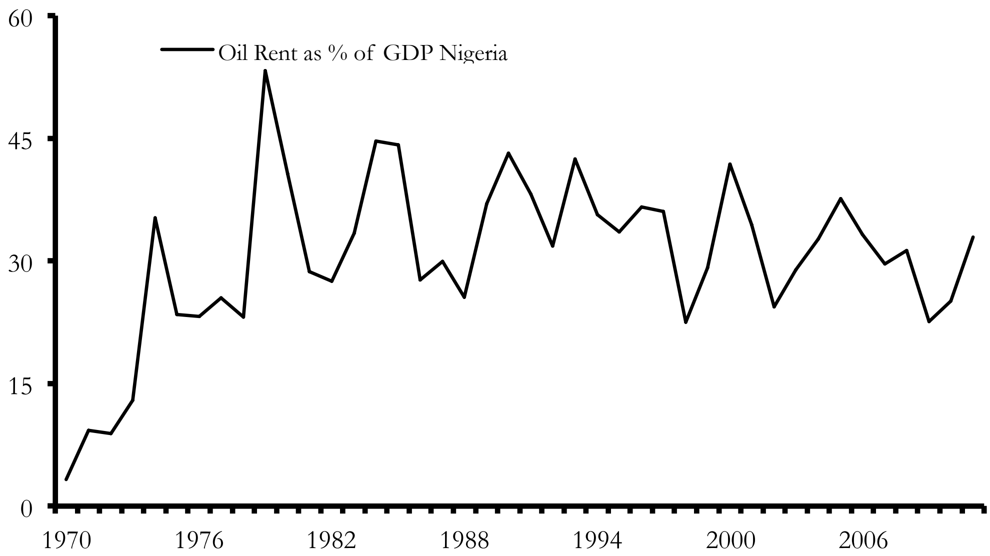

Figure 20: Nigeria Oil Rent as a percentage of GDP. *Source:* (WorldBank, 2014a)

Nigeria became an independent country within the Commonwealth of Nations on October 1, 1960 after a long period of colonization from the Danes, Portuguese, Dutch and the British. From 1960 to 1964, there were several attempts at introducing democratic governance in Nigeria, which led to the first parliamentary elections in 1964. However, from 1966 onwards several military coupes d'états were staged by military officers often with the promise of returning to democratic governance until they were displaced by other colleagues. Over the period between 1966 -1979, Nigeria continued to experience several changes in military rule, operating without a national constitution and weak governance structures marked by corruption and general mismanagement of state resources. In 1979, under the leadership of Lieutenant General Olesegun Obasanjo, Nigeria adopted a new national constitution based on the constitution of the United States of America providing a separation of powers among the executive, legislature and judiciary.

5.1.2 Trajectory of Political Economy of Nigeria 19960-1980

Nigeria by Sub-Saharan African standards had a booming economy during post-independence following the progress made by politicians to extract oil resources for national development in the 1960s. The historical perspectives of the political economy of Nigeria is one of a mixture of booms and bursts, military and civilian rules and a hybrid of economic reforms over the last five decades.

By early 1970s, Nigerian economy was tagged as an oil booming economy. Nevertheless, poor financial management, corruption and lack of a development plan to invest oil proceeds for economic growth led to the collapse of the economy in the 1980s. By 1983, short-term trade arrears amounting to over N4 billion had accumulated while unemployment aggravated with serious balance of payment deficits incurred. Public expenditure had expanded from an average of 13 per cent of GDP between 170-1973 to 25 per cent in 1974-80. The reverse and worsening economic fortunes in terms of declining growth, increasing unemployment, galloping inflation, high incidence of poverty, worsening balance of payment conditions, debilitating debt burden, declining trade among many other things (Ihonvbere, 1993pg 141).

A consequence of these economic hardships was the introduction of economic reforms by the Nigerian government liaising with the World Bank and the International Monetary Fund. The Shagari regime applied to the International Monetary Fund (IMF) for a three year extended facility loan of US$2,3 billion to support the Nigerian Government's economic reform Programme.

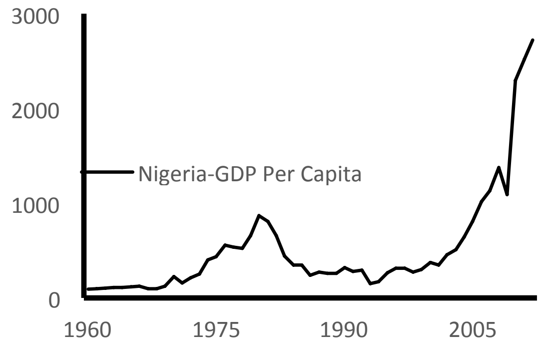

Figure 22: Nigeria GDP per capita.
(WorldBank, 2014a)

Figure 21: Nigeria Trade Matrices as percentage of GDP.
Source: (WorldBank, 2014a)

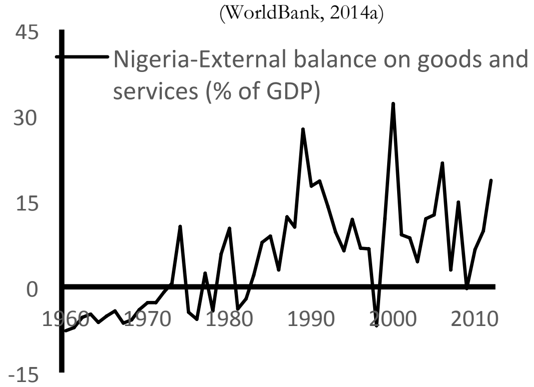

Figure 24: Nigeria External Balance on Trade as percentage of GDP
Source: (WorldBank 2014a)

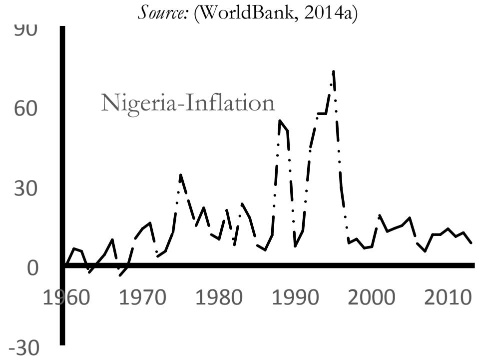

Figure 23:Nigeria Inflation Development.
Source: (WorldBank, 2014a)

From 1983 onwards, the Nigerian government accepted a Structural Adjustment Programme (SAP) from the World Bank and the IMF although it had initially declined to accept the credit facility due to the conditions attached to the loan. In July 1986, the Babangida government via a public deliberation of the idea of Structural Adjustment and its conditionality finally agreed to comply with the terms of the credit facility (Anyanwu, 1992). The terms of the loan amongst other things were to include trade liberalization, removal of oil subsidies and the revaluation of the Nigerian currency. The specific objectives of the Structural Adjustment Programme were to:

- Restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports
- Achieve fiscal and balance of payments viability over the period
- Lay the basis for a sustainable non-inflationary or minimal inflationary growth
- Lessen the dominance of unproductive investments in the public sector, improve the

sector's efficiency and intensify the growth potential of the private sector (Anyanwu, 1992, p. 141).

To achieve these goals, the government devalued the currency by over 80%; commercialized and privatized several State Owned Enterprises (SOEs); introduced debt-equity swap programmes; liberalized the economy and revoked the indigenization decrees passed in the 1970s; outlined a new package of incentives to foreign investors; and retrenched hundreds of thousands of public sector workers. In addition, the government introduced a floating interest rate policy; encouraged an export drive programme to earn foreign exchange; introduced new taxes, levies and user fees on a range of social services especially health and education; constructed new toll gates on the country's major highways; and put in place a Second-Tier Foreign Exchange Market (SFEM) (Ihonvbere, 1993, p. 144).

Three stand-by arrangements by the Government of Nigeria with the IMF supported these adjustment efforts, but the government decided not to use the Fund's resources. The World Bank also supported the adjustment programme through a US$450 million trade policy and export diversification loan. The Structural Adjustment Programme was originally intended to last for two years, but was extended when it was realized that implementing many of the reforms required more time. These reforms in the economy were still insufficient to move the Nigerian economy ahead. In parallel, there were reforms in the financial sector especially the banking sector that needed to be restructured to save the economy. I will in the next section show how the financial sector reform programme especially in the banking sector contributed to the development of financial accounting standardization in Nigeria.

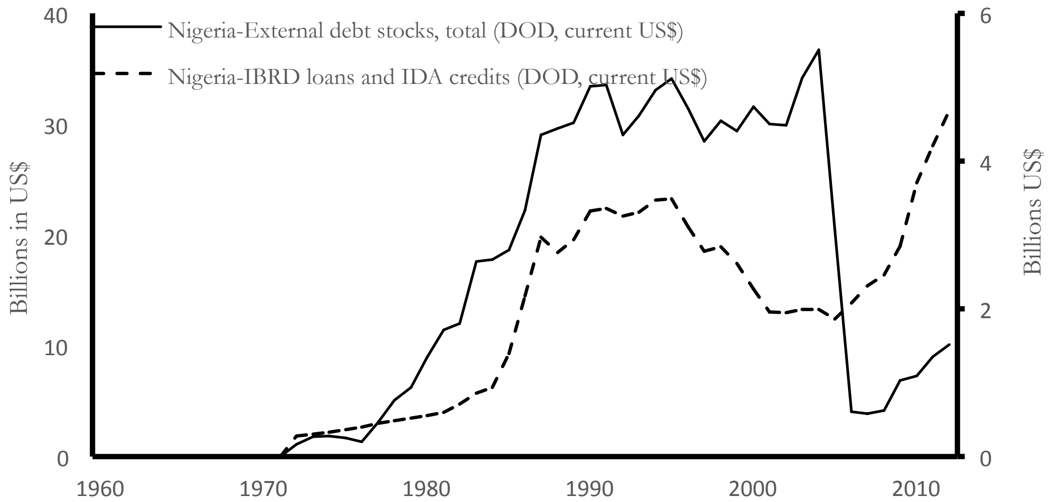

Table 18: Debt and Credit Arrangements with the World Bank (1960-2012).
Source: (World Bank, 2014a)

5.1.3 Banking Sector in Nigeria

The British Treasury started commercial banking in 1872 by creating the first bank known as the African Banking Corporation. In 1874, another bank called the Bank of British West Africa (now First Bank of Africa) was established and automatically took over the former banks operations. These banks functioned for the British colonial masters providing banking and administrative services in Nigeria to the colonial administration and to trading partners across the West African Coast. At that time, banking was an unregulated market characterized by many bank failures. These operations continued until after Nigerian independence in 1960 (Ihonvbere, 1993).

Prior to independence from the British, Nigerians took steps to revive and regulate the banking sector. In July, 1958 the Central Bank of Nigeria was established with Mr. R.P Fenton of the Bank of England being the first Governor (Okpara, 2011). After the creation of the Central Bank of Nigeria in 1959, the regulatory structure of Nigerian banks turned towards developing local banks for the local populace. However, the numerous number of banking firms brought about several bank runs in unregulated and under-supervised banking sector which led to several economic impediments for the country (Ojukwu-Ogba, 2009). In this regard, several banking and financial regulations were established (See below):

Regulation	Year
Banking Ordinance	1952
Nigerian Deposit Insurance Corporation (NDIC)	1988
Prudential guidelines for banking firms	1990
Banks and Other Financial Institutions Act	1991
Failed Banks Decree	1994
Central Bank of Nigeria and NDIC Acts	1997
Money Laundering Act	2003
Banking Consolidation	2005
Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation	2006

Figure 25: Evolution of Banking Regulation in Nigeria. *Source:* Author's own compilation

5.1.4 Financial Accounting Reforms in the mist of Banking Sector Reforms

Despite these legislative instruments to regulate the banking sector, many banks continued to enter the market expanding without adequate enforcement of these regulatory instruments. In consequence of the market liberalization policy of the World Bank and IMF led financial sector reforms; the sector grew enormously creating a bubble waiting to explode with significant consequences. Amidst the growth of the sector, banking crisis ensued unguided by prudential banking regulations compounded by growing concerns about corruption in the sector. From 1960-1992, the number of commercial banks had grown from just 13 to 120 (see table below). At the same time, political instability and weak economic environment led to a crisis period calling for reforms.

Year	Commercial	Merchant	Total
1960	12	1	13
1970	14	1	15
1971	16	1	17
1975	17	5	22
1980	20	6	26
1985	28	12	40
1990	58	49	107
1992	66	54	120
1995	64	51	115
2000	90	0	90
2001	90	0	90
2002	90	0	90
2003	89	0	89
2004	89	0	89
2005	25	0	25
2006	25	0	25
2007	25	0	25
2008	24	0	24

Table 19: Size of the Nigerian Banking Sector. *Source:* (Okpara, 2011, p. 143)

Nigeria has been confronted with banking crisis right from the onset of banking in the country. The work of (Apati, 2012) shows that as early as 1891, banking activities were unregulated, characterized by banking frauds and scandals leading to several banking crisis. Within this period, banking reforms were largely minimal until the 1950s when streamlining of banking businesses started.

In 1986/7 following the Structural Adjustment Programme (SAP), economic reforms, deregulation, liberalization and privatization in the banking sector led to a phenomenal increase in the number of banks in Nigeria (as shown in table above) essentially making it difficult for regulators to monitor. Between 1985 to 1990 alone, the number of banks increased from 40 in 1985 to over 100 (Okpara, 2011). This growth was due largely to the accommodating entry policies engendered by the SAP-induced financial sector liberalization policies (Hesse, 2007, p. 6). Realizing this, the banking regulator i.e. the Central Bank of Nigeria (CBN), began a series of reforms. In 1991, the CBN suspended the issue of new licenses in response to the emerging signs of distress in the industry. By 1998, 26 banking licenses were revoked reducing the total number of banks from 115 to 89 (See table above).

Furthermore, the banking regulator introduced reforms in the 2000s as the number of banks operating in the country were still too many and lacked prudential guidelines to meet up international banking standards proposed by the Bank of International Settlement (BIS) particularly the Basel II accord. In consequence, on July 6th, 2004, the Central Bank issued a directive requiring all banks to increase their minimum capital requirements from N2 billion to N25 billion ($ US 190 million) by the end of 2005. The intention was to increase the average size of banks via mergers and acquisitions to materialize economies of scales, create new product development and overall generate a more stable banking system with a higher contribution to financial intermediation. By the beginning of 2006, the number of banks shrank from 89 to 25 banks with 14 banks from the original 89 banks failing to increase their capital or secure merger partners (Neu et al., 2010).

Until the introduction of the Structural Adjustment Programme of the World Bank and the IMF, the banking sector was regulated under the 1969 Banking Act. During the reform programme in 1988, an additional banking legislation called the National Deposit Insurance Corporation (NDIC) was established and by 1991, these two legislations were merged to create a unified banking regulation for the purposes of consistency in managing monetary policies in the economy creating the Banks and Other Financial Institutions Decree of 1991. In consequence, the Central Bank of Nigeria under the auspices of the Federal Ministry of Finance became the sole regulator of the financial services sector with the overall responsibility of prescribing financial reporting rules for all companies under its regulatory field. Nonetheless, the CBN at the time had no clear financial reporting standards guidelines in regulating banks.

In relation to the adoption of international financial reporting standards, the Central Bank of Nigeria has been proactive in its approach in applying IFRS as a regulatory instrument for banks. However, it was not the accounting regulator but the Central Bank via its 2007 Act required banks to prepare financial statements to be examined by the accountant general under the Federal Ministry of Finance. This requirement, however, stopped short in prescribing accounting standards applicable in the preparation of such financial statements. Nevertheless, as per the Companies and Allied Matters Act, companies (including banks) were required to prepare their financial statements in accordance with accounting standards prescribed by the Act. During these banking reforms in the early 2000s, the Central Bank of Nigeria issued guidelines in consonance with those of the Nigerian Accounting Standards Board (see below) requiring banks to comply with the standards of the NASB.

In 2009, at the height of the banking crisis in Nigeria, the CBN began restructuring the banking industry by introducing market disciplinary measures in banking regulation as proposed by Basel II accord. The governor of the central bank at the time argued that;

> The CBN has taken steps to integrate the banking system into global best practice in financial reporting and disclosure through the adoption of the International Financial Reporting Standards (IFRS) in the Nigerian banking sector by end of 2010. This should help to enhance market discipline, and reduce uncertainties, which limit the risk of unwarranted contagion (Hesse, 2007).

The banking regulator further instructed banks to begin the implementation of IFRS from 2010 onwards without conferring with the accounting regulator. This created confusion between the two regulatory agencies with the latter issuing a public statement to the former to allow further consultative process before pressing on with the planned implementation of IFRS. As recalled by interviewees in Nigeria;

> The CBN had no right whatsoever to define the financial reporting standards that banks should adopt. This is clearly the duty of Nigerian Accounting Standards Board (NASB) now the Financial Reporting Council (FRC). But the CBN, they tried to show they were doing something. They said, look this is what we are going to adopt; this is what we are going to do. So we had a serious challenge of the CBN trying to be seen to be doing something, making rules, giving directives that it did not

> have statutory responsibility over. The standards that banks should comply with ought to be issued by Financial Reporting Council. I am happy that the CEO of the FRC had to call the governor of the Central Bank to order to say, you don't have the power to do this, this is my duty. Because the law setting Financial Reporting Council clearly declares that any other act that is in conflict with the FRC council particularly in terms of this financial reporting is null and void to that effect. The FRC law will supersede that of CBN when it comes to financial reporting. So it's very clear. So the governor had no power, doing what he was doing (Interview NIG1).

In defence of its actions, the CBN in an interview admits that it had earlier on taken steps to exert pressure on banks to adopt IFRS prior to the announcement by the accounting regulator. The Central Bank argues that;

> After post consolidation of banking in Nigeria in 2004 and 2005 when the banking reforms begun it was in the road map of CBN to carry out reforms and adopt many standards to pass it through because I know a committee was set up at that period. IFRS issue came up; banking supervision came up so that all the activities of the Central Bank and the banks reporting system will be in line with international standards. The adoption of IFRS in Nigeria was initiated by CBN. But when you want to go towards that direction somebody somewhere is dealing with that, you don't have powers to go there, and definitely you will tell the person this is why you want to go there, so the person may go back and say okay, since you want to go there and dictate where everybody is going, let us now sit down and find out how we will go there, but I will be a change of it. Whoever piloted it later does not matter. Even in the Nigerian Stock Exchange and everywhere, CBN has been the driving force in making such changes. Every regulator now has code of corporate governance, but CBN started it, you have to regulate them very well. So CBN has been at the fore front in determining what happens (Interview NIG8)

The Central Bank's efforts to introduce IFRS in Nigeria were only limited by the lack of legislative provisions to prescribe accounting standards for banks under its regulatory field. It is fair to give the regulator some credit for its attempt to revamp financial reporting standards in the banking sector. In doing so, it drew the attention of the accounting regulator to the significance of accounting reforms in Nigeria, which was long overdue.

In the next section, I shall discuss the main users of accounting standards in Nigeria giving rise to the development of the Nigerian Accounting Standards in the 1980s, which were revised in 2003, and the subsequent adoption of IFRS in 2012 as a replacement of the Nigerian Accounting Standards.

5.1.5 Financial Reporting Requirements for Capital Markets in Nigeria

A significant financial sector development in the economic history of Nigeria was the establishment of the Nigeria Stock Exchange (NSE) in the 1960s. Before 1959, almost all formal savings and deposits in Nigeria were in the banking system with no opportunities for companies to raise capital locally to fund their operations. Companies located in Nigeria resorted to the London Stock Exchange (LSE) to raise capital. The Nigerian government at that time had its major capital balances invested in the London Stock Exchange through

London based brokers and dealers. In the early 1960s, plans began to open a local exchange in the protectorate (Sanusi, 2009, p. 118).

The Nigeria Stock Exchange was established on the 15th of September 1960 and commenced operations on June 15th 1961 (SEC-Nigeria, 2009). At its establishment, it was first named the Lagos Stock Exchange incorporated as a private limited liability company initially but later became limited by guarantee in 1990 under the provisions of the Lagos Stock Exchange Act of 1960. At the time the exchange began operations, there were 3 equities, 6 Federal Government Bonds and 10 industrial loans listed on the exchange. By 1977, the Lagos Stock Exchange was changed to the Nigerian Stock Exchange (NSE) following the recommendations of the indigenization decree of 1977. The following year, several other state offices of the exchange opened for trading first in Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (1990) and Yola (2002) (Temitope W. Oshikoya et al., 2010).

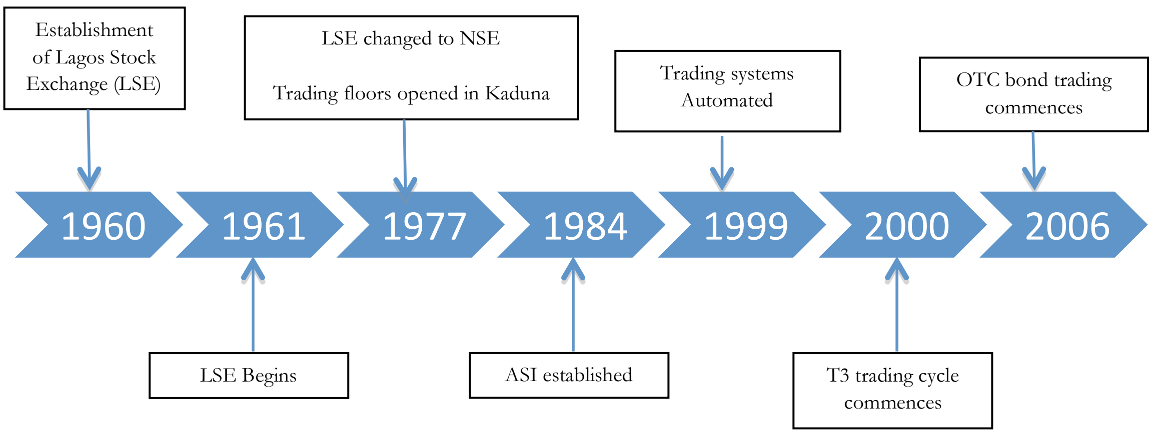

Figure 26: Development of the Nigerian Stock Exchange. *Source*: Adapted from (Osaze, 2007)

At the time of IFRS adoption in Nigeria, the NSE had grown from US$ 96 million in market capitalization in 1988 to US$ 56 billion in 2012 becoming one of the largest stock markets within the West African corridor and among the best performing capital markets after Johannesburg Stock Exchange, and the Egyptian Stock Exchange in Africa. It continues to grow at a fast pace attracting international capital market investors following the automation of its trading systems.

In the next section, I discuss the financial reporting and disclosure rules for listed companies and how the securities regulator has supported the adoption (IFRS) in Nigeria.

Year	Number of Companies	Year	Number of Companies
1988	102	2001	194
1989	111	2002	195
1990	131	2003	200
1991	142	2004	207
1992	153	2005	214
1993	174	2006	202
1994	177	2007	212
1995	181	2008	213
1996	183	2009	214
1997	182	2010	215
1998	186	2011	196
1999	194	2012	192
2000	195	2013	

Table 20: Development of listed companies on the Nigerian Stock Exchange. *Source:* (World Bank, 2014a)

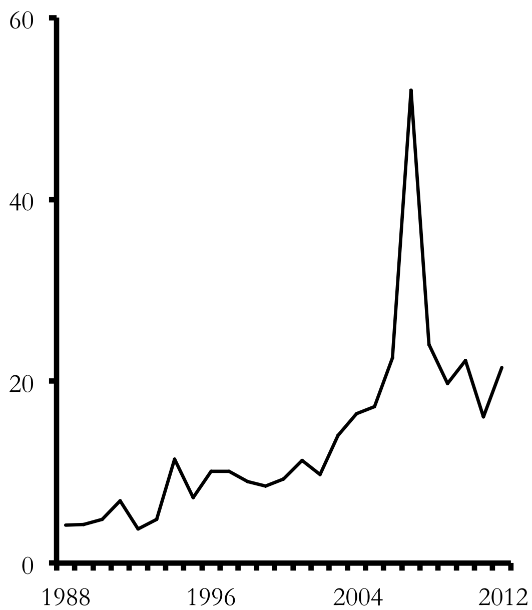

Table 22: Market Capitalization as a percentage of GDP, *Source:* (World Bank 2014a)

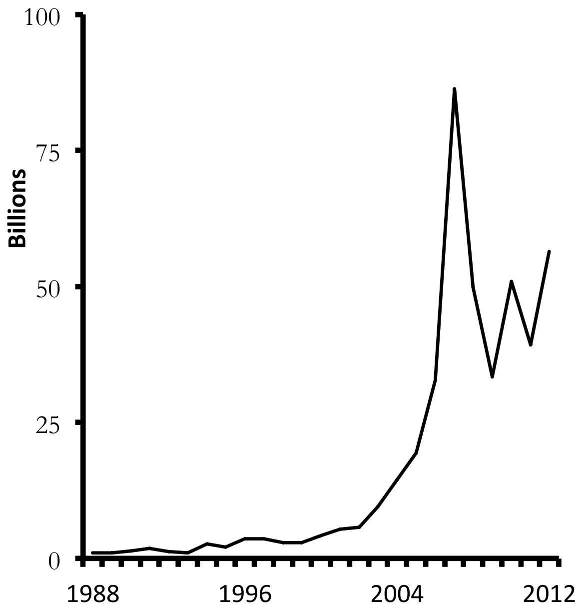

Table 21: Market Capitalization in US$ of the Nigerian Stock Exchange. *Source:* (World Bank 2014a)

5.1.6 Market Regulation and Financial Reporting in Nigeria

Once financial markets began operations in Nigeria, there was the need to monitor and regulate the activities of the market participants in part to protect foreign investors and to signal that the NSE could function efficiently by following international best practices in securities trading. To achieve this aim, the Federal Ministry of Finance and the Central Bank of Nigeria established a Capital Issues Committee in 1962 to regulate the public issue of securities. Its mandate was to examine applications from companies seeking to raise capital from the market. The Committee, however, had no legal backing, but operated unofficially as a capital market consultative and advisory body within the Central Bank.

In the regulation of the Nigerian capital market, the SEC has often resorted to corporate governance codes and rules of best practices from elsewhere – especially the United Kingdom. It's Green Book which details all the listing requirement for companies seeking listing on the exchange, details that companies looking to be listed on the NSE should present financial statements prepared in accordance with accounting standards acceptable to the Nigerian Accounting Standards Board (NASB) or at minimum to be comparable to those issued by the International Accounting Standards Board (IASB) (SEC-Nigeria, 2009, p. 19). The Exchange states that;

> "Reports in respect of other overseas issuers are required to conform with accounting standards acceptable to The Exchange, which will normally be at least the International Accounting Standards Committee. Where the Stock Exchange allows financial reports to be drawn up otherwise than in conformity with accounting standards approved by country's Institute of Chartered Accountants or its Accounting Standard Board or the International Accounting Standards Committee, the Exchange may, having regard to the jurisdiction in which the overseas issuer is incorporated or otherwise established, require the report to contain a statement of material differences (if any) from either of those standards"(SEC-Nigeria, 1999, 2009).

In June 1985, the SEC-Nigeria joined the International Organization of Securities Commission (IOSCO) and its regulatory appetite even increased as the IOSCO required members to comply with best corporate governance codes. In 2003, the Nigerian capital market regulator began a series of reforms. The first was to revise the Investment and Securities Act with the view to strengthening and enhancing its regulatory capacity. However the ultimate goal of this revision was to reposition the SEC-Nigeria to adequately perform its functions and exercise its powers in compliance with International best practices and requirements of the IOSCO (SEC-Nigeria, 1999, p.46 paragraph 16). These reforms paved the way for the securities regulator to gain membership of the Emerging Markets

Committee of the IOSCO and subsequently became the chairman of the IOSCO Africa and Middle East Regional Committee (AMERC)(SEC-Nigeria, 2006, p.13)

By mandating the use of International Accounting Standards (IASs) for prospective entrants to the Nigerian capital markets, the SEC-Nigeria began the legitimation of international accounting standards long before it was adopted in the 2010. After these legislative changes occurred in the late 1990s when Nigerian Investment Act was passed by the securities regulator, the Nigerian Stock market continued its growth attracting significant investments from developed countries. In 2009, the exchange conducted a review of its strategy to further attract investors from the world economy after the financial crisis. The committee for this review process argued that there was a strong need for the Nigerian capital market in partnership with the Nigerian accounting regulator to close the gap between local accounting practices and the practices in the more developed markets of the USA, UK and South Africa (SEC-Nigeria, 2006, p. 15). The committee argued that although a few of these practices had been copied and/or modified to meet local requirements in the form of the Nigerian Accounting Standards, that did not suffice for the planned introduction of an All Share Index (ASI), and the CSCS and the link to the Reuters Electronic Contributor System for the online dissemination of stock market information. The committee at the time made a strong call to the accounting regulator to consider introducing IFRS in Nigeria arguing that;

> On the part of disclosure, transparency and accountability, standard procedures should be developed to ensure speedy penalties on participants who flout the rules in the capital markets. Specifically, the SEC should also mandate that all listed entities convert to using IFRS as the accounting standard. This will ensure that more company financial details are available to investors. There should also be an increased focus on governance with immediate implementation of previously developed principles such as the 'Peterside Code' and the outcomes of the ongoing review of public companies' corporate governance practices (SEC-Nigeria, 2009, p.29).

In concluding its work, the committee recommended to the securities regulator to encourage the accounting regulator to adopt IFRS for all first tier companies and to do so within the next three years.

> **Recommendation 24: Establish structures for timely access to reliable information**
>
> In the interests of improving enforcement and compliance with defined processes for market transparency, companies should be mandated to release detailed quarterly results and profit forecasts directly to the public on the same day this information receives board approval. The SEC should create clear, detailed formats for these results and forecasts to ensure consistency. The timely market information provided in this way will increase transparency, ensure availability of information to all the participants contemporaneously and enhance investor confidence. It will also improve the amount of research

> information available to investors. The SEC should encourage the adoption of IFRS by the NASB. A plan should be developed to move all companies listed on the 1st tier of the Exchange to convert to IFRS as a benchmark standard for disclosure over the next 3 years (SEC-Nigeria, 2009, p.52).

These recommendations by the securities regulator still did not get the required attention of the accounting regulator until the beginning of the banking sector crisis and the reforms that followed. To fully understand the processes that occurred, the institutional negotiations and the actions of standard-setters in the adoption of IFRS in Nigeria, it is useful to first understand the accounting standard setting environment of Nigeria. I reconstruct the history of accounting standard setting in Nigeria in the next section. I start with the colonial antecedents of financial reporting in Nigeria and provide an overview of the accounting profession which forms the genesis of accounting standardization and how professionals organized themselves in Nigeria. I describe shortly the structure of the audit market in Nigeria and how the introduction of statutory audits expanded accountancy services in Nigeria leading to the introduction of market regulation.

5.2 Colonial Antecedents of Accounting and Auditing in Nigeria

5.2.1 Development of the Accounting Profession in Nigeria

The most accurate accounts of the origins of financial reporting in Nigeria can be traced to the work of two renowned scholars of Nigerian origin. Thus the work Uche (2010) and Wallace (1992) both show that the accounting profession like many other professions evolved from the tradition of the colonial legacies of the United Kingdom. Like many British protectorates, colonial administrators, merchants and investors in both natural resources and slave trade needed a form of bookkeeping in recording transactions. Achieving this objective required the services of bookkeepers, auditors and accounting clerks. Locals in the colony could not offer such services as many were uneducated or lacked the basic skills in bookkeeping. The migration of bookkeepers, accounting clerics and other and auditors occurred in Nigeria just like other countries in the British protectorate. There is no record of the number of accountants, bookkeepers or auditors that migrated from the UK to Nigeria. However, the fact that the colonial administration provided the need for these services is enough evidence that accountancy services were an important service sector that diffused along with many institutions into Nigeria.

Uche (2007) account of the origin of the accountancy profession in Nigeria shows that the cession of Lagos in 1861[16] to the British set in motion the introduction of modern accounting practices. By 1905, the first qualified accountant had arrived from Great Britain in Nigeria to work for the Colonial administration. He was Mr Charles Ernest Dale, an Incorporated Accountant who served first, as Treasurer and later Financial Commissioner to the colonial government of Nigeria. However, it was not until the 1922 companies' code was promulgated to streamline the reporting of businesses that formal account preparations in Nigeria began. The companies code of 1922 was subsequently replaced with the 1968 companies Act which is an exact resemblance of the UK Companies Code Wallace (1992, p. 26). In this code, it became mandatory for all companies operating in Nigeria to be registered there and to prepare a balance sheet and file with the registrar of companies.

Demand for accountancy services continued to grow as industrialization was slowly gaining grounds and many British based merchants who traded along the coast of Nigeria began to open local offices. Increases in services provisions by utility companies to expatriate workers and the colonial administration were also on the rise. This culminated in the increase in demand for accounting and auditing services as British investors and the colonial administrators demanded accountability for investments in the country. However, there was a problem, - an acute shortage of qualified accountants who could provide accountancy services. British expatriate accountants began taking advantage of the situation and the exportation of British manpower to Nigeria began to grow (Nobes & Parker, 2010).

Prior to the passing of the 1922 Companies act, evidence shows that as early as the 1920s, there were a few British based accounting firms that attempted opening local offices in Nigeria. This was because their clientele mainly in the mining sector recorded increases in production at a time coinciding with the passing of the 1929 UK companies' code in which investors demanded information on their foreign investments. During that time, a group of expatriate accounting practitioners registered an accounting services business under the name *"West African Accounting Services"* to provide services as on-site supervising agents for absentee owners of businesses on the West African coast. By the 1940s, British accountancy firms followed in the like manner to open local offices in Nigeria and to expand the accountancy services sector. To be sure, the account of Uche (2002; 2007; 2010) shows that; between 1948 and 1953, three other UK firms of professional accountants developed a substantial clientele in Nigeria and opened offices in

[16] In 1861 the territory of Lagos was formally ceded to the British Government and became known as the British colony

the country: Pannell, Crewdson & Hardy (now Pannell Kerr Forster or PKF International) in 1949, Midgley, Snelling & Barnes and Cooper Brothers & Co (each now part of Coopers & Lybrand Deloitte) in 1949 and 1953 respectively.

By the 1950s, it became clear that expatriate accountants dominated the accounting profession while the bookkeeping activities were delegated to indigenous Nigerians. As Uche (2007; 2010) points out, the development of the accountancy profession in Nigeria only became feasible with the movement towards political independence in the country in 1960. His work documents that formal attempt at recognizing accountancy as a profession in the country came as a result of the drafting of the independent Nigerian constitution. At this time, it was asserted that;

> The development of an accountancy profession in Nigeria became a feasible venture at the Constitutional Conference held in London in May and June 1957 to draft the Constitution of an independent Nigeria. Paragraph 44, Item 20, of the Report of that Conference (Cmnd. 207) provided that rules could be created which would allow certain professions to be designated (i.e., practised), and provided for the registration and disciplinary control of members of the professions so designated. It was agreed at the conference that auditors and accountants be added to the initial draft list of professions (Wallace, 1992).

At the time, there were many recognizable professions such as clergymen, lawyers and doctors. However, never was accountancy a profession as many of those who practiced accountancy were civil servants or employees of firms operating in the country. By 1950, one Nigerian had qualified as an accountant with the Institute of Chartered Accountants of England and Wales (ICAEW). He was Mr. Akintola Williams who later was conferred with the title of the first Nigerian Chartered Accountant and is also credited with becoming the first president of the Institution of Chartered Accountants of Nigeria; the association he helped found.

Figure 27: Mr. Akintola Williams. First Chartered Accountant in Nigeria.
Source: Picture from ICAN Archives. (Uche, 2007; Wallace, 1992)

To understand the historical development of accounting standards in Nigeria, it is difficult for accounting scholars to discuss this process without first mentioning the history of the institution that helped found the Nigerian Accounting Standards Board (NASB). Thus, the origin of accounting standards in Nigeria is rooted in the history of the Institute of Chartered Accountants of Nigeria (ICAN). I will now discuss the historical origins of the ICAN and how it introduced accounting standardization in Nigeria.

5.2.2 Historical Origins of the Institute of Chartered Accountants of Nigeria

The historical origin of the Institute of Chartered Accountants of Nigeria (ICAN) can be traced back to the period around 1948 when the United Kingdom promulgated the UK Companies Act of 1948. According to Uche (2010), the UK companies' code required auditors to state expressly in their report whether in their opinion, proper returns adequate for the purposes of their audit have been received from branches not visited by them. These returns would normally include those provided by local accountants in the countries where these British businesses were located. These changes in business legislation necessitated the opening of local branches of leading British accountancy firms in Nigeria to provide audit and assurance services to their clientele mainly in the mining and timber sectors. At independence in 1960, there was no accountancy body in Nigeria – not even expatriate accountants then living in Nigeria formed an association unlike in the case of Ghana or Jamaica, Trinidad and Tobago (Ghartey, 1992) and other British colonies which had similar trends in the migration of British accounting professionals (Annisette, 1999, 2010).

Again, Uche (2007, p.48) shows that in 1959, the idea of establishing a local accounting association to unify professional accountants with British accountancy qualifications emerged at a party in honour of Mr Keeling: He was a full time borough treasurer in Worthing-England and a member of the British Council delegation then visiting Nigeria to advise the soon to be independent Nigeria on the setting up of public libraries. During this party, Mr Keeling took the host aside and said:

> "Look Mr. Coker, there are at least twenty-five of you (referring to ACCA members), why not start an Association of Accountants, you never know, it may one day develop into an institute (S. S. Chris Poullaos, 2010)"

In 1960 when the country attained its independence, there were about 40 indigenous Nigerians who had qualified as accountants and held various British accountancy qualifications. Among these were 24 members of the Association of Certified and Corporate Accountants (now known as ACCA). The table below illustrates the number of accountants in Nigeria and the designations of British accountancy associations in 1960.

Accountancy Qualification	**Number**
Chartered Accountants	15
Certified Accountants	22
Municipal Treasurers and Accountants	1
Cost and Works Accountants	3
Total	**41**

Figure 28: Number of Qualified Accountants at Independence in Nigeria. *Source:* (Uche, 2002, p. 479)

Prior to 1959 when the idea of establishing a local institute of chartered accountants was hatched, the UK based Association of Chartered Certified Accountants (ACCA) had earlier on in 1957 attempted opening local offices in Nigeria with the aim of providing the British accountancy qualification at the doorsteps of indigenous Nigerians. By 1960, the ACCA had agreed to open a local office in Nigeria. However, indigenous Nigerian Accountants also had other ideas in the formation of an Association of National

Accountants of Nigeria. This made the ACCA's plan of opening local offices in Nigeria disappear and the idea of a local accountancy body in the country was born. In November 1960, all indigenous accountants in the country irrespective of the accountancy certification designation they held agreed to form an association. The Association of Accountants in Nigeria (AAN) was then set up with the aim of unifying all professional accountants in the country and to provide professional accountants and auditors a platform to maintain strict standards of professional ethics (Wallace, 1992, p. 29). By 1965, the Association of Accountants in Nigeria (AAN) had transformed itself into the Institute of Chartered Accountants of Nigeria (ICAN) with a full constitutional backing of the Nigerian legislature to issue charters to its members (Uche, 2007; Wallace, 1992).

It was not too long before the ICAN became visible on the international periphery of accounting. The work of Poullaos and Uche (2012) and Camfferman and Zeff (2007) show that in 1976, a year before the International Federation of Accountants was established, ICAN became an associate member of the International Accounting Standards Committee (IASC). In 1977, ICAN was part of the group of accountancy associations across the globe that founded the International Federation of Accountants. A year later, the ICAN became a board member at the IASC and held that membership for nearly a decade. In 1982, ICAN became a pioneering Institute of Chartered Accountants in British West Africa among the likes of Ghana and Sierra-Leone and led the way to the formation of the Association of Accountancy Bodies in West Africa (ABWA).

At present, the ICAN is by far the largest accountancy association in West Africa. Not only does it pride itself as being among some of the leading accountancy associations in the world, it is also home to the largest community of accountants in West Africa. With nearly 33,000 members, it positions itself in the class of leading accountancy bodies that has the capacity to set accounting standards that are comparable to those of the International Accounting Standards Board (IASB).

Year	Newly Qualified Accountants	Total Membership
2000	1.730	15.100
2001	1.200	16.300
2002	1.200	17.500
2003	650	16.265
2004	1.735	18.000
2005	1.982	19.954
2006	2.350	22.304
2007	2.296	22.692
2008	2.120	27.100
2009	2.472	28.210
2010	2.705	30.573
2011	3.053	32.977
2012	2482	36939
2013	1163	38102

Table 23: Size of ICAN Community in Nigeria. *Source:* ICAN Achieves, Author's field research

The ICAN has been the driving force in the introduction of accounting standards in Nigeria. In the early 1980s, the ICAN introduced the idea of accounting standardization in Nigeria partly due to its overwhelming involvement in the global stage of accounting standardization at the International Accounting Standards Committee (IASC) level and at the level of the International Federation of Accountants (IFAC). It established the Nigerian Accounting Standards Board (NASB) in 1982 and later ceded this board to the state as a direct result of offering the board an independent regulatory framework to standardize accounting rules in Nigeria. I shall discuss the historical antecedents of the NASB below and show how the board established a reputation of home grown accounting standards in Nigeria in the 1980s until 2010 when it eventually adopted IFRS in place of Nigerian Accounting Standards.

5.2.3 Audit Market in Nigeria

Another important historical development that augments the explanation for introducing international accounting standards in Nigeria is the development of the audit service sector. In no doubt, auditing services diffused from Britain to not only Nigeria but also former colonies of Britain taking similar rules of governance in the British tradition and becoming institutionalized over time. Auditing in Nigeria is as old as the accountancy profession itself. Historical accounts of the migration of accountants from the United Kingdom to Nigeria developed in consequence of the increases in the demand for audit services in the protectorate. The Companies Ordinance of 1922 in Nigeria required registered companies to file a complete list of all directors of foreign companies and to provide a certified copy of their accounts, which could be filed in the headquarters of the company in Britain with the registrar of companies (Uche, 2002). This requirement ignited the increase in the number of expatriate audit firms in Nigeria to obtain certified copies of the accountants of British businesses located in Nigeria. Camfferman and Zeff (2007, p. 182) state this correctly when they articulate that; firms of professional accountants and auditors followed miners, planters, traders, and banks moving from the United Kingdom into Nigeria at the close of the nineteenth century and in the early twentieth century.

In consequence of these regulatory changes in the audit profession in the UK, by 1905, a Liverpool based accounting firm (Lewis and Mounsey & Co.) had opened a local office in Nigeria to provide services to its clients in the Tin mining and mercantile businesses. However, a decline in the mining sectors during the pre-World War I period, forced the firm to finally withdraw from Nigeria. In the 1920s, there emerged from British origins, a firm of chartered accountants with the name “West African Accounting Services” which sought to provide on-site supervising services to its clients that conducted trade along the West African coast. In 1928, the Amalgamated Tin Mines of Nigeria appointed Cassleton Elliot, a British accounting firm to provide audit services at its Nigerian based mines. The firm, faced with the need to move staff from Britain to Nigeria led the firm to acquire the clientele of the West African Accounting Services in 1929 becoming the first audit firm in Nigeria. Between 1948 and 1953, three other UK firms of professional accountants developed a substantial clientele in Nigeria and therefore opened offices in the country: Pannell, Crewdson & Hardy (now PKF International) in 1949, Midgley, Snelling & Barnes (now part of PricewaterhouseCoopers) in 1949 and Lybrand Deloitte (now part of Deliotte and Touche Tomatsu) in 1953 (Wallace, 1992).

In present times, the Nigerian audit profession has grown to become one of the largest services sector in accountancy. With over 40,000 qualified accountants and 700,000 registered businesses that need accounting and audit services, it continues to play a significant role in assuring clients of the credibility of financial statements in the Nigerian economy (Interview NIG1). Dominated by the "Big Four Audit Firms'' these firms remain a strong stakeholder in accounting standardization by providing a pool of technical resources where accounting standard-setters draw upon to make informed judgments on the choice of accounting standards. Although not directly connected with the accounting regulator in the decision to adopt IFRS as in the case of Ghana, the Big Four firms have supported the accounting regulator in its decision to adopt international accounting standards. I discuss in detail in the section of actors and their influence on the decision of IFRS adoption and how these firms contributed to IFRS adoption in Nigeria.

Audit Firm	**Employees**	**Resident Partners**	**Year of Establishment**	**Parent Company**
PriceWaterhouseCoopers	700	22	1949	British
Akintola Williams Deloitte	600	-	1952	British
Ernst and Young	-	-	-	British
KPMG	800	29	1978	British
PKF International	-	-	1948	British

Table 24: Top 5 Audit Firms in Nigeria by Country of Origin. *Source:* Authors Own Field Research

5.3 Introducing Nigerian Accounting Standards (1982-2011)

5.3.1 History of Accounting Standardization in Nigeria: The Nigerian Accounting Standards Board (NASB)

Accounting standardization in Nigeria has a historical resemblance with accounting standards in the United Kingdom just like the accounting profession itself. When the Association of Accountants in Nigeria (AAN) was established in 1960, the profession became a self-regulating one with little or no state involvement. In 1965, the Association of Accountants in Nigeria was transformed to the Institute of Chartered Accountants of Nigeria (ICAN) (Wallace, 1992). At the time the Nigerian accountancy body came into existence, there were no accounting standards used in the preparation of financial statements. In consequence of this vacuum, many foreign companies exploited the lack of prescribed rules in the valuation of equities by arbitrarily applying rules from elsewhere largely from the country of origin of the company (Interview NIG1 & Interview NG3). To solve this problem, the Nigerian government enacted the Enterprise Promotion Decree transferring ownership of many foreign owned companies to Nigerians (NASB, 2003).

In 1976, the ICAN became proactive at the international accounting periphery when it joined the International Accounting Standards Committee (IASC) first becoming an associated member and later obtained full membership on the board from 1978-1987. Yet, its membership to these international accounting standardization organizations did not push forth the introduction of accounting standards in the country until the late 1970s. In 1979, the ICAN responded to an IASC survey report that it had not issued any accounting standards but instead adopted IASC standards. It added that it had directed its members to observe these standards (Mary & Samson, 2013).

On 9th September 1982, on the initiative of the Institute of Chartered Accountants of Nigeria (ICAN), the Nigerian Accounting Standards Board (NASB) was established with the responsibility of developing and issuing accounting standards. The broader objective of the Board was the formulation and publication of accounting standards for acceptance and adoption in the preparation of financial statements by preparers and users; promotion and sponsorship of legislation in order to ensure that standards developed and published by the Board are accorded nationwide acceptance and compliance (NASB, 2003).

The account of Camfferman and Zeff (2007, p. 174) show that the first chairman of the NASB from 1982 to 1985, was Adedoyin Ogunde, who served in the Nigerian delegation to the IASC board from 1979 to 1983. Ogunde's successor as NASB chairperson was Oyeniyi Oyediran, who served on the IASC board from 1979 to 1982. In many ways, the Nigerian accounting community was well aware of the standards of the IASC and was ready to engage in accounting standard setting itself by relying on the IASC standards in the formulation of Nigerian accounting standards. The NASB issued the first six Statements of Accounting Standards (SAS) in 1987 based on International Accounting Standards (IAS). In 1988, the NASB again claimed that five IASC standards had been used as the basis for national accounting requirements.

Despite the progression of the board towards the development of Nigerian accounting standards, these standards remained largely best practices without any legal status of enforcement. The NASB stayed as the brainchild of the ICAN which accommodated the NASB until May 1992 when the NABS became a parastatal of the Federal Government under the Federal Ministry of Trade and Tourism, now Federal Ministry of Commerce (NASB, 2003 and Interview NIG3). In 2003, after a protracted period of legitimacy seeking to establish itself among standard setting organizations, the President of Nigeria, Chief Olusegun Obasanjo on 10 July 2003, signed the NASB Act of 2003 into law (Interview NIG 1 & NIG 3).

In 2006, the NASB issued its first comprehensive Accounting Standards Hand Book with updated versions of the old Nigerian Accounting Standards. Until the adoption of IFRS in 2010, the NASB had issued a combined number of 30 accounting standards as compared to 38 IAS, 15 IFRSs and several interpretations from the International Accounting Standards Board (IASB) (Interview NIG 3). In the next section, I discuss how the NABS transitioned from setting local accounting standards into the adoption of IFRS.

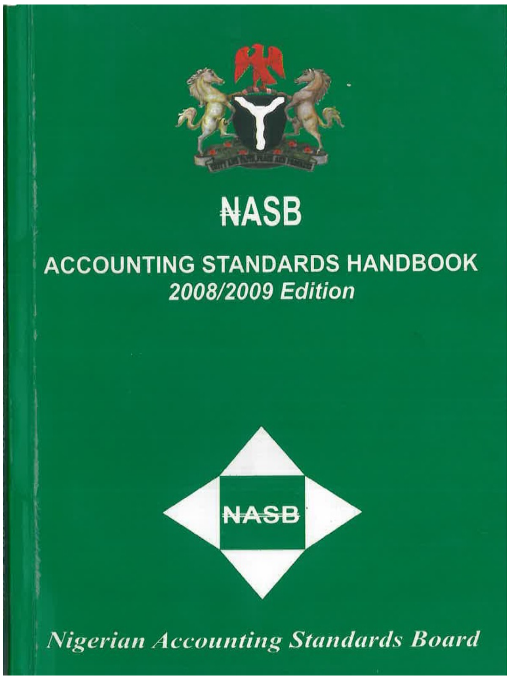

Figure 29: Specimen of the Nigerian Accounting Standards.

Source: Financial Reporting Council of Nigeria

5.4 Processes leading to IFRS Adoption in Nigeria (2010-2012)

In the preceding section, I have provided a general overview of the historical antecedents of accounting standard-setting in Nigeria and how developments in the accountancy profession has driven accounting standardization from the 1980s until 2003 when the Nigerian accounting standards were given legal recognition by legislators. In this section, I proceed to discuss the nexus of the discourses that occurred in the Nigeria accounting standardization field leading to the accounting regulator abandoning its position as a "standard-setter" and taking on the position of a "standard-taker" by accepting and adopting the standards of the International Accounting Standards Board (IASB) in 2010. I start with the main processes that actors in the standard setting arena engaged in, and the main triggers of the decision of the accounting regulator to adopt IFRS.

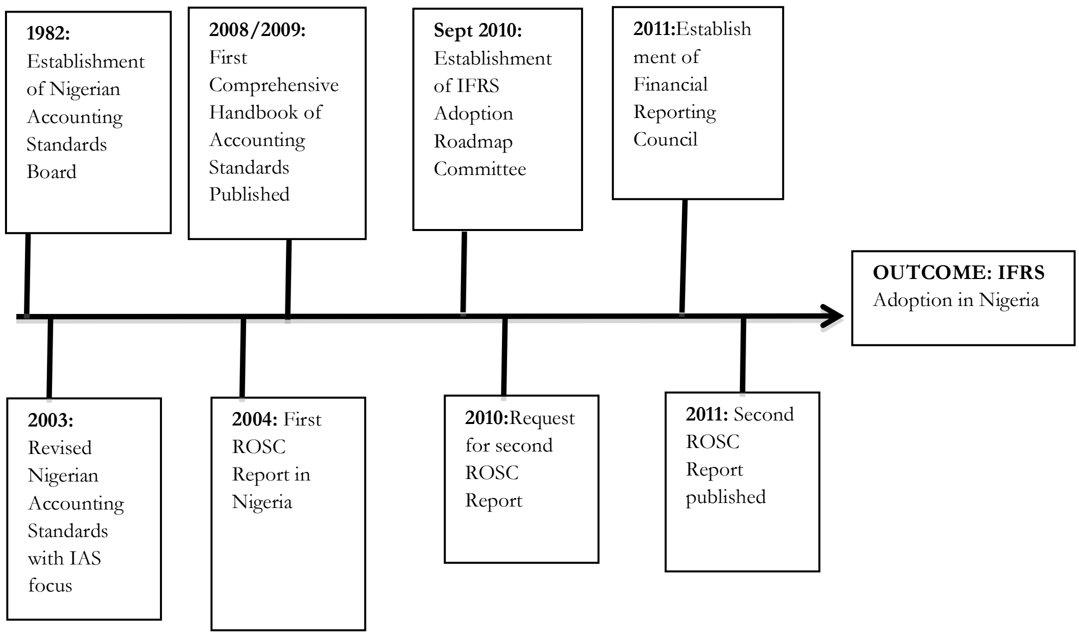

Figure 30: Timeline of Critical Events leading to IFRS Adoption in Nigeria.
Source: Authors Reconstruction from documentary evidence.

5.4.1 World Bank ROSC Project (2004)

International Financial Reporting Standards are not new to the Nigerian accounting regulator. In the 1980s when the accounting regulator decided to develop accounting standards unique to the economic environment of Nigeria, it relied on those of the International Accounting Standards Committee (IASC) to develop the Statement of Accounting Standards (SAS) of Nigeria. However, the NASB operated on a significant time lag between when accounting standards were issued by the IASC and when they were reflected in the local Statements of Accounting Standards of Nigeria (Interview NIG1).

In consequence, the World Bank in 2004 conducted a Report on the Observance of Standards and Codes (ROSC) study in Nigeria with the aim to understand the level of compliance of the Nigerian accounting community with international standards on accounting and auditing. As a major finding, the Bank reported that;

> There are gaps between the local and international accounting standards. There are many areas of accounting issues covered by IAS/IFRS that are yet to be addressed by NASB. Also, some current IAS-based national standards were effective at the time of their issuance; but some IAS have since either been revised or withdrawn. The Nigerian Statements of Accounting Standards (SAS) seem incomplete as an authoritative guide to the preparation of financial statements. The NASB does not have a work plan to harmonize its SAS with IAS. To date, the NASB has issued 21 SAS compared with 41 IAS. The international equivalents of certain national standards have been withdrawn while 20 active IAS have not been reflected in the SAS. Four SAS exist with no international equivalent. There is no local standard based on agriculture (i.e., an equivalent of IAS 41), despite the prominence of agricultural sector in Nigeria. The omission of a Framework for Preparation and Presentation of Financial Statements is especially detrimental as there are several areas where no local standards exist, and the framework should guide the setting of relevant and reliable accounting policies in such circumstances. Moreover, NASB has not prepared any equivalent Standard Interpretations Committee (SIC) interpretations issued by the IASB other than an implementation guide on Accounting for Leases. Over the past years, extensive revisions have been made to IAS that is not reflected in existing SAS. Large sections and paragraphs in IAS cannot be found in the SAS, particularly with respect to the six IAS that have been superseded by new standards. The assumption of some users and practitioners that SAS materially conform to IAS is not correct. Differences relate broadly to scope, level of detail in content, and disclosure requirements. (See ROSC Report-Nigeria 2004 pg. 10 & 11)

The above findings by the ROSC research team signalled that although the claims by the accounting regulator of broadly complying with international accounting standards, these claims were not accurate as there were many gaps in the Nigerian accounting standards which differed from international practice. The ROSC team recommended to the accounting regulator, among other things, to consider adopting IFRS in full without any modifications via the issuance of an exposure draft to stakeholders and obtaining their views on the future direction of accounting standards in Nigeria.

Despite these calls by the World Bank and the IMF for reforms in financial reporting in Nigeria, the accounting regulator did not take any action on the policy recommendations of the Bank. Prior to the ROSC study by the World Bank in 2004, there were other reform Programmes on-going at the macroeconomic level where the Nigerian Government had begun engaging in talks with the Bank to introduce reforms in the public sector governance structures. Consequently, the Nigerian Government launched a project called the Economic Recovery and Governance Project (ERGP) from 2005 onwards to help strengthen accountability, transparency and efficiency in key economic management processes for budget, financial management and procurement including modernizing institutions, laying the ground for deeper reforms and rolling out administrative reforms. The project also had a private sector element by helping the sector lead growth through promoting sound, predictable and consistent fiscal policy and financial management and by creating a platform for a systematic attack on corruption (ERGP Policy Document 2004).

A key component of this project was to strengthen private sector financial reporting structures and improve governance. The major component of this objective was to help the Nigerian Government to fully adopt and disseminate international standards relating to financial reporting including International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS) and International Standards on Auditing (ISAs). To achieve these objectives, the project recommended a review of the 2003 Nigerian Accounting Standards Board (NASB) Act to create the Financial Reporting Council (FRC) of Nigeria and to address the institutional weaknesses in the regulation and compliance enforcement of accounting standards (WorldBank, 2014b, p. 19).

In 2005 when the ERGP commenced, the project experienced significant delays in the disbursement of funds and did not proceed within the planned time frame (Interview NIG6). However, the Bank maintained its pledge of financial support for the project and continued to source funding from the Department for International Development (DFID) in the United Kingdom (Interview NIG3). I will discuss in the section of actors and how the Bank became involved in the project which eventually led to IFRS adoption in Nigeria.

5.4.2 Banking Reforms and the Attempts by the Central Bank to adopt IFRS (2005-2009)

The case of Nigeria's adoption of International Financial Reporting Standards (IFRS) in 2010 opened with a commentary that the banking crisis of the country exacerbated the move towards IFRS adoption in Nigeria. From 2005 onwards, the Nigerian banking sector was experiencing significant crisis clouded by fraudulent reporting leading to over capitalization in the sector. In consequence, the Central Bank took steps to reform the industry by conducting banking sector reforms. As a first step, the banking regulator increased the minimum capital requirements in the sector forcing most banks to raise extra capital from abroad while others sought mergers and acquisitions domestically. In the second phase of the reforms, the banking regulator introduced prudential banking regulation including the adoption of Basel II banking guidelines and electronic reporting systems called the electronic Financial Analysis and Surveillance System (eFASS). Through this system, the Central Bank could monitor the financial statements of banking entities on a daily, weekly, mid-month, monthly, quarterly and yearly basis and could randomly conduct on-site risk based supervision of all banks under its regulation (WorldBank, 2014b).

In view of these regulatory reforms, the Central Bank in 2009 announced that all banks should adopt IFRS without any modification ahead of the official announcement of IFRS adoption by the accounting regulator. This created confusion between the accounting regulator and the banking regulator with the former claiming that the latter had no jurisdiction to prescribe accounting standards without prior consultation. In defence of this claim, the head of the accounting regulator said;

> At the Central Bank of Nigeria, the Securities and Exchange Commission, they were even saying in 2009, central bank said all banks would go to IFRS in 2009 that same year. Then I was still technical director, some banks were apprehensive, the bank managing directors, they called me, they said we understand that we are supposed to adopt IFRS this 2009, what do we do? I said don't mind the governor of the central bank, he doesn't know what he's saying… because you cannot be saying you want to cross over to IFRS in 2009 without any consultations with us (the accounting regulator). (Interview NIG3).

To resolve this crisis and confusion on the authority to adopt IFRS in Nigeria, the two regulators met to discuss the issue of accounting standards in Nigeria and the authority embedded in the regulatory framework of either regulator. Again, the accounting regulator describes this process as;

> Incidentally, as at that time, we met with the governor, we explained our position to him, of course the then governor of the central bank, [redacted] said you know, no problem, whatever the accounting regulators says is fine (Interview NIG3).

These broader discussions triggered formal plans to adopt IFRS in Nigeria by 2010 and this eventually led to the establishment of the IFRS Adoption Roadmap Committee to engage with stakeholders leading to IFRS adoption in Nigeria. By September 2010, the banking regulator had revised its regulatory licensing codes for commercial and merchant banks inserting a clause requiring banks to comply with the provision of IFRS stating that;

> Without prejudice to the standards prescribed from time to time by the Nigerian Accounting Standards Board (NASB), companies will be required to maintain its books and financial statements in accordance with the IFRS accounting standards, subject to the provisions of Section 28 of Banking and Other Financial Institutions Act BOFIA (Central Bank of Nigeria regulation part 3 (5g))(WorldBank, 2011a).

Beyond these banking sector reforms, the central banks had initial concerns about the financial reporting disclosures of some Nigerian banks that had expanded their operations to neighbouring countries such as Ghana, Cameroon and Liberia. These concerns were that, banks became more international within the West African corridor and needed to provide detailed financial disclosures on their operations in these other countries (Temitope et al., 2010).

5.4.3 Establishment of the IFRS Adoption Roadmap Committee (2010)

In January 2010, the Nigerian Accounting Standards Board began taking steps to implement some of the recommendations of the World Bank ROSC research report. At one level, this action was spurred by the contentions between the accounting regulator and the banking regulator. At another level, accounting reforms was triggered by the introduction of the Economic Reforms and Governance Project (ERGP) jointly introduced by the Federal Government of Nigeria and the World Bank with financial support from the Department for International Development of the United Kingdom (DFID).

As a first step, the NASB established the IFRS Adoption Roadmap Committee to discuss the possibility of IFRS adoption in Nigeria. This committee was constituted of members from the accounting community, professional accountants, economists, insurance regulators, banking regulators, accounting academics, securities regulators, the World Bank and the Big four accounting firms. Members at this committee meeting unanimously agreed that Nigeria should adopt IFRS without any modifications (Interview NIG 1, 3 & 9). However, disagreements arose concerning the timing of the adoption of the standards. Whereas some regulators were already familiar with IFRS, others were yet to make the necessary arrangements at introducing IFRS to their respective industries.

Rather surprising was the issue of the reversal of the initial decision of the accounting regulator not to adopt the IASB standards but to issue equivalent versions of the standards. In this context, Nigeria has often viewed itself as an autonomous country with the ability to produce accounting standards comparable to those of other developed countries. According to the IFRS Adoption Roadmap Committee report, the accounting regulator argued that;

> The company law in Nigeria is predicated on the fact that Nigeria is a "*standard-setter*," creating its own financial reporting standards, and not a "*standard taker*," accepting standards created elsewhere (Central Bank of Nigeria, 2010).

This placed the NASB at par with the FASB, IASB and other leading accounting standard boards globally. During the committee meetings, stakeholders expressed concerns that given the resource constraints of the NASB, the board should consider renouncing its position as an accounting "standard-setter" and take on the position of an accounting "standard-taker" (Interview NIG 3). The committee considered the fast pace at which IFRSs were developed at the IASB level and how the NASB could not keep up with similar trends in producing equivalent accounting standards of the IASB. The NASB admitted to a change in position in accounting standard setting by saying that;

> In the 1970-1980s, Nigeria was not a net capital importer. Today, we are seeking foreign investors to come and invest in Nigeria. Our companies are going abroad seeking capital and listing on foreign exchanges. Then the president, (Olesegun Obasanjo) was travelling round the world asking that investors should come into Nigeria and then the investors were saying okay, granted, we believe that you have a market that we can actually be able to leverage on, make profit that will come over to your market, but in coming over to your market, how are we going to consolidate our financial statements if you are using local reporting structure and local laws. So how do we consolidate that? It was then the government said it is important they set up a working group. A committee for a national road map on IFRS adoption, which I chaired (Interview NIG 3)

The committee concluding its work agreed that Nigeria should adopt IFRS on a phase plan basis. The committee wrote that;

> It is hereby recommended that IFRS be adopted in Nigeria. The Roadmap for the adoption is a specified hereunder:

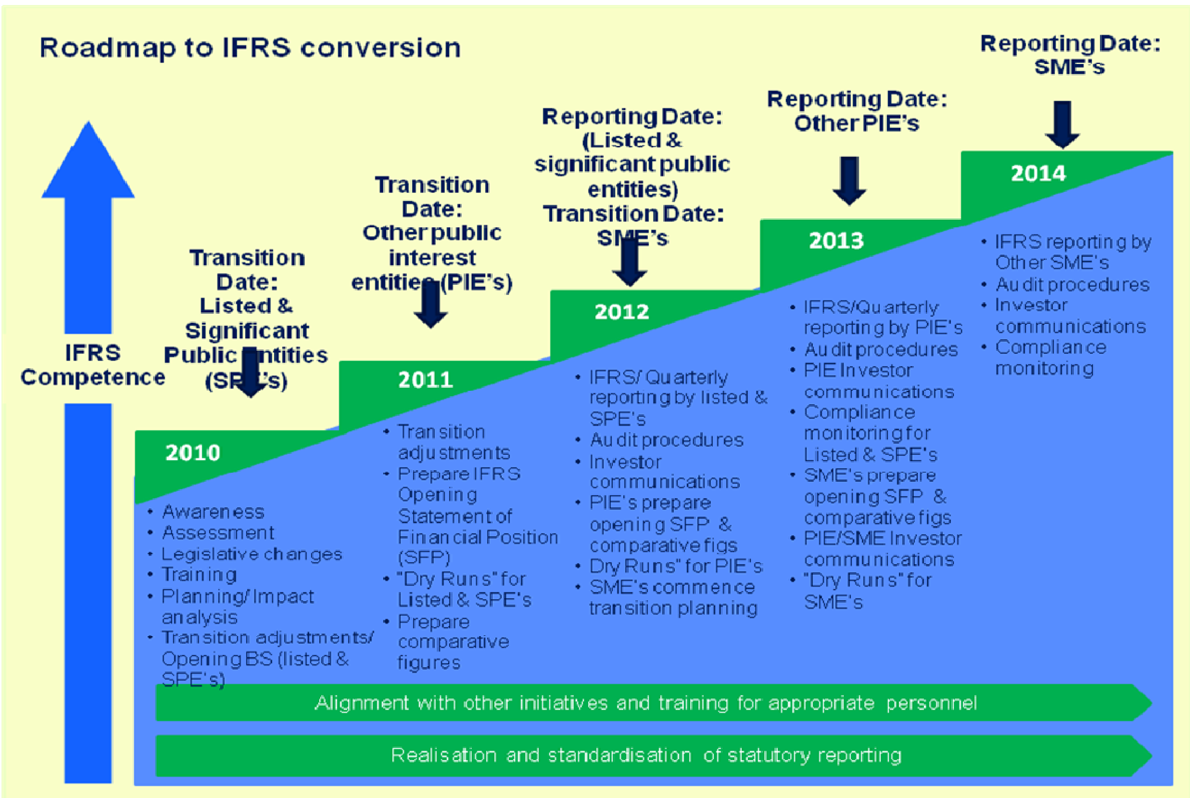

Figure 31: Framework for IFRS Adoption Transition in Nigeria. *Source:* (NASB, 2010, p. 14)

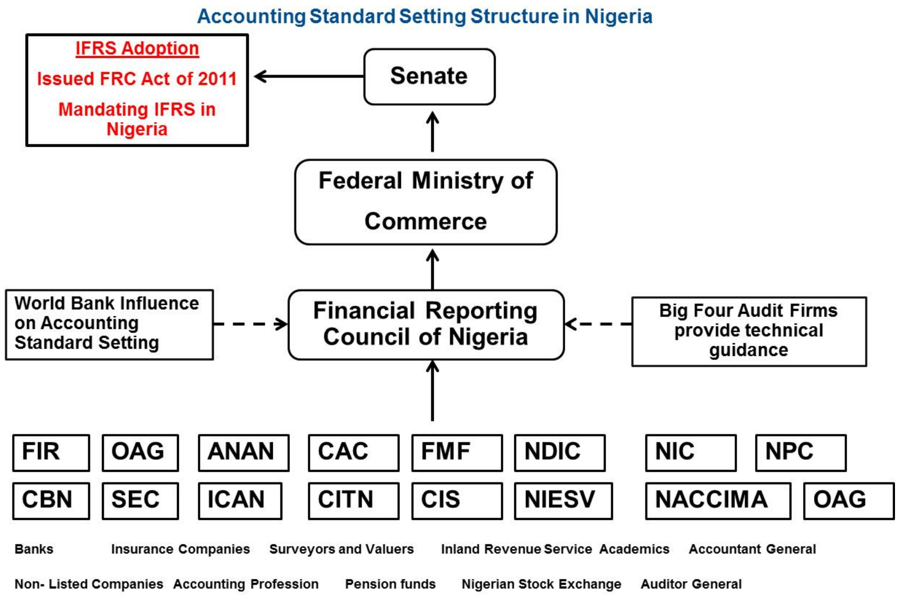

Figure 32: Structure of Accounting Standard Setting in Nigeria. *Source:* Financial Reporting Council of Nigeria

5.4.4 Changes in Regulation: Establishment of Financial Reporting Council of Nigeria (2011)

A key recommendation of the World Bank ROSC Report in 2004 was for the accounting regulator to obtain the necessary statutory approval from lawmakers to set and enforce financial reporting standards. Prior to this recommendation, there were plans to transform the Nigerian Accounting Standards Board (NASB) into the Financial Reporting Council of Nigeria. In 2007, this plan was already far advanced with the drafting of the proposed Financial Reporting Council Act. As a result of changes in government, President Olesegun Obasanjo could not sign the bill into law (Interview NIG 1 &3).

This delay in the execution of, and the discussion of the bill in the senate as well as the national assembly coincided with administrative changes in the organizational structure of the Nigeria Accounting Standards Board. The board at the time appointed the Technical Director as the acting Chief Executive Officer of the NASB. In the following seven months, the acting CEO of the NASB undertook several reforms including progress towards the enactment of the Financial Reporting Council Bill. He articulates this when he argued that;

> Granted that I was chief executive of Nigeria Accounts Standards Board for seven months. Within seven months, I was able to get the national assembly to change the law to now have National Financial Reporting Council. Under National Financial Reporting Council we were able to bring into

the law opportunities for Nigeria to be a standard taker from standards issued by International organizations like IASB (Interview NIG 3)

In consequence, on the 3rd of June 2011, the National Assembly of the Federal Republic of Nigeria formally passed into law the Financial Reporting Council of Nigeria Act(6), to repeal the Nigerian Accounting Standards Board Act of 2003. In this act, the Financial Reporting Council of Nigeria was charged with the responsibility of, among other things, developing and publishing accounting and financial reporting standards to be observed in the preparation of financial statements of public entities in Nigeria:

In the new act, in section 8 (h) the Financial Reporting Council of Nigeria undertook to promote the compliance with the adopted standards issued by the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB). It further states in sections 52 (1) that the Council shall adopt and keep up-to-date accounting and financial reporting standards, and ensure consistency between standards issued under the International Financial Reporting Standards.

The success of Nigeria in the adoption of IFRS is seen in the progression towards a legal status in the adoption of and enforcement of the standards. The FRC bill gives the Council the legal authority to enforce the standards of the IASB. Section 64(1) states that;

"any person who fails to comply with the accounting and financial reporting standards developed by the Council or any decision of the Council to the effect that a public interest entity has failed to comply with any of its pronouncements under this Act such other accounting and financial reporting standards as may be specified under relevant enactments, commits an offence and is liable on conviction to a fine not exceeding (N 10,000,000 equivalent to US$ 60,893 as of May 2014) or imprisonment for a term not exceeding 2 years or both, provided the Council shall bring such non-compliance to notice of the preparers of such financial statements (FRS Act, 2011 A82).

The Act further distinguishes between individual compliance with the law and companies. In section 64(3) the act states that;

Any public interest entity which fails to comply with the notice referred to in sub-section (2) of this section commits an offence and is liable, on conviction to a fine of not exceeding (N20,000,000.00 equivalent to US$122,850 as of May 2001) and restate the said financial statements within 30 days thereafter (FRS Act, 2011 A82).

The introduction of such tougher sanctions for the non-compliance of the IASBs standards is the first of its kind in matters of financial reporting in Nigeria. Throughout the history of financial reporting in Nigeria, there has not been any financial misreporting scandal on the scale of Enron. However, corruption has often led to the cover up of fraudulent accounting practices in Nigeria. Although IFRS relates to the private sector, it is hoped that they will help address the issue of corruption and improve corporate governance in Nigeria (Interview NIG 6).

Box 1: Mandatory Adoption of IFRS by all Public Interest Entities enforced by legal requirements of Nigerian Law.

PUBLIC NOTICE

A) FINANCIAL REPORTING STANDARDS

1. Stakeholders in financial reporting are hereby informed that the Statements of Accounting Standards (SASs) issued by the defunct Nigerian Accounting Standards Board (NASB) have been adopted by the Financial Reporting Council effective June 3, 2011. Accordingly entities not yet eligible to prepare their Financial Statements using International Financial Reporting Standards (IFRS) as contained in the National Road Map to the adoption of IFRS are to prepare their financial statements in line with the provisions of the said Statements of Accounting Standards.
2. Quoted Companies (listed entities) and Significant Public Interest Entities are to ensure that they follow the National Road Map to the adoption of IFRS by preparing their 2011 financial statements in accordance with relevant Statements of Accounting Standards and IFRS separately (two sets of Financial Statements or Dual Reporting).
3. Accordingly, the aforementioned entities, as in paragraph 2 above, are to note that they are to comply with the provisions of the IFRS as issued by the International Accounting Standards Board for the relevant years.
4. Such entities are hereby directed to send to the Council two copies each of the said financial statements not later than April 1, 2012.

B) REGISTRATION OF PROFESSIONALS IN ACCORDANCE WITH SECTION. 41 AND 42 OF THE FINANCIAL REPORTING COUNCIL (FRC) ACT OF NIGERIA NO. 6, 2011

1. Stakeholders are hereby informed that Council has opened the Register of Professionals in accordance with Section 41 and 42 of the FRC Act, 2011.
2. In compliance with Section 8 (f), Council registers all professionals engaged in the financial reporting process. These include Accountants, Company Secretaries, Lawyers, Engineers, Valuers, Actuaries, Human Resource Experts, etc.
3. To register, kindly visit Council's website www.financialreportingcouncil.gov.ng,click on Registration and follow the guidance notes.

FRC: .... the conscience of regulatory assurance.

MANAGEMENT

Figure 33: Official Announcement of IFRS Adoption in Nigeria. *Source:* Financial Reporting Council of Nigeria.

5.5 Neo-institutionalism at work: Arguing the case of IFRS adoption in Nigeria

Adopting international norms, standards and best practices into local jurisdictions can follow many different mechanisms and pathways to develop depending on several factors. First, the institutional environment and context within which these standards are considered for adoption plays a primary role in how policy makers construct their motive for the adoption of such polices. On one extreme end, institutional environment can be competitive, thus, leading actors to think of innovative ways of improving the current status quo to out compete others in order to survive. On the other end, in order to survive, organizations must conform to the rules and beliefs systems prevailing in their environment. In the adoption of IFRS in Nigeria, neo-institutional scholars have profited from the application of their theoretical lens by standard-setters to support why international accounting standards were adopted.

Accounting standardization in Nigeria is highly regulated by the state although there is significant involvement of the accountancy profession and other external actors in the field. From the 1980s onwards when accounting standard-setting began in Nigeria, the accounting profession was the pioneer in driving how accounting standards should be organized and applied locally. Over the last four decades, Nigeria developed an accounting standardizing field comparable to leading standard-setting organizations in developed countries producing its own national accounting standards though significant portions resembled international accounting standards. From 2010 onwards, this idea of maintaining Nigerian accounting standards changed and developed towards the adoption of international financial reporting standards. What accounted for this shift in motive to adopt IFRS? How did actors construct their ideas, mobilize resources and how did that develop overtime leading to the adoption of the standards? Which institutional arrangements were important considerations in the decision to adopt the standards?

In chapter three, the dissertation argues that institutional pressures such as coercion, normative and mimesis drive policy makers especially in developing countries to trigger institutional reforms leading to standard adoption. These institutional pressures individually or in aggregate could emerge from various sources and from multiple actors. A discussion of how local officials interact with each other and external actors to construct IFRS adoption is therefore important.

5.5.1 The World Bank and IFRS Adoption in Nigeria: Case of Coercive Isomorphism

The World Bank and the IMF through their joint ROSC project in 2004 conducted a study in Nigeria to gauge the level of compliance with international accounting and auditing standards. The study concluded that, just like many cases of African countries, Nigerian accounting standards were not in full compliance with IFRS as issued by the International Accounting Standards. The report also found that although there were initial speculations that the Nigerian accounting standards were drawn from IFRSs, these claims were inaccurate, as the Nigerian accounting standard-setter had only issued 21 accounting standards as opposed to 41 accounting standards of the IASB. The report recommended a full adoption of IFRS in Nigeria without any modifications.

In 2005, the Bank and the Nigerian Government together launched the Economic Recovery Project (ERGP) aimed at revamping public and private sector accountability and counteracting corruption. The World Bank has also supported the Securities and Exchange Commission (SEC) through a twining partnership arrangement with the Institute of Chartered Accountants of England and Wales (ICAEW) where the ICAEW provided technical training to the SEC staff to enable it monitor the compliance of IFRS by listed companies. As one official puts it;

> The World Bank and the DFID, they are international partners on IFRS adoption. They are of the view that if they were to help Nigeria, bringing investors into this country, that it will be important to report using IFRS. But the World Bank can only suggest, they cannot push through an agenda (Interview NIG 3)

As in many other forms of governance issues, the Bank has constructed what is institutionally right, correct and legitimate and has often acted in a manner to push developing countries into the adoption of such institutionalized structures and push for accounting reforms (Harrison, 2004; Graham, 2012). The rationale for the Bank's involvement in accounting reforms in Nigeria through other economic reform programmes has been to assist the country in dealing with public sector financial mismanagement, which nearly crippled the Nigerian economy. It states in its policy documentation that;

i. the Federal Government of Nigeria (FGN) has clearly and convincingly demonstrated its deep commitment to fundamental reform by putting together a reform programme and initiated implementing bold reforms;
ii. the involvement of the Bank is expected to signal the support of the international community for reform providing reformers the confidence and backing needed to continue and sustain

the difficult reforms to fight corruption, change the way that government worked and make a break with Nigeria's difficult past;

iii. the need for Bank's experience and technical assistance to complement Government effort to implement the first phase of reforms and to define future phases; and

iv. providing much needed financial assistance to help fund the costs of reform complementing Government's own effort in putting considerable resources into funding these reforms .

In consequence of these broad objectives of initiating economic reforms in Nigeria, the Bank provided \$179.69 million to the Nigerian Government to fund broad economic reforms. Specifically, it provided funding which it had sourced from the United Kingdom Department for International Development (DFID) to finance the technical assistance component of the reforms. The DFID provided US \$22 million to support reforms in public resource management and to target corruption (see ERGP Funding Report, 2004). The World Bank has also been proactive in supporting the accountancy profession in building adequate capacity of professional accountants ahead of IFRS adoption in Nigeria. In 2006, the Bank through a grant to the Association of Accountancy Bodies in West Africa (ABWA) purchased IFRS manuals from the IASB for distribution among professional accountants in Nigeria with the aim of disseminating the standards to familiarize professional accountants ahead of intended accounting reforms (Interview NIG 4). The Institute of Chartered Accountants of Nigeria (ICAN) received 780 copies of standards and distributed to members of the institute (Interview NIG 1). In 2009, the Bank again approved a grant of \$186,050 to the Institute of Chartered Accountants of Nigeria aimed at strengthening the research and technical department of the institute to adequately support its members (ICAN Annual Report, 2009).

In a recent report appraising the success of the project and funding provided, the Bank stated its satisfaction with the execution of goals stated in the funding proposal arguing that;

> At project commencement, only 21 accounting standards had been issued by the then NASB, as against 41 issued by the International Accounting Standards Board (IASB). However, by project closure, Nigeria had almost achieved full convergence with the IASB; the highest point being the issuance of the IFRS for the private sector and IPSAS for the public sector. Adoption of International Financial Reporting Standards (IFRS) is progressive being adopted by significant private entities started in 2012; other public interest entities in 2013 and SMEs would be by 2014. The Financial Reporting Council Act was promulgated in 2011and the NASB has been replaced with a statutory body, the FRC- Nigeria. Its institutional structure is being aligned with that provided in the underlying legislation including operations being computerized through ERP. Staff of FRC and SEC has been imparted local and foreign training. Furthermore, Nigerian universities are being supported by the FRC to impart courses in business ethics and values as well as in International Financial Reporting Standards (WorldBank, 2014b, p. 19)

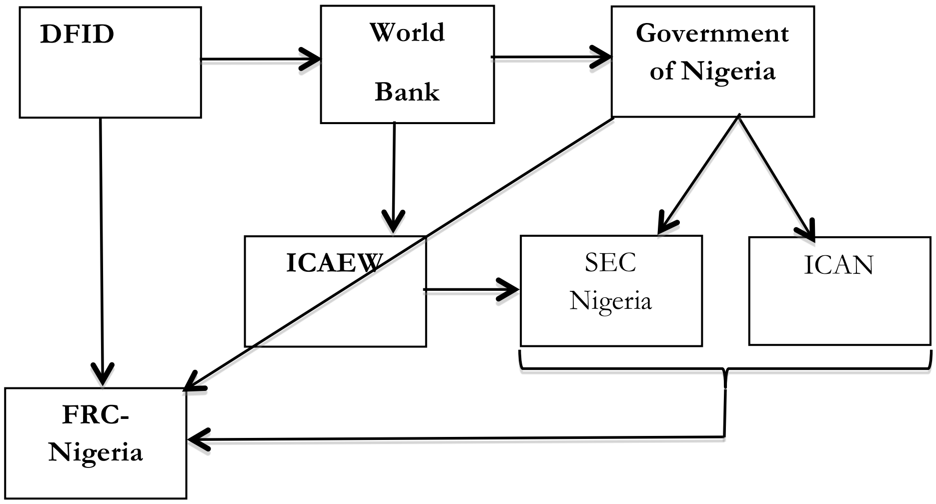

Figure 34: Funding Arrangement from the World Bank for IFRS Adoption in Nigeria.
Source: Author's Own creation

Local actors have maintained that the Bank's offer of financial support did not amount to coercion, but rather a mutual understanding where the Bank provided the financial resources needed for accounting reforms in Nigeria. While the state provided legislative changes to accommodate IFRS adoption, the accounting profession provided human resources in the adoption of IFRS as part of the funding arrangement in the adoption of IFRS. As one actor puts it;

> The World Bank can only suggest, they cannot push through an agenda (Interview NIG 3).

The Banks approach in pushing developing countries to adopt IFRS is gradually moving away from a strong position of using resource dependency relationships to coerce developing countries into conducting accounting reforms. Nevertheless, the use of other tactics to motivate these countries into adopting the IASBs has become more evident particularly in the case of Africa. One of such approaches of the Bank is to identify important state institutions that would support the idea of accounting reforms and offer them technical assistance through capacity building programmes. The idea is to build awareness of the standards among these institutions that can push forward accounting reforms. In the context of Nigeria, two of such approaches have been to support the Securities and Exchange Commission of Nigeria and the Institute of Chartered Accountants of Nigeria in building technical capacity in the use of the standards locally in Nigeria. The Bank offered a twinning partnership programme between the SEC of Nigeria and the Institute of Chartered

Accountants of England and Wales (ICAEW) where the latter offered IFRS training to the staff of the securities regulator. It also offered similar capacity building programmes to the Institute of Chartered Accountants of Nigeria and to assist the institute revamp its professional accountancy training curriculum by introducing IFRS in the certification of its students locally. Together, these initiatives incentivized local actors to exert similar pressures on the accounting regulator to consider initiating accounting reforms and to engage other stakeholders in discussions leading to IFRS adoption in Nigeria. In discussion, the synthesis of the empirical results show how the relationship between the Bank and the FRC of Nigeria developed and how the Bank employed a soft form of coercion to push for accounting reforms in Nigeria.

5.5.2 Normative Discourse in the Adoption of IFRS in Nigeria: IFAC Membership

Nigeria is home to the largest community of professional accountants in West Africa. It currently has over 34,000 professional accountants and has been very proactive in accounting standard-setting relatively earlier than most West African countries. It became of the founding member of the International Federation of Accounts in 1977 and ABWA in 1982 and subsequently held membership at the International Accounting Standards Committee in 1980s. The country has been proactive on issues of international accounting both at home and at the global stage. At home, the accounting regulator became instrumental in developing home grown accounting standards earlier than any other English speaking West African nation state.

In consequence, Nigeria prides itself among leading international and national accounting standardizing organizations. The exposure of the country to international professional communities would suggest that, from the onset, Nigeria would follow the footpaths of leading economies that first adopted IFRS following their diffusion within European member states. Nevertheless, Nigeria maintained that it would continue its accounting standard setting initiatives and become an independent standard setting organization resisting the temptation of adopting the IASBs standards. However, its membership to these international accounting standardizing organizations opened the possibility of normative discourses with implication of loss of legitimacy by not adopting common standards, norms and professional best practices. As a result of the IFAC professional community, the Institute of Chartered Accountants of Nigeria (ICAN) initiated moves to adopt IFRS in Nigeria in order to fulfil its membership obligations to the IFAC.

However, the ICAN lacked the legal status to adopt IFRS in Nigeria. The ICAN then resorted to persuading major stakeholders in the accounting standardization field to consider adopting global accounting norms in Nigeria. Actors from the ICAN argued that;

> We must support the initiative of IFAC, disseminating information like what IFAC is doing to our country. As players in our environment, let them know what IFAC is doing, - adopting IFRS, encouraging people to adopt reliable financial reporting processes. That's what IFAC is saying; they are advocating a reliable, credible financial reporting process for every environment. So we have adopted IFRS, we have encouraged compliance to best practices, in line with what IFAC says like SMO's. But we cannot decide IFRS adoption in Nigeria because our role is mainly advisory, we don't have the statutory power to issue standards. We declared that even in our SMO to IFAC that look yes, our role will be limited to persuading people to embrace, talk to the statutory body that has the duty to issue accounting standards before the Financial Reporting Council of Nigeria. So we indicated in our SMO to IFAC that look, we are going to engage Nigeria accounting standards board to embrace best practices in financial reporting by issuing accounting standards in line with what has been done globally. So we didn't have any direct role to say we are issuing standards because of IFAC standards, we could not because our law didn't allow us. But we could go out to persuade people to say look, this is the benefit of adopting IFRS. (Interview NIG 1)

Accounting standard setting in Nigeria came under state regulation in the 1990s when the ICAN ceded the responsibility of setting accounting standards. Unlike most self-regulated standard setting organizations, the Nigerian Government under the Federal Ministry of Finance supports the newly formed Financial Reporting Council in the establishment of clear rules to regulate professional practice. However, the FRC still depends heavily on the accounting profession to provide technical knowledge on which best accounting practices to adopt in Nigeria. Because of this relationship between the accounting regulator and the professional accounting community, the ICAN was successful at exerting pressure on the accounting regulator to consider conducting accounting reforms as suggested by the World Bank and the IFAC. At the final moments of considering the decision to abandon home-grown accounting standards and to adopt IFRS, the ICAN was an important stakeholder at the meeting in 2010. Beyond the Institute of Chartered Accountants of Nigeria, another important professional organization that pushed forth IFRS adoption on the agenda was the Association of National Accountants of Nigeria (ANAN). This accountancy body is also a voting member of the Financial Reporting Council of Nigeria. Together with ICAN, ANAN facing similar pressures from IFAC agreed to work with ICAN to lobby the FRC into adopting IFRS. As one official describes it;

> Based on the recommendation of the professional accountancy organization that are in Nigeria, we have ICAN and ANAN working together under the platform of the Financial Reporting Council of Nigeria. The FRC was empowered by the state to set accounting standards in Nigeria. Then we came up with the road map on IFRS and it was on the basis of the road map and based on the challenges imposed from IFAC because we were not fulfilling our SMOs of IFAC. The IFAC SMO imposes certain obligation on the members, even though at that point ANAN was not a member of IFAC until last November (2012). But based on the fact that we were committed to the ideas and pronouncements of IFRS, we had to work along that line, so ANAN and ICAN decided that okay let

> us work towards the adoption of IFRS and the road map was designed and Nigerian government through the National Assembly passed IFRS were adopted under the law of the Financial Reporting Council Act. (Interview NIG 4)

> I feel strongly that, the decision by the government to adopt IFRS may have been influenced by the World Bank. Because the ROSC report of 2004 clearly showed the weakness in the quality of financial reporting in Nigeria. We had a lot of issues with the quality of our reporting process here. And soon after that, they got involved in a lot of capacity building initiatives in Nigeria and encouraged Nigeria to move towards IFRS. And I am sure they played the key role in getting the government to listen to what the professionals are saying about the quality of financial reporting. And indeed the government bought into the idea. From the perspective of ICAN, the World Bank has been very supportive. We got the first grant from World Bank soon after the second ROSC report was released. And the information was clear that ICAN did not have the capacity to adopt the standards, it did not have a well-structured and technical department to support the adoption of IFRS. (Interview NIG 1)

The normative character of accounting and the rules/standards that governs it opens opportunities for actors especially professionals to pursue a legitimacy seeking path by identifying themselves with the rules set by global professional bodies. In the context of Nigeria, professional accountancy bodies have sought to legitimize themselves as belonging to global professional communities by negotiating, persuading and using their social position to exploit governments into accounting reforms. These professional bodies acted in a manner to suggest that their membership to the international body of professional accountants is the primary consideration for accounting reforms without first considering the national context within which these accounting standards fit.

5.5.3 The Role of Big Four Accounting Firms in the Adoption of IFRS in Nigeria

The history of financial reporting in Nigeria is tied to the expansion of leading British accountancy firms into Nigeria following their clients and providing assurance services during the early 1920s. By independence in 1960, most of the big four audit firms had opened local offices in Nigeria and became increasingly involved in the development of the accountancy profession in Nigeria. In the 1980s when accounting standardization began, there was little account of the involvement of the big four in setting the Nigerian accounting standards. However, the establishment of the Institute of Chartered Accountants of Nigeria (ICAN) emanated from the Big Four Accounting firms in the 1960s. Akintola Williams, the first chartered accountant in Nigeria; then an employee of Deliotte and Touché pioneered the formation of ICAN and subsequently became its president from 1960-1962 (Interview NIG 1).

Accounting standard-setting is difficult to construct without the involvement of multinational accounting firms. In local jurisdictions, their dominance in the provision of accountancy services to multinational corporations, government agencies and regulators places them in "expert bank" position which regulators can call upon for such expert advice. The case of Nigeria is not unique in that, similar trends in accounting standardization globally show the involvement of the big four audit firms in the decision of the accounting regulator to adopt IFRS. Once the Nigerian accounting regulator reached a decision to conduct accounting reforms in Nigeria, it established a 19-member committee to draw a roadmap on the adoption of IFRS. In this committee, the FRC invited the Big four accounting firms into the country to share their views and experiences in motivating the decision to adopt, adapt or seek alternative accounting standards in Nigeria. Three of the leading big four accounting firms responded to the invitation and participated in the committee meetings including KPMG, PricewaterhouseCoopers and Akintola William Deloitte (See IFRS Roadmap Committee Document- Nigeria 2010).

Internally, these accounting firms had prepared to support their clients in the adoption of IFRS once the FRC was decided on the direction of the standards. One of such preparations was the internal mobility of IFRS experts within the firm to Nigerian offices to support the expertise base of the firm. For instance, in PricewaterhouseCoopers, 3 staff members were moved from the UK office, 10 from South Africa, 3 from Ghana and 2 from the United States to support IFRS conversion in Nigeria (Interview NIG 7). Another example is the case of Ernst & Young, which transferred an IFRS partner from Ghana to Nigeria to support IFRS conversion of their clients following his involvement in the adoption of IFRS in Ghana (Interview NIG 7).

Although these changes had little impact on the decision of the accounting regulator to adopt IFRS, it provided significant assurance to the accounting regulator that there was enough expertise to support its decision in adopting IFRS. A clear example of this was the case of their (Big four firms) participation in the roadmap committee to provide their views to the accounting regulator on how to proceed with IFRS adoption. They argue that, the decision to adopt IFRS came from the Financial Reporting Council of Nigeria. An interviewee from PWC notes this as;

> The Financial Reporting Council and the World Bank drove IFRS Adoption in Nigeria. We were there to support their decision and to provide technical training seminars to preparers (Interview NIG 9).

Unlike the case of Ghana, the big four accounting firms in Nigeria played a less significant role in influencing the decision of accounting regulators in IFRS adoption. A key explanation for this emanates from the idea that the accounting standard-setting institution of Nigeria was more developed than Ghana. In the case of Nigeria, the role of the big four was reduced to a technical advisory role revolving around the implementation of the standards rather than advising the regulator to adopt IFRS.

5.5.4 Professional Accountancy Certification Bodies and IFRS Adoption in Nigeria

Another important but silent actor that augmented the adoption of IFRS in Nigeria is the Association of Chartered Certified Accountants (ACCA). Though not directly involved in the proceedings leading to the decision of the accounting regulator to adopt IFRS, the association has been involved in the training and certification of accountants based on their IFRS curriculum. The ACCA just like the case of Ghana and Sierra Leone; the only British Colonies within the West Africa corridor, has been conducting examinations in these countries since the 1960s-70s and has continued to do so in present times. As discussed in section 3.4.4 of the dissertation, the ACCA became the first global accountancy certification organization to introduce the IASBs standards in the training curriculum of professional accountants in the 1990s. In consequence, some Nigerian accountants were quite familiar with IFRS although Nigerian accounting standards prevailed.

5.5.6 Analytical Exposé of IFRS Adoption in Nigeria

The adoption of IFRS in Nigeria, much like the case of Ghana developed along the lines of institutional pressures exerted by multiple actors on the accounting regulator to conduct accounting reforms and to replace home-grown Nigerian accounting standards with international accounting standards. Nevertheless, most importantly, the levels of pressures from actors differed over time forming momentum towards the decision of adopting the standards compared. While some actors became more proactive as early as in the 1990s, others only entered the accounting standards setting space of Nigeria in 2010. For instance, the ACCA has been an important source of diffusing the IASBs standards in Nigeria since 1990s but was unable to independently push for accounting reforms.

At an aggregate level, similar factors that accounted for the decision of standard-setters to adopt IFRS in Ghana took the same toll on Nigeria. The World Bank's involvement first in the conduct of their ROSC studies triggered the potential for accounting reforms in the country. Nevertheless, the Bank, faced with strong institutional challenges at pushing for accounting reforms delayed the adoption process in Nigeria. A plausible explanation of this delay is the fact that bureaucratic legislative changes to support IFRS adoption took long to accommodate the idea of adopting the standards.

Proxy/Actors	Coercive	Normative	Imitative
World Bank ROSC Reports/ Funding	✓		
IFAC Membership		✓	
Big Four Accounting Firms		✓	
Accounting Certification Providers		✓	

Table 25: Institutional effects on IFRS adoption decision in Nigeria. *Source*: Author's Creation

The institutional environment of accounting and financial reporting in Nigeria makes it a perfect case to study why IFRSs were adopted; in that, it possesses all the important institutional characteristics that can influence standard-setters-decision making process into adopting international standards. At the macro-level, the country is home to the largest capital market (the Nigerian Stock Exchange NSE) in West Africa with over 200 listed companies. Its economy became the largest in Africa surpassing South Africa that has been a leader in the adoption of IFRS by economy size. Furthermore, the country is a former colony of the British with a history of institutional arrangements aligned with those of British origin that can support the adoption of the standards. Additionally, the conduction of business transactions in Nigeria are in English which is the official language of the country allowing a wider audience for ease in the reading and understanding of the IASBs standards.

At the meso-level, the country became a founding member of the International Federation of Accountants in 1977. It is also a founding member of the regional accountancy body of the IFAC in West Africa – that is the Association of Accountancy Bodies in West Africa (ABWA), and the Pan African Federation of Accountants in May 2011. Historically, Nigeria participated in the development of international accounting standards in 1976 becoming an associated member of the International Accounting Standards Committee. Internally, the accountancy profession has been proactive in supporting the economic pursuits of the country. The profession has the largest population of qualified accountants in West Africa. Furthermore, professional accountancy certification organizations have supported in the dissemination of the IASBs standards within professional circles prior to their adoption in the country. More so as Nigeria has a history of its own accounting standardization initiatives that led to the publication of Statements of Accounting Standards of Nigeria since 1982.

Deterministic Characteristic of IFRS Adoption	**Presence or Absence**
Macro-Level	
Capital Markets	✓
Economic Development	✓
Anglo-Saxon Colonial Legacies	✓
English as Lingua Franca	✓
Meso-Level	
Membership to Global Accountancy Associations	✓
Active Accountancy Profession	✓
Activities of Globally Active Accountancy Certification Providers	✓
History of own accounting standardization organizations	✓

Table 26: Institutional Drivers of IFRS Adoption in Nigeria. *Source:* Author's own construction

Taken together, these institutional pressures discussed above coupled with the socio-economic characteristics of the country makes it plausible for the country to adopt IFRS. Nevertheless, it is questionable that, Nigeria did not lead the path in the adoption of IFRS although when compared to the case of Ghana, it had made significant advancements in accounting standard setting arenas. What accounted for the delay in the adoption of IFRS in Nigeria? Two plausible answers can be expected based on field material collected: first, Nigeria is considered a developed country in terms of accounting standard setting in West Africa and has demonstrated this through the establishment of an accounting standardizing body. In consequence, it maintained the notion of home grown accounting standards and unwilling to give up these standards in favour of the IASBs standards. Again, the interaction between accounting standards and law in Nigeria is somewhat stronger than the case of Ghana. When accounting standards are issued, they are given legislative backing by lawmakers before they become effective. The process of passing laws to back accounting standards is an extensive one often involving significant delays as politicians will have to debate the bill in parliament. In consequence, the Financial Reporting Council was unable to secure the necessary legislative instruments in the adoption of IFRS on a timely manner.

In many respects, the case of Nigeria shows an example of how institutional pressures can change the standard-setting landscape allowing international organizations to manipulate strong actors in the accounting standardization arena to accommodate accounting reforms. The works of Neu et al. (2010) and Graham and Annisette (2012) on the role of donor agencies in the construct of appropriate accounting technologies in Africa highlight similar effects as in the case of Nigeria. It shows how the World Bank exploited opportunities in the midst of declining economic situation in the country to get actors attention of the need to conduct accounting reforms.

Throughout this chapter, there is little evidence to support the notion that the adoption of IFRS in Nigeria was driven by the desire of policy makers to improve financial reporting practices through a rationalized process of comparing the cost of adoption to the benefits of adopting international accounting standards. When standard-setters and local actors speak of benefits of adopting IFRS, they premise their argumentation on those of other actors who construct IFRSs as economically beneficial. In such context, the decision to adopt IFRS was driven by March & Olsen's notion of logic of appropriate action. Policy makers tried to identify themselves with others that have a collective philosophy. They took for granted the economic consequences of their actions in the adoption of IFRS as argued by classical institutional scholars.

5.6 Conclusion

The case of Nigeria's decision to adopt international financial reporting standards is examined in this chapter. The case opens with a broad aim of investigating why developing countries in Africa adopt international norms, standards and best practices from abroad and how actors construct their motivations in deciding to adopt international accounting standards. Drawing on institutional scholarship on the notion of institutional isomorphic pressures, the case argues that multiple actors in the field of accounting standardization exerted pressure on the accounting regulator to conduct accounting reforms and thereby jettisoning the Nigerian Statements of Accounting Standards in favour of IFRS.

Nevertheless, the question that interests me is "How do accounting standard-setters construct their motivation in deciding whether to adopt international practices?". Economic scholars view that the search for policy alternatives is in response to underperforming status quo. To improve performance, policy makers are more likely to seek alternative efficient solutions that have the potential to outperform current policies by comparing the benefits to the cost of adopting such policies. In the case of IFRS adoption in Nigeria, policy makers were unable to point to the specific economic costs versus benefits of adopting IFRS. Rather, their perception of economic benefits of IFRS is premised on what is constructed by other actors such as the World Bank and the IFAC.

New institutional literature positions such actions towards the adoption of international standards in the realm of institutional isomorphism where the social environment of the adopting country shapes the motive for borrowing policies from abroad more than efficiency based motives. Many actors in the case of Nigeria admit that the role of International Financial Institutions (IFIs) proved to be a catalyst for accounting reforms. More so, the role of professional accountants in the decision of the accounting regulator to adopt IFRS have proven that, professional accountants pursue legitimacy strategies as self-interest seeking before considering the state interest of efficiency improvements. Although the final decision to adopt IFRS rests with the state, professional accountants collectively aligned themselves to comply with the statement of membership obligations of the International Federation of Accountants (IFAC) and persuaded the accounting regulator into adopting IFRS.

To conclude, what we learn about the diffusion and adoption of IFRS in developing countries is driven by two main forces: first, is the power of transnational donor institutions to pressure developing countries into conducting accounting reforms and subsequently adopting IFRS (Fyson, 2012). Second is the quest for legitimacy and recognition by professional accountants in developing countries. In consequence, standard-setters follow what is logically appropriate through a system of self-identification in global professional arenas (March & Olsen, 2006) rather than what is technically efficient.

6 Reconstructing Accounting Reforms in Cote d'Ivoire

6.1 Introduction

In the last two chapters, the two main case studies of developing countries in West Africa adopting IFRS are examined and the motivation for the decision of states to adopted global accounting standards investigated. The argument develops to show that international norms, rules, standards and best practices diffuse from western developing countries owing to the perceived efficiency benefits they promise to deliver as constructed and promoted by international actors as opposed to an economic rationalization of the costs versus the benefits of adopting the standards. From a theoretical argumentative stand point, classical economic intellectual tradition argues that policies that translate into material economic improvements in economic advancements appeal to nation states and adopting organizations. As a result, policy makers through a rationalized process engage with each other to consider the best policy outcomes prior to adoption policies from abroad. To be clear, only policies that excel in the delivery of efficiency improvement beyond the status quo should be adopted. All things being equal, the conceptual appeal of this notion leads us to think that policy makers in developing countries, attracted by these policy benefits, should adopt similar policies almost instantaneously. Nevertheless, evidence in the adoption of IFRS in Africa suggests that in spite of the proclaimed economic benefits of improved efficiency in the overall functioning of the economy, many countries in the continent have not adopted the standards. This leads us to question why some African countries have not adopted important standards such as IFRS, which has the potential to spur economic growth resulting in poverty eradication.

In order to provide meaning to the context within which some African countries have not adopted IFRS, this chapter and the following chapter examines the case of two West African countries that have not adopted the standards. I extend the theoretical framing discussed in chapter two to examine the case of countries that currently have not adopted IFRS. Much like other empirical chapters of the dissertation, this chapter opens with a historical construct of the socio-economic environment of the country that supports accounting standardization. It traces historical patterns of not only economic variables of accounting standard setting but also social factors such as the development of the accountancy profession which the bane of accounting standard setting. Following that, the chapter proceeds to discuss current state of accounting standard -setting in Cote d'Ivoire and how different institutional arrangements limits the adoption of IFRS in the country despite facing similar institutional isomorphic pressures in the case of Ghana and Nigeria. The chapter concludes by providing an institutional logic and constructing meaning to why Cote d'Ivoire has not adopted international accounting standards.

6.1.1 Brief Socio-Economic Profile of Cote d'Ivoire

Cote d'Iovire emerged from colonialism in the hands of the French gaining independence in 1960 following its declaration of an autonomous community status in December 1958 (Klaas, 2008). From the 1960s onwards, the country thrived to become a shining star in French West Africa leading other French colonies such as Niger, Burkina Faso and Benin into political independence under the leadership of Houphouet-Boigny. Houphouet-Boigny became instrumental in the regional community integration of the French West African colonized states. He believed that French West Africa could only develop if they had a common view towards development. Prior to the independence of Cote d'Ivoire, he had reinforced this idea, which subsequently led to the formation of the Council of the Entente, a regional organization promoting economic development. The aim of this organization was to maintain a collective voice of African solidarity through a systematic economic and political cooperation, reorganizing the principle of non-intervention in the internal affairs of other African states. As we may come to see in the rest of this chapter, regional integration within French West African states have fostered the diffusion and adoption of some international standards in one account but have served to limit the diffusion of the IASBs standards in other accounts.

From independence in 1960 until 1999, Cote d'Ivoire enjoyed remarkable political stability under the rule of Houphouet-Boigny. Between 1960 and 1978, the country became the fastest growing economy in the world and was considered an economic miracle (Glewwe & Tray, 1988). According to the WorldBank (2014b, p. 57), the expansion of the Ivorian economy was powered by two main pillars: namely, agricultural production and government spending. The Ivorian agricultural sector was devoted to coffee, cotton, and above all cocoa. In fact, Cote d'Ivoire quickly became the world's leading cocoa producer overtaking Ghana and accounting for 40 per cent of the global market. However, in the late 1970s, the economy hit a bump due to a significant decline in world cocoa prices. Within two years, the economy had begun to shrink, public debt was on the rise and increased mismanagement of state resources ensued. By 1980, external conditionalities and a massive public investment programme had produced a government deficit amounting to 11.9 per cent of GDP and exhausted nearly all its foreign exchange reserves (Klaas, 2008).

Confronted with economic challenges, the country turned to the World Bank and the International Monetary Fund for economic assistance. The Houphouet-Boigny led government negotiated with the two Bretton Woods institutions for a financial rescue package that eventually led to the implementation of the Structural Adjustment Programme (SAP) in 1981. The IMF and the World Bank maintained that for a successful macroeconomic recovery to return to Cote d'Ivoire, the Government needed to cut down extensively on the inefficient allocation of resources. Among other conditions, the Bank asked the government to cut social spending significantly and to privatize the cocoa sector. This resulted in a short-term increase in cocoa production with exports reaching $3 billion from 1980 to $5 billion in 1995. However, within the same period, public debt skyrocketed from $7.4 billion to $17.7 billion. By 1994, the country held external debt of up to 231 per cent of GNP (Glewwe & Tray, 1988).

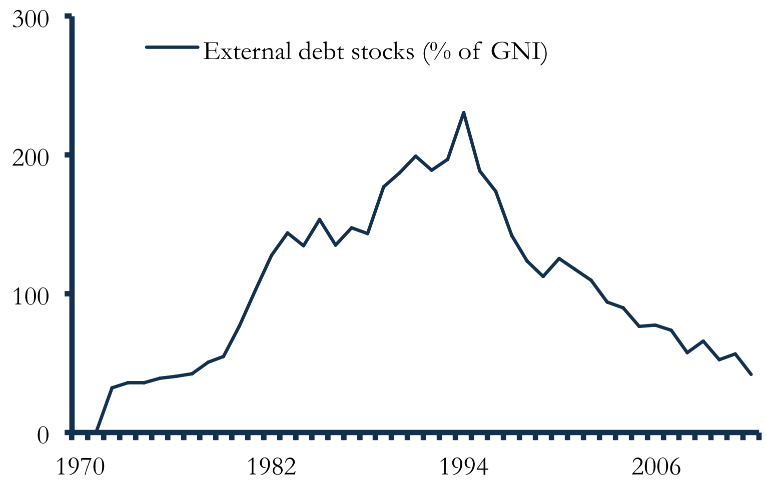

Figure 35: External Debt Stock of Cote d'Ivoire.
Source: (WorldBank, 2014a)

In 1994, Cote d'Ivoire entered into a second financing arrangement with the Bank and the IMF and called it the Enhanced Structural Adjustment programme. Over the following three years, the country further accumulated some $384 million on extra borrowing from the IMF to finance the Structural Adjustment programme. Within this period, the economy did not quite recover as expected. As argued by the International Labour Rights Fund, the World Bank and IMF had failed to take into account the fact that

Cote d'Ivoire's economic and social structures were closely intertwined with the cocoa industry. Reforming the cocoa industry affected the foundation of Cote d'Ivoire's socioeconomic structure reducing the economic prospects of the country to bubbles and increasing poverty levels significantly.

Figure 37: Cote d'Ivoire GDP per capital. *Source:* (WorldBank, 2014a)

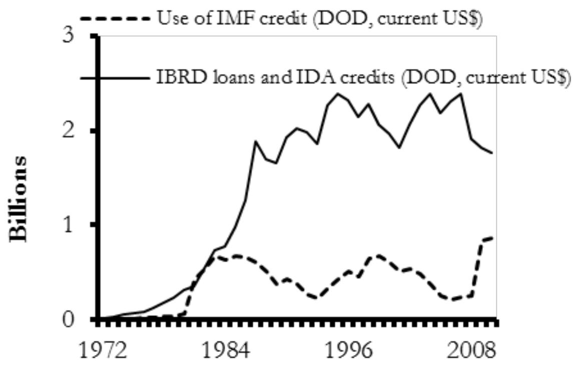

Figure 37: Cote d'Ivoire financing arrangement with IMF, World Bank. *Source:* (WorldBank, 2014a)

On other fronts, the Ivorian government borrowed significantly to finance State Owned Enterprises. Following the failure of most of these institutions, the government launched an extensive privatization programme under pressure from the World Bank and the IMF (Lavelle, 1999). By 1991, it had identified sixty-six large state-owned enterprises, which it aimed to privatize. To do so, the state turned to the equity market with the hope of liberalizing free flowing private capital among Ivorians and French capitalist families resident in the country. The stock market itself (the Bourse des Valeurs d'Abidjan (BVA[17])) had opened in 1976 to encourage the sale of shares to Ivorians (Lavelle, 2001). The exchange later proved to be an important vehicle for the privatization Programme allowing the state to relinquish control of parastatals to foreign capital, mainly from France. From 1998 onwards, the Exchange transformed into a regional stock markets becoming the first regional stock exchange in French West African countries.

[17] The Bourse Regional De Valeurs Mobiliere (BRVM) became an outcome of a cross boarder merger among eight stock exchanges in Benin, Burkina Faso, Guinea-Bisseau, and Cote d'lvoire, Mali, Niger, Senegal and Togo. At present, it has 38 listed companies across French West Africa and a source of Foreign Direct Investment flows to the region.

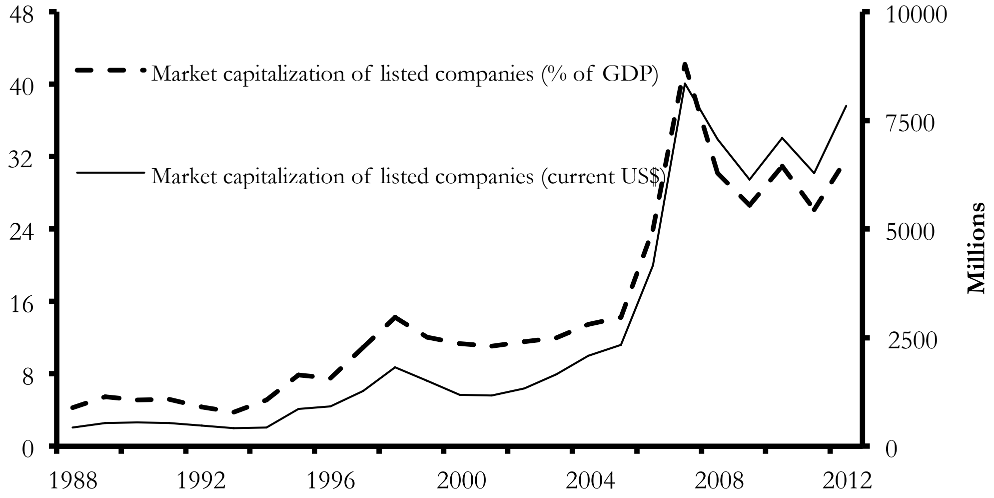

Figure 38: Development of the BRVM since 1988 Data *Source:* (WorldBank, 2014a)

Home Country	**Number of Companies Listed on BRVM**
Cote d'Ivoire	32
Benin	1
Togo	1
Senegal	1
Burkina Faso	2
Niger	1
Total	**38**

Table 27: Composition of Listed Companies on the BRVM. *Source:* BRVM Fieldwork, April 2013

6.2 Colonial Contextualization of Accounting and Auditing in Cote d'Ivoire

To the best of my knowledge, there is no literature of accounting practices in Cote d'Ivoire prior to their colonization by the French. Nonetheless, it is safe to assume that the existence of any form of accounting prior to colonization was in its rudimentary stage and largely unable to develop further during the colonial era. The French were successful at the transfer of their accounting systems to many of its colonies and have continued to do so long after colonial rule ceased in the 1960s (Lavelle, 2001). The French themselves were late comers to international accounting (Moussa, 2010) and relied much on the Germans to construct their chart of accounts in the manner suggested by Schmalenbach (Nobes & Parker, 2010).

In the post war period, notably after the Second World War, French Accounting charts underwent great changes amounting to four different phases. According to Degos and Ouvrard (2008), Colasse and Standish's work distinguishes these four phases when they write that; the first phase of modern French accounting came into effect between 1946-57. This period coincides with the post war period when the French state begun the reconstruction of the economy. To do so, they introduced the national accounting plan (Plan Comptable General PCG) in 1947 (Nobes & Parker, 2010) mainly with macroeconomic aims with little or no input from the accountancy profession. From 1958-1973, France experienced significant growth in economic terms during which time there was an extension of a strong link between taxation and the overall economy. The PCG's application proved useful in that it moved much closer to the legal system and the system of taxation rather than an establishment of its own operating space (Richard, 2013). However, the third phase of modern accounting revolution emerged to draw accounting, law and taxation much closer. From 1974-1983, the general period of economic instability and the general point of accounting standardization in France heightened following the integration of the European company law directive into French accounting system. In the last phase of modernization of accounting in France from 1984 onwards, the role of professional accountants came to the fore as never before (Evraert & Robert, 2007).

While these transformations were on-going in France, little of such accounting practices were exhibited in former French colonies until the 1970s when France began to impose their charts of accounts on their overseas territories (Evraert & Robert, 2007). But the effect was still minimal and restricted to state institutions as a large majority of French colonies remained agrarian largely dominated by the production of natural resources with a sizable number of uneducated people (Interview IVC 3). The introduction of formal accounting systems in French overseas territories only became successful following the integration of legal systems and the creation of business law in the economic communities in French West Africa. From the 1960s when Cote d'Ivoire gained independence from France, their system of accounting were basic and remained so for the next 10 years until the introduction of the Africaine, Malagache et Mauricienne (OCAM) in the 16 member countries of French West Africa. A historical review of the accounting system in Cote d'Iviore will not be useful without reference to the other French overseas territories particularly in West and Central Africa. These countries are regionally integrated in many forms such that, the institutionalization of French formal organizations turn to diffuse from the centre to the periphery rather than from France to individual countries of French West Africa. In consequence, formal institutions such as law, education, medicine, economics and finance have often had a regional organizational perspective. Accounting, like many other institutions is organized on regional basis. I discuss the origin of regional accounting initiatives and how it subsequently influenced accounting developments in Cote d'Ivoire in the next section.

6.3 The OCAM Accounting Plan (1947-1982)

The account of Brown (2004) draws our attention to the early attempts by France to introduce some form of accounting in its former colonies. Prior to the second wave of accounting modernization in France in 1957, the earlier version of the Plan Comptable General was exported to former French colonies. This effort to institutionalize the French accounting system in French territories outside France only achieved modest results in these countries owing to several reasons. First, there was a wide variation in the ability of elites to understand and apply the system. In consequence, a varied application of the accounting system existed in nearly all the 17 member countries of former French colonies. Second, the level of economic development and the usability of the system varied among member states. Whereas other states such as Cameroon was in a relatively advanced economic development stage, others such as Mali, Niger and Chad were still struggling to organize formal business traditions where the system could be useful (Elad, 1992).

Owing to these discrepancies, the 1947 accounting plan did not achieve any results. In consequence, member states of the Customs and Economic Union of Central Africa (UDEAC) in 1967 initiated moves to develop an accounting system capable of serving the accounting needs of the economically integrated region. By January 1968, member states had gathered momentum about the development of the new accounting system and a general conference to discuss this system was held in Niamey (Niger). At this conference, the general secretary was tasked with the responsibility of setting a strategy and a schedule to achieve the development of the plan. By 1969, the OCAM commission produced drafts of the accounting plan with the help of French accounting consultants and academics (Claude Pérochon). Claude Pérochon was very instrumental in the development of the OCAM accounting plan and remained an important personality throughout the evolution of accounting standardization in former French colonies. This draft received overwhelming support from government departments, private sector representatives and accounting and business law regulators. In October 1969, member states met in Yaoundé (Cameroon) at a conference of national statisticians of the OCAM countries to deliberate the potential impact of the OCAM accounting plan on national income accounting (Elad, 1992, p. 82). In January 1970, the Heads of States of member countries were invited to a summit to review and officially adopt the OCAM accounting plan. This plan become the first official accounting system in member countries and Cote d'Ivoire subsequently adopted the first OCAM accounting plan (Degos, 2013).

The OCAM accounting plan was a modified version of the French accounting system, Plan Comptable General (PCG). It later became known as the overseas version of the Plan Comptable General (Elad, 1992, p. 87). Nevertheless, over time, practical applications of the plan among member countries were as varied as the earlier version of the 1947 PCG in France that was widely diffused among member states of French West Africa. These variations emanated from the fact that individual states cheery picked the components of the plan that was suitable to their economic environment. In Cote d'Ivoire, Ivorian accountants aligned accounting practices closely with legal practices so much that the charts of accounts did not have statistical implications.

The diffusion and adoption of the French Accounting System to its overseas territories prompts us to think about the diffusion of international policies especially from developed countries to developing countries not just as a top-bottom approach, but rather through an assimilative approach where receiving countries of the diffusing practice can apply themselves to fit into local environmental conditions. In the context of this research, when compared to Anglo-Saxon channels of diffusing accounting systems to former colonies, the accounting standards of France was diffused in a loose manner allowing countries to edit, modify and recombine French standards to meet the local conditions of the economic environment. In consequence, only the basic principles of charts of accounts from the PCG diffused while the ideas of economic usefulness of the diffusing standard were combined with local rules and norms to create systems fitting to the local circumstances. By contrast, the British Accounting Systems have often diffused in a wholesome manner with little or no room for modifications.

6.4 Great Accounting Revolution in French West Africa (Pre-1993)

The introduction of the OCAM accounting plan in the 1970s as a regional accounting system for all the member states of the region did not stop the proliferation of different accounting practices in the region. In fact, while it was originally designed to prevent the use of different variants of French accounting standards in the region, it was soon realized that many countries continued to borrow directly from the original versions of the 1947 French accounting plan. Furthermore, though many member states held membership to the regional community in harmonizing institutions across the region, domestically, their laws did not permit them to apply the directives of the regional organization. For instance, some member states did not have an accounting system in place prior to the passing of the OCAM accounting plan. This void allowed accounting practitioners to apply any accounting system it deemed reasonable, but mostly borrowed from the evolving versions of the French accounting plan. By 1982, a group of countries from within member states of the OCAM, abandoned the OCAM plan of the 1970s and adopted the French version of the 1982 Plan Comptable General (Moussa, 2010).

In parallel, business law, taxation and macroeconomic policies were in disarray. Most countries in the region continued to apply variants of the French accounting plan of 1947 resulting in increased heterogeneity among member states. By the early 1990s, these heterogeneous practices had drawn the attention of lawmakers in the region and efforts began to emerge to reorganize business practices. By 1991, these concerns had crystallized into action when Finance Ministers from member countries agreed to attend a forum to discuss a possible solution (Moussa, 2010, p. 66). In April 1991, the Council of Ministers of Finance of the 16 member states at a meeting in Ouagadougou (Burkina Faso) agreed to harmonize business practices across the region creating one of the largest harmonization initiatives in Africa. On October 17th 1993 at a meeting in Port Louis (Mauritius), this agreement transformed into a treaty and was signed by fourteen member states[18] establishing the Organization pour l'Harmonization en Afrique des Droit des Affaires or the Organization for the Harmonization of African Business Law (OHADA) (Bourque, 2002). The aim of establishing the OHADA was to harmonize and unify business law, create a Supreme Court for business arbitration and to establish regional training centres for the training of court officials and judges (Muna, 2001).

As a component, accounting standards were integrated in the OHADA system to create a uniform financial reporting system. Interviews show that as early as 1991, there were talks among members of the economically integrated community in West Africa called

[18] The fourteen countries which were initial signatories included; Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Comoros, the Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Mali, Niger, Senegal and Togo. Later, two signatories were added from Comoros and Guinea Bissau making 16 countries. At present, there are seventeen member states of the OHADA.

the West African Economic and Monetary Union (UEMOA)[19] to create an accounting system that will move away from the OCAM accounting plan but which fit in with the general macroeconomic environment of its member states. In a bid to integrate banking systems, create a regional stock market, and maintain a sound currency system (CFA Franc), the UEMOA invited French accounting scholar Claude Pérochon [20] who for many years had helped develop French accounting theory and had sold more than 3 million copies of his work in accounting textbooks to the French accounting community in Africa. Professor Pérochon was no new face to the French West African accounting community. In fact, in 1976, he took his first teaching appointment in Cote d'Ivoire and Cameroon, was instrumental as a consultant for the French Overseas Development Corporation, and helped disseminate the French model of accounting throughout West and Central Africa (Colasse & Durand, 1994). In other parts of French overseas territories, he maintained the same importance to the development of accounting systems often building new accounting standards from the scratch with influence from French accounting theory (Degos, 2013). In North Africa for instance, he engineered the creation of the Moroccan accounting standards in 1986. In other French-held island territories such as Reunion, he successfully designed their accounting standards and engaged in the teaching of these standards to accountancy students. In Madagascar, Claude Pérochon later became an instrumental person in the design of diploma curriculums for Certified Public and Financial Accountants.

More importantly to the discourse of this dissertation, Claude Pérochon was the brainchild for the development of accounting standards in Cote d'Ivoire. After five years of statistical studies on the OCAM accounting plan and its impact on national income accounting, the Ivorian government was unconvinced that the OCAM accounting plan could deliver the reporting needs it planned. The Central Bank of the WAEMU needed a more robust, rigorous and sophisticated accounting plan than that of the OCAM. In consequence, they turned to Professor Pérochon who had earlier on been involved in the development of the OCAM accounting plan and was instrumental in the development of the accounting education curriculum for Certified Public and Financial Accountants for the WAEMU members. His work for the Ivorian government set the stage for the further development of accounting standardization in not just Cote d'Ivoire but the entire French West and Central

[19] Members of the West African Economic and Monetary Union include; Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo
[20] For interesting further reading on his contributions to the development of French Accounting Theory, see (Cabello, Sekulova, & Schmidt, 2008)

African countries. During this time, it came to be known that accounting reforms were needed to replace the OCAM accounting plan (Degos, 2013).

6.5 Dual Accounting Standards in West Africa (1991-2000)

In much of Africa, the French colonized a substantial part of West, Central and North Africa assimilating these countries with French traditions, institutions and artefacts. Some of these institutions such as education, banking and legal systems remained in the form of the Napoleon era receiving no reforms even after independence from the French although such institutions were modernized in France.

Regional integration became a common phenomenon in the 1960s with many French colonies forming economically integrated Unions to foster economic cooperation. As discussed in chapter three of the dissertation, these regionally integrated communities furthered the diffusion of French institutions across member states. In the field of accounting standardization, the search for an optimal accounting standard had often originated from such quarters in French West Africa. Two of such blocks were the Central African Economic and Monetary Union (CAEMAC) and the West African Economic and Monetary Union (WAEMU see description above). The CAEMAC[21] established a sub-continental economic union in the form of a central banking system of the Bank of Central African States (BEAC) and a common currency code-named CFA Franc of (XAF) in Central Africa. The WAEMU on the other hand formed an economic union backed by a common currency (CFA Franc) of West Africa with parity guarantee from the French government. It also formed a common central bank, the Central Bank of West African States (BCEAO) abolishing local central banks in each member country but maintaining only branch offices. In addition, the WAEMU also abolished all smaller stock exchanges in member countries to create the Bourse Régionale des Valeurs Mobilières SA (BRVM).

These differences in regional perspectives between the West and Central African economic unions created a chaotic application of the OCAM accounting plan. To solve the problem, each economic union began to standardize accounting practices. The CAEMAC initiated an ambitious accounting reform programme in 1993 as part of the harmonization initiatives of business law in the region. In the following two years, WAEMU under the auspices of the Central Bank of West African States (BCEAO) also initiated an accounting reform programme named Système Comptable de l'Ouest Africain or (the West African

[21] CAEMAC comprises member states of Central African origin including Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea and Chad.

Accounting System (SYSCOA) in 1995. In both reform programmes, it soon became evident that the expertise of Professor Pérochon would be quite useful but would create a conflict between the two economic unions. From the start to the end, he played an important role in the design, writing and pedagogical aspects of both accounting plans (Degos, 2013).

Figure 39: Economic integration as a driver of diffusing accounting standards. [22]
Source: Authors own Creation

By the mid-1990s, both accounting reform programmes were on-going revolving around the work of a famous French accountant. He was concerned that his role in designing accounting standards for two economic unions would create ethical problems. Nonetheless, it later came to be known that in fact both unions had endorsed him as the leading expert with the capability of delivering a modern accounting standard that will fit the economic needs of both parties. As he joggled in between these two jobs, he received an overwhelming endorsement from the French Ministry of Finance to carry on his dual mission in Africa. By 1998, he had completed the project on SYSCOA although he had started the OHADA project two years prior to winning the bid to commence work on the SYSCOA project. Citing administrative bureaucracies in the hierarchy of accounting standardization in OHADA that had to confer with member states throughout the project phase, he only managed to complete the OHADA project in 2000 (Degos, 2013).

[22] This map shows the divide in economically integrated communities in French West. While they remain separate on the level of macroeconomic and central banking, together, the form the Organization for the Harmonization of Business Law in in Africa (OHADA)

Figure 40: Inter-Regional Arrangements on Accounting Standards Setting in SYSCOA-OHADA.
Source: Authors Own creation

On March 24, 2000, talks were in place between the CAEMAC and the WAEMU to harmonize the two systems of accounting standards. These talks became action when a harmonization committee was established with an agreement from all 16-member states of the OHADA. In consequence, the two systems were merged to create the SYSCOA-OHADA accounting standards that became mandatory for adoption by all member states. In essence, the two accounting standards were no different from each other. A certain factor for their resemblance is that they were both written by the same person with a French driven theoretical perspective of accounting in these countries.

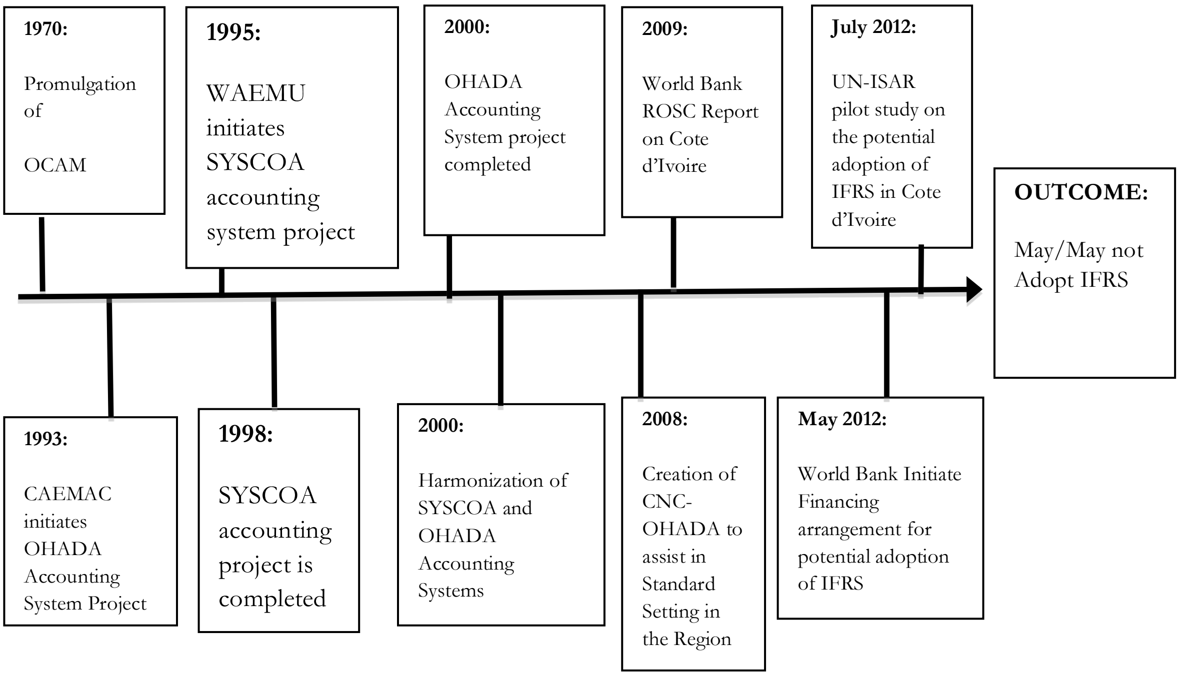

Figure 41: Timeline of Accounting Reforms in Cote d'Ivoire: *Source*: Author's own compilation

6.6 Proliferation of Anglo-Saxon Accounting Standards in Cote d'Ivoire

In present times, Cote d'Ivoire has thrived on SYSCOA-OHADA standards and has continued to voice their willingness to maintain their status quo (Interview IVC 1 & IVC 5). Why change something if it is not broken? Institutional change can be necessitated by chaos, anarchy or total failure in the current system. When the status quo proves to be stable, it is difficult to institute change and to convince actors of the need for such a change. Since SYSCOA-OHADA was introduced in the year 2000, accountants in the member states of OHADA have maintained a consistent momentum in implementing the standards. Unlike the case of the OCAM accounting plan that had varying degrees of application from member states, SYSCOA-OHADA has proved to unify accounting practices across the region. In consequence, the wave of International Financial Reporting Standards (IFRS) in Africa has had only modest impact on accounting practices in Cote d'Ivoire (Interview IVC 2).

To refresh our memory, it is best at this stage to repeat the aim of this chapter. Why has Cote d'Ivoire not adopted IFRS despite the pronounced economic benefits associated with the standards? From a theoretical angle, one could quiz the rationale for the country's decision not to adopt IFRS despite the mounting pressure from the Bretton Woods institutions such as the World Bank, IMF and the UN-ISAR to do so. This chapter explores these questions by examining the institutional arrangements of the country that does not support the introduction of IFRS as a replacement of the SYSCOA-OHADA accounting standards.

To begin with, accounting standards in Cote d'Ivoire occupy less economic significance in attracting foreign direct investments. The work of Martor et al, (2004) show that Cote d'Ivoire's approach at attracting foreign direct investments has been through small blocks of investments in the agricultural sector. More generally, in the absence of a large stock market that can attract foreign direct investment through the purchase of equity shares of listed companies on the BRVM, it places accounting standards and corporate governance rules in a secondary role as compared to the case of Anglo-Saxon countries with large equity markets. Moreover, investors' entry into the Ivorian economy has been through the informal sector, which currently accounts for more than 50% of the country's gross domestic product (Interview IVC 5). In consequence, business law has been designed with little investor protection rights in perspective but geared towards small and medium sized companies (Interview IVC 5). In contrast, IFRS are designed for large corporations with equity listed on stock exchanges and public accountability obligations. In consequence, actors have repeatedly questioned the usability of the IASB standards in a country such as Cote d'Ivoire that has only 38 listed companies, 18 banks and 21 insurance companies and a large informal sector (McMillan, 1995).

International accounting standards may have a global appeal for obvious reasons. Nevertheless, it is important to eco the usability of the standards in the context of Cote d'Ivoire. To be clear, for which sector or group of companies are IFRS designed for? In Cote d'Ivoire and much of the rest of French West Africa, over 80% of businesses are in the hands of the informal sector with most business transactions undocumented. While it is arguable that documentation of business activity by all sizes of companies is desirable, the cost of documenting business activity is a disincentive for business owners to do so. IFRS has little or no prospects of delivering a short-term solution to meet the reporting needs of these micro entities in Cote d'Ivoire. In contrast, the SYSCOA-OHADA was specifically designed to meet the socio-economic needs of not only Ivoirian companies, but extends to all the 17 member states. Accounting standard-setters are less inclined about the introduction of IFRS. As an interviewee puts it;

> IFRS does not give us more information than we already have in SYSCOA-OHADA and we are not motivated to adopt IFRS. More than 80% of the companies are in the informal sector i.e. Small and medium size entities and microenterprise. The question is who will pay for the adoption of IFRS by these smaller companies? The other problem is that, IFRS is too complex. (Interview IVC 5)

Institutional arrangements in Cote d'Ivoire present distinct challenges which diminish the real value of adopting international accounting standards. One of such institutional challenge is the close link between financial reporting, taxation and business law. This close link between taxation and macroeconomics is an inheritance from the French accounting system. Tax law in Cote d'Ivoire requires companies to pay taxes based on the taxable profit accounted for using SYSCOA-OHADA accounting standards. In consequence, foreign companies that operate in the country are confronted with dual reporting system of IFRS and SYSCOA-OHADA. A typical case of an IFRS reporter in the region is the French oil giant Total S.A. The company has maintained a dualistic reporting system to meet the obligation of tax payment based on SYSCOA-OHADA. While large corporations such as Total S.A can bear the cost of preparing dual accounts, smaller companies in the country would be unable to meet this demand. By contrast, in Anglophone countries, the direct adjustment of IFRS based financial statements to meet tax obligations reduces the burden on adopting companies and therefore does not present a challenge for their adoption.

Accounting standard setting in Cote d'Ivoire is organized around the accounting standardization initiatives of the OHADA secretariat. While each country's accounting standardizing body may monitor the application of accounting standards, they rely on the regional accounting standard-setter to pronounce accounting standards. In December 2008, the Council of Ministers created a regional accounting standard-setting body to coordinate the issue of new accounting standards among member countries. In consequence, de Commission de Normalisation Comptable OHADA (CNC-OHADA) was created to assist the Council of Ministers in their accounting standard-setting initiatives. The function of this regional accounting standard-setter is to collate the views of all the local accounting standard setting bodies in member countries and propose new accounting standards to the Council of Ministers. Apart from the CNC-OHADA as a regional accounting standard-setter for the 17 member states, Cote d'Ivoire also belongs to a sub-regional accounting standard setting body within the space of the West African Economic and Monetary Union (WAEMU). In 1997, this body was established by the central bank of the WAEMU to assist with the implementation of the SYSCOA accounting standards. Out of this process, the du

Conseil Comptable Ouest Africain (West African Accounting Council CCOA) and the du Conseil Permanent de la Profession Comptable (Permanent Council of the Accounting Profession CPPC) were created to complement accounting standard setting in the 8 member states of the WAEMU.

These institutional arrangements of accounting standard setting of Cote d'Ivoire has the advantage of aiding the diffusion of international accounting standards in that, it could be used as a channel to diffuse the standards from a central point to all the member states of the OHADA. Contrary to this logic, it has served as a blockage to the adoption of IFRS by individual member states. Interviewees express this concern in Cote d'Ivoire when they argue that;

> Cote d'Ivoire is not alone in this space of the WAEMU. We cannot adopt IFRS without consulting the others and the Permanent Secretary. The West African Accounting Council must decide (Interview IVC 4). You must know that here in Cote d'Ivoire, the decision to adopt IFRS or not, does not come from the country but from the WAEMU commission, which is in Ouagadougou (Interview IVC 2). The West African Accounting Council is the highest accounting standardizing body, which must agree on accounting principles before they are adopted by member countries. This structure slows down the decision making process. (Interview IVC 3)

In 1997, the WAEMU commission passed a resolution to establish local National Accounting Council in all the 8 member states. In 2003, these National Accounting Councils were created and the Le Conseil National de la Comptabilité (CNC) or the National Board of Accountancy (CNC) Cote d'Ivoire was established under the Ministry of Economy and Finance. The CNC-Cote d'Ivoire is responsible for accounting standardization issues in the country and represents the country at the regional level of the West African Accounting Council (See diagram below).

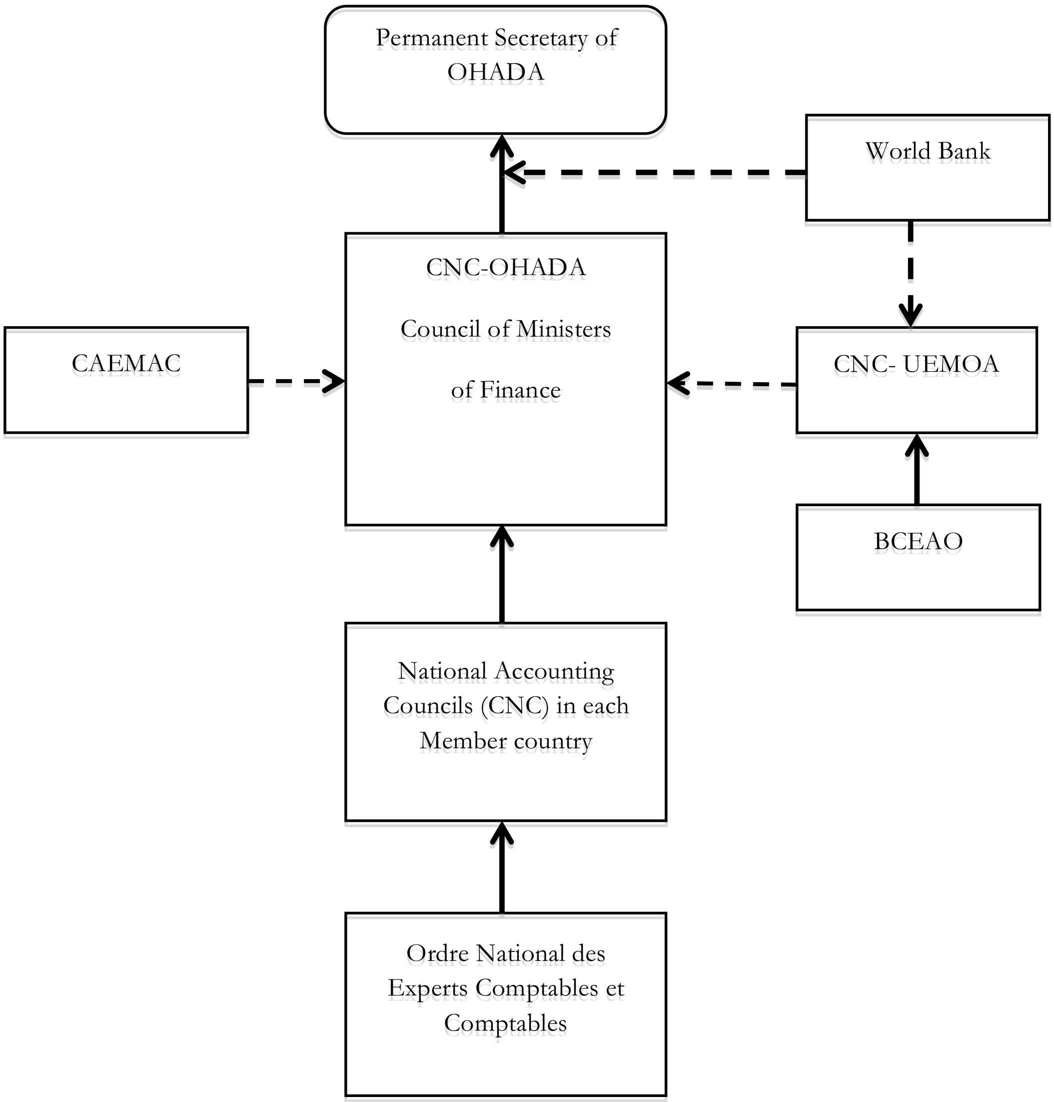

Figure 42: Accounting Standard Setting Structure in OHADA. *Source:* Authors own creation

In summary, the above discussion highlights the institutional arrangements that are barriers to the adoption of IFRS in Cote d'Ivoire. As we may come to see in the next section, actors have continued to exert pressure on Cote d'Ivoire to adopt IFRS often doing so with financial incentives but have had limited success. I will now discuss the process of engagement with the World Bank and the United Nations-ISAR to persuade actors in Cote d'Ivoire to adopt IFRS.

6.7 Neo-institutional perspective of IFRS (Non) adoption in Cote d'Ivoire

After several failed attempts from international financial institutions to get the Ivorian government to adopt IFRS as a replacement for national and regional accounting standards, the case of Cote d'Ivoire uncovers important institutional dynamics in the governance structures of global financial reforms across national borders which seems to limit the diffusion of Anglo-Saxon accounting standards into the country. Institutionalized forms of governance constructed by IFIs can only be successful if local institutions prove to be a fit in accommodating reforms. Where institutional frames are constructed differently, the ability of IFIs to obtain favourable responses from policy makers to adopt international standards remains limited. In this case study, I present the synthesis of results of how actors view IFRS in the Ivorian economy and how institutional barriers limit the diffusion of IFRS in French West African countries.

6.7.1 When Coercion fails: Attempt at introducing IFRS in Cote d'Ivoire

The World Bank and its partner institutions have maintained the same momentum at diffusing the standards of the IASB in much of Africa. Though it has achieved some success in the context of Anglo-Saxon countries, it has yet to achieve any successes in much of Francophone Africa. Since independence and throughout the economic history of Cote d'Ivoire, the country has been a significant partner of the World Bank, the International Monetary Fund, and the United Nations Trade Division and is home to the African Development Bank (AfDB). From the very beginning in the 1960s when the relationship between the Ivorian government, the World Bank and the IMF started, there was a strong influence by these institutions on the economic progress of the country. In lieu of this, Cote d'Ivoire became one of the largest borrowers from the Fund and became the first country to introduce Structural Adjustment Programmes (SAP) in the region (Klaas, 2008; Lavelle, 1999, 2001). From the 1980s onwards, the Fund and the Bank maintained a strong link with the Ivorian state often pushing for economic reforms most of which were unsuccessful which eventually increased the economic problems of the country (Interview IVC 3).

The strong position of the Fund and the Bank at influencing policy reforms in Cote d'Ivoire has only been limited to macroeconomic issues. In the field of accounting governance, the Fund and the Bank's efforts to influence financial accounting reforms have been met with fierce resistance from accounting standard-setters. More subtly, this resistance emanates from a cultural perspective and the traditional view of the use of financial reporting standards (Interview IVC 3 & 5). While the Bank and the Fund have tended to pursue neo-liberal strategies of economic development and governance (Harrison, 2004) and allocating capital in the hands of the private sector (Graham & Annisette, 2012), the Ivorian economy has for decades relied on the public sector as the engine of its economic future. In consequence, modernization of accounting governance systems to reflect global trends of accounting standards is viewed by accounting practitioners as a divergent strategy.

In 2009, the World Bank and the IMF conducted a ROSC study on Cote d'Ivoire and concluded that, just as in many cases of its ROSC studies in other developing countries (Andrews, 2013) that, the SYSCOA-OHADA accounting system was out-dated and had not been modernized since it was first adopted in 2000 (See ROSC Report Cote d'Ivoire, 2009). This lack of modernity in the accounting system in Cote d'Ivoire had resulted in substantially lower quality of financial reports in the country (Klaas, 2008; Lavelle, 2001). The Bank and the Fund, jointly proposed accounting reforms in not only Cote d'Ivoire but across member states of the OHADA.

By 2011, the Bank mounted pressure on the country's OHADA secretariat reassuring accounting standard-setters of its willingness to finance accounting reforms in the region. A high ranking official notes in an interview that;

> Six months ago (six months prior to the date of interview December 2011), I was in Washington and they asked me how we were doing on IFRS adoption. Last week I was again in Washington and they asked me about it. I tried to explain and then they told me we have to decide now if we want to adopt IFRS or not….one of my students who now works for the Bank was asked to come and convince us to adopt IFRS, again I tried to explain our position. (Interview IVC5)

Nevertheless, the Bank continued its approach by exerting pressure on the country to adopt IFRS. It initiated a $US 15 million project aimed at improving the investment climate within the OHADA-region. The components of the project included the improvement of business systems, governance structures and financial reporting reforms to accommodate modern business practices. In particular, the project was geared towards the private sector with the aim of boosting their ability to attract foreign direct investments into the 17 member countries of the OHADA. The Bank allocated $US 6.4 million of the $US 15 million representing 42% of the project financing to the improvement of corporate financial reporting in the region. The grant application document indicates that;

> The objective of this subcomponent is to assist the OHADA Secretariat in adopting and implementing a new accounting uniform act that will comply with international standards and best practices. More specifically, the project will aim at (a) adopting the International Financial Reporting Standards issued by the International Accounting Standards Board for Public Interest Entities (listed companies, banks, insurance companies, and state-owned enterprises) and disseminating the new accounting standards, (b) reviewing and updating the OHADA Accounting System for small and medium enterprises, and (c) strengthening the human and technical capacity of CNC OHADA. Successful implementation of this subcomponent will achieve convergence with IFAC's SMO 7 (International Financial Reporting Standards). (WorldBank, 2009)

A sub-component of the project on improving corporate reporting in the OHADA region included the improvement of accounting standards. This component has a more specific objective of;

> Assisting the OHADA Secretariat in adopting and implementing a new Accounting Uniform Act that will comply with international standards and best practices. More specifically, the project will aim at (a) adopting the International Financial Reporting Standards issued by the International Accounting Standards Board for Public Interest Entities (listed companies, banks, insurance companies, and state-owned enterprises) and disseminating the new accounting standards, (b) reviewing and updating the OHADA Accounting System for small and medium enterprises, and (c) strengthening the human and technical capacity of CNC-OHADA (WorldBank, 2012, p. 17)

In view of this objective, the project allocated an amount of $US 2.5 million to finance the adoption of IFRS and to the review the current SYSCOA-OHADA accounting standards. While the Bank has been successful at pushing for accounting reforms in Anglo-Saxon African countries, actors in French West Africa have voiced concerns that these reform initiatives will only yield modest results. As intimated by one interviewee;

> The problem is World Bank. You know the World Bank does not go on the ground before initiating projects. The World Bank does not know exactly what they need. They have money as a result they are asking us to adopt IFRS. When I discussed with them on the issue of who would finance the cost of implementation, they said they do not know. However, adopt IFRS afterwards we see the next steps. (Interview IVC 5)

In 2012, the World Bank and the West African Accounting Council (CCOA) conducted preliminary IFRS training for professional accountants in the WAEMU region to familiarize accountants with the work of the IASB. The aim was to introduce IFRS to professional accountants and to get the accounting standard-setter to adopt IFRS, at least for listed companies on the BRVM (Interview IVC 3). At the time of conducting field research in Cote d'Ivoire, the West African Accounting Council had decided tentatively to adopt IFRS for the 38 companies listed on the stock market. However, this tentative decision is pending the approval of the Permanent Secretariat of the CNC-OHADA and the Council of Ministers who must approve or disapprove the decision by the West African Accounting Council (Interview IVC 4). Actors in Cote d'Ivoire argue that in the event of the CNC-OHADA and the Council of Ministers ratifying the decision to allow listed companies to adopt IFRS, these standards would only be voluntary and would have no legal basis (Interview IVC 2). When compared with the overall proportion of financial reporting entities, listed companies on the BRVM account for only a small fraction of gross domestic product of the country and form less than 10% of companies in Cote d'Ivoire. The majority of companies in the country will continue to apply SYSCOA-OHADA.

Another important actor in the international domain that has had contact with the Ivorian government with the aim of getting it to adopt IFRS is the United Nations Conference on Trade's Intergovernmental Working Group of Experts on International Standards on Accounting and Reporting (UNCTAD-ISAR). In July 2012, ISAR conducted a pilot study in Cote d'Ivoire with the aim of identifying the gaps in the accounting standards of the country and the inherent challenges in adopting international accounting standards. The study found that IFRSs were not in demand and are neither authorized nor recognized for preparing financial statements. In response, the UN-ISAR recommended the adoption of IFRS to the CNC- Cote d'Ivoire arguing that IFRS has the potential of boosting growth in the country (See UN-ISAR letter to CNC-Cote d'Ivoire).

While it is clear that international organizations are putting pressure on accounting standard-setters in Cote d'Ivoire to adopt international accounting standards, these actors have failed to recognize the institutional settings in the country that does not support the adoption of these standards. Cote d'Ivoire much like other French West African countries has a unique accounting ecosystem (Gray, 1998; Lee H. Radebaugh, Gray, & Balck, 2006) surrounded by a strong regional institutional framework that supports the integration of accounting standards into the macroeconomic structures. This setting combines law, economics and taxation to develop unique accounting standards that are multifaceted. In contrast, Anglo-Saxon accounting standards have thrived as standalone standards with little or no connection with other sectors of the economy. In consequence, the accounting system of SYSCOA-OHADA has proven to be a rather successful accounting standard in the region, which was developed to meet the microeconomic needs of member countries.

The case of Cote d'Ivoire adds to our understanding of how institutional coercive measures functions differently from what is often described in mainstream neo-institutionalism literature. While neo-institutional scholars assume a resource dependency relation works to the advantage of international organization in pushing to the fore economic reforms, few studies acknowledge that such pressures can only achieve the intended outcome if other institutional characteristics support the implementation of the policy. Furthermore, the work of Weyland (2006, p. 57) shows that while international financial institutions cannot physically coerce governments into actually adopting recommended policies as in a contractual situation, national governments turn to accept the financial assistance but fail in the implementation of such policies due to divergences between existing institutional frames and the diffused policy. In this case, Cote d'Ivoire has openly voiced concerns that, the recommendations of the Bank and the accompanying financial assistance to adopt IFRS may not achieve the intended results.

6.7.2 When normative pressures are weak. Case of IFAC Membership and Non-IFRS adoption in Cote d'Ivoire

The International Federation of Accountants (IFAC) has been a major platform for professional accountants to claim their legitimacy among global professions (Loft et al., 2006). When professional accountancy bodies seek membership at the IFRS, it is a general expectation that their professional status would be elevated from being considered a local institution into a global professional body. To become a member of IFAC, a local accounting body must fulfil minimum entry requirements by adhering to the standards, norms, codes rules and best practices as outlined in the membership obligation check list (Ahrne et al., 2000, p. 59).

The Ordre des Experts Comptables et Comptables Agréés de Côte d'Ivoire (OECCA-CI) i.e. the professional body for accountants in Cote d'Ivoire has been a member of the IFAC since 1999. Although not active, it has maintained its membership status at the IFAC level participating only in few meetings and regional programmes. The dormant state of the professional body of accountants in the country created institutional weaknesses in its structures to mobilize and comply with IFRS bylaws. In turn, the IFAC has remained silent about the non-compliance of the body in the adoption of international accounting and auditing standards. When members break rules, they are punished according to the set disciplinary criteria of the association through either fines, fees and in some cases expulsion from the organization. The IFAC, however, recognizes that in most cases the non-compliance of members to its bylaws are a combined result of two things; first, the adoption of IFRS in most countries and in Cote d'Ivoire in particular does not rest within the legislative space of professional accountants but rather the state. In the case of Cote d'Ivoire, the complex web of rulemaking within the framework; a regionally integrated community, inhibits the compliance with IFAC by laws by professional accountancy bodies. Second, IFRS adoption requires at minimum, professional capacity of member bodies to disseminate the standards among professional accountants locally.

Without the necessary legislative powers to adopt IFRS into local jurisdiction, professional accountancy bodies are able to persuade lawmakers about the potential benefits of adopting international accounting standards. Nevertheless, the assumption is only valid where professional accountants are familiar with the standards. The OECCA-CI lacks the technical capacity to persuade the national government in the adoption of IFRS to fulfil its membership obligations at the IFAC level. One plausible explanation is the sheer number of professional accountants in Cote d'Ivoire. When compared to the case of Ghana and Nigeria, normative discourses driven by the desire of professional accountancy bodies to meet their membership obligations provided a catalyst for professionals to persuade the state into adopting IFRS. In the absence of a strong normative institutionalization of the OECCA-CI, accounting reforms may occur in a limited form and remain only in the domain of standards that is familiar with local professional accountants.

6.7.3 The Role of Big Four Accounting Firms in the Adoption of IFRS in Cote d'Ivoire

International accounting firms operate in Cote d'Ivoire and are dominant in providing accountancy and audit related services to their clientele in the country. However, the role of the big four accounting firms in the diffusion of IFRS in Cote d'Ivoire has been different when compared to Anglophone West African countries. This sharp contrast rests on the idea that these firms operate as branch offices of their parent firm in France. A quick Internet search for instance show that KPMG Cote d'Ivoire operates as a sub-regional office to serve subsidiaries of their French based clientele[23]. As a result, the Big Four accounting firms in the region have not been active at engaging standard-setters and providing expert advice on the direction and development of global accounting standards as in the case of other countries.

Again, in the absence of these firms to support local jurisdiction in the adoption of the international standards, it is difficult to conceptualize how IFRS can be adopted. Furthermore, actors in Cote d'Ivoire have argued that, these large audit firms have tended to

[23] Founded in 2002, Auditeurs Associés en Afrique – KPMG Cote d'Ivoire (AAA-KPMG CI) is the result of the merger between KPMG France and Auditeurs Associés en Afrique, a professional firm representing KPMG. Established as a regional office to reinforce KPMG's presence and leadership in sub-Saharan French – speaking Africa, Auditeurs Associés en Afrique was one of the first professional services firms in Côte d'Ivoire and in West and Central Africa. Over the years, KPMG Cote d'Ivoire has grown in reputation and quality, delivering multidisciplinary services to both local and international organizations across various business sectors. We strive to work closely with our clients to help them mitigate risks and grasp opportunities. We are committed to delivering a consistent standard of service based on high-order professional capabilities, industry insight and local knowledge. We sustain and enhance the quality of our professional workforce through ongoing training and knowledge sharing within the KPMG network. KPMG Cote d'Ivoire is able to provide services in Cote d'Ivoire, Burkina-Faso, Mali, Niger, Guinea Conakry and Equatorial Guinea. See http://www.kpmg.com/africa/en/kpmg-in-africa/cote-divoire/pages/default.aspx

focus only on their multinational clients with significant business interest within the region rather than fostering accounting reforms. As argued earlier, the Ivorian economy, dominated by a large public sector and vibrant Small and Medium sized Entities are served by smaller local accounting firms who currently use local accounting standards for regulatory reporting purposes. In consequence, the Big Four accounting firms tend to concentrate only on multinational firms and do not engage with the local accounting community. This limits the cross fertilization of ideas between accounting standard-setters and the big four.

6.7.4 Professional Accountancy Certification Bodies in Cote d'Ivoire

As the dissertation has previously argued, the training and certification of professional accountants through the introduction of international accounting standards in the curriculum creates opportunities for the standards to diffuse among professional accountants in practice. The Instituant un Ordre des Experts-Comptables et Comptables Agréés or the Institute of Chartered Accountants of Cote d'Ivoire (OECCA-CI) is the oldest institute of chartered accountants in the WAEMU region. The institute has only managed to train only a modest number of professional accountants owing to the fact that accountancy training in the region is still connected to the French accounting education system.

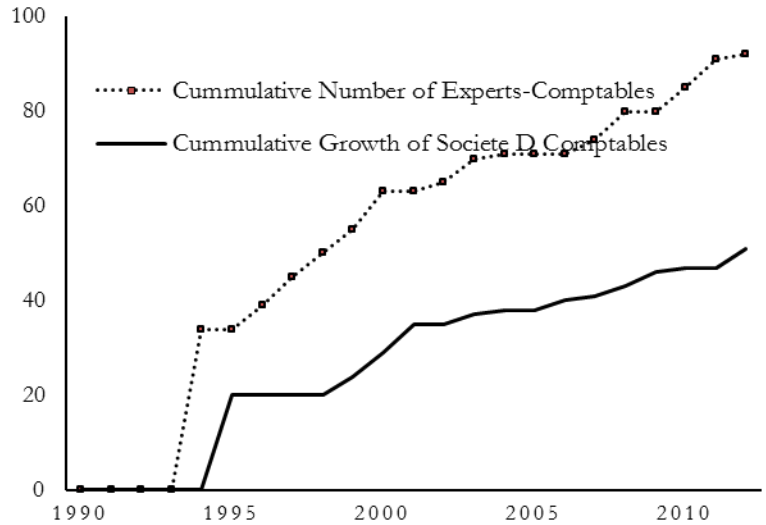

Figure 43: Cumulative Growth in Expert Comptable and Accountancy firms in Cote d'Ivoire

To obtain the designation of an Expert Comptable, i.e. professionally certified accountant, prospective entrants to the profession must complete the entire training and certification programme in France. The associated high costs of travelling to and studying in French Universities has discouraged many students from pursuing the professional certification. As one official puts it;

It is crazy. I had a student who went to France three times for the examination and the fourth time last year they refused him the entry visa. As president of the OHADA accounting Council, I explained to ministry of foreign affairs of France and the ministry allowed him to go. When he got to France, at the examination I saw him, I said, my friend how are you: he replied, my president thank you very much, it is because of you I am here to take my final exam. Later that day I saw that he got a good grade. After they published the results, he was successful and became an Expert Comptable. He came to thank me and I said you have to go to the Consular office at the French Embassy. Tell him that you are now an Expert Comptable. (Interview IVC 5)

These constant struggles in the training of accountants have contributed to the low production of accountants in French West Africa. The modest number of professionally qualified accountants in Cote d'Ivoire presents a challenge to the adoption of IFRS in the country. Moreover, these accountants have all obtained their professional qualification in France whose accounting curriculum is based on the French Accounting Plan. In consequence, IFRS are very new to Ivorian accountants and only viewed as accounting standards of the future. Actors have expressed such concerns suggesting that;

For us, IFRSs are for the future. We see it as a long-term goal 10-20 years from now when the economy will grow, more companies will enter the markets and many accountants trained in IFRS, then we can say we need IFRS in Cote d'Ivoire. (Interview IVC 3)

Proxy/Actors	**Coercive**	**Normative**	**Imitative**
World Bank ROSC Reports/UN-ISAR	✓		
IFAC Membership		✓	
Big Four Accounting Firms		✓	
Globally Active Accountancy Certification Providers		☒	
Regionally Integrated Economic Union			✓

Table 28: Institutional effects on IFRS adoption decision in Cote d'Ivoire. *Source*: Author's Creation

The institutional environment of Cote d'Ivoire is described as weak, fragmented and closed to external factors that can support the adoption of IFRS. In many respects, accounting standardization plays a limited role in the overall development plan of the economy. Although the state has been involved in defining clear accounting guidelines by specifically designing accounting standards to meet the macroeconomic needs of the country, institutional structures to support the implementation remains a challenge. A conceptual frame to view this from is to examine along similar lines as in the last two cases how the presence or absence of institutional arrangements helps in shaping the motivation of standard-setters to adopt international accounting standards.

At the macro-level, Cote d'Ivoire is the host country for the regional stock exchange (BRVM). The general expectation is that, countries with a capital market are more likely to consider the adoption of IFRS in line with literature on the economic determinants of IFRS adoption (Shima & Young, 2012). Nevertheless, the BRVM is dominated by multinational companies with origins linked to France (Lavelle, 2001). This has created the reluctance of state officials to push for the application of IFRS as most of the listed companies prepare their financial statements following IFRS for consolidated financial reporting purposes and using French Plan Comptable Generale, which resembles the OHADA accounting standards.

When compared with countries that have adopted IFRS, the country is relatively less developed than Ghana and Nigeria measured by GDP growth (see charts in section 3.7.3). Furthermore, a majority of its economy is in the informal sector with little or no use of applying international accounting standards. The colonial linkage between France and French West Africa continue to prove to be a barrier to the diffusion of Anglo-Saxon accounting standards in the country. Actors have viewed that, although French translations exist in international accounting standards, the conceptual problem of Anglo-Saxon thinking into accounting standards cannot be easily resolved by mere translation.

At the meso-level, the normative appeal to project local accountancy bodies to the global stage provides a weak link to the adoption of IFRS. Though a member of IFAC, Cote d'Ivoire is limited both technically and in resources perspective to participate at the global forum of professional accountants with the possibility of assimilating international norms that can be diffused among professional accountants locally.

Finally, the void created by the absence of globally active international accounting certification providers have caused a shortage of professional accountants locally, particularly in the area of training accountants with the standards of the IASB as required by the International Accounting Education Standards Board (IAESB).

Deterministic Characteristic of IFRS Adoption	Presence or Absence
Macro-Level	
Capital Markets	✓
Economic Development	☒
Anglo-Saxon Colonial Legacies	☒
English as Lingua Franca	☒
Meso-Level	
Membership to Global Accountancy Associations	✓
Active Accountancy Profession	☒
Activities of Globally Active Accountancy Certification Providers	☒
History of own accounting standardization organizations (OHADA)	✓

Table 29: Institutional Drivers of IFRS Adoption in Cote d'Ivoire *Source:* Author's own construction

6.8 Conclusion

It is puzzling as to why countries choose not to adopt similar policies of other countries even in instances where the policy has proven to perform relatively well. In this chapter, I examined why despite the claims by proponents of International Financial Reporting Standards (IFRS) that they produce economic benefits of attracting investments into local economies; Cote d'Ivoire has not adopted the standards. I explain this also from the point of view that actors from the international domain have failed in their use of pressure to convince standard-setters to adopt IFRS although similar pressures have been successful in other countries.

Cote d'Ivoire is relatively new to international accounting standards and would continue in this path at least for the next decade. The country has historically never engaged in accounting standard setting alone but has been involved at the regional level of French West Africa to develop specific accounting standards for the region. However, driven by French Accounting Plan; the Plan Comptable General (PCG), these standards are unique to the region owing to the majority of companies being small and medium sized companies. In consequence, the country is confronted with the question of usability of international accounting standards, which are designed with the objective of meeting the reporting needs of large companies listed on stock exchanges and has a public accountability perspective.

The case points to the fact that Cote d'Ivoire has not adopted IFRS owing to institutional barriers that does not allow the introduction of the standards. These institutional barriers include; regional accounting standardization authority which reduces the ability of one country to adopt new accounting standards without consultation with the regional accounting standard-setter, the low population of accountants in the country who can support the adoption of IFRS and the general lack of appeal of Anglo-Saxon accounting standards in French West Africa.

In consequence, actors from the international domain have made attempts at exerting pressure on accounting standardizers to modernize accounting standards in Cote d'Ivoire but have. The World Bank, IMF and the UN-ISAR has so far not achieved the aim of introducing IFRS in the country owing mainly to the institutional arrangements of accounting standard setting in the region. In addition, while professions matter for the proper understanding of international policies to be easily adopted and implemented into local jurisdiction, Cote d'Ivoire lacks the required professional capacity that can sustain the adoption process. Complementarily, the case shows that international accounting firms i.e. the big four accounting firms play a key role in diffusing the IASB standards worldwide. However, this is only true if these firms establish local links with accounting standard-setters.

7 Reconstructing Accounting Reforms in Liberia

7.1 Introduction

Literature on the diffusion of policies across national borders assumes the spread of certain phenomena, idea or innovation from one place do another with actors establishing the motivation for the reason of adopting such policies. On the one hand, policy adoption occurs motivated by the economic consequences of the policy in producing favourable economic outcomes higher than present policies. On the other hand, policy adoption is motivated by the social gains associated with adopting the policy such as the legitimation of professional status by accountants. Nevertheless, both motives for the diffusion of global standards neglects important sociological features that serve as necessary conditions for the diffusion of policies across national borders. Specifically the existence and full functioning of institutions such as professional associations, judiciary systems and economic units within nation states to support the adoption of IFRS are prerequisites without which policy adoption may fail.

In the last empirical chapter of my dissertation, I argue that the general break down of governance structures in post conflict societies accounts for the non-adoption of international accounting standards. The adoption of international norms, rules and standards however they are constructed, either motivated by the desire to reach technical efficiency or the quest to gain legitimacy from accounting standardizing organizations, is conditioned on the social structures present in the domestic economy.

The examination of my research question thus far has only considered in the context of stable democracies over the past four decades. Democratic governance ensures the propagation of laws, norms and standards and allows countries to engage in policy adoption discourses, which lead to a safe transfer of/diffusion of international standards. I now turn to an example of a West African country that has experienced significant political instability over the last forty years – Liberia. From the 1980s onwards, the country experienced a mixture of civil and military wars, which resulted in a complete breakdown of state institutions, governance structures and professions. In the post-war period, Liberia has begun to rebuild these institutions and has projected to adopt international standards in the future.

The chapter starts with a general historical account of accounting and financial reporting dating back to the colonial period in Liberia. It proceeds to examine how financial reporting and the associated governance institutions were destroyed during the war. I show how rebuilding the country for the future opens opportunities for the reform of accounting systems.

7.1.1 Brief Socio-Economic Profile of Liberia

In the history of European colonization of Africa, one country that has not surfaced in the account of historians is Liberia. The country emerged from a dispersed settlement to become a nation state in 1822 when a group of freed black slaves from North America settled in the West African coastal town of Monrovia to form the country Liberia (WorldBank, 2012, p. 49). Prior to the arrival of the North American settlers, the country was organized along the lines of ethnic social forms and agrarian modes of production that was communally based. In 1847, the mass education and organized nature of the North American settlers led to the declaration of Liberia as an independent Nation State..

Timeline	Political Event
1980	Samuel Doe overthrows and executes President Tolbert
1985	Doe wins rigged presidential election, survives coup attempt
1989	Charles Taylor's National Patriotic Front of Liberia (NPFL) invades Liberia
1990	INPFL splits from NPFL, assassinates Doe; ECOWAS peacekeepers deployed
1991	NPFL agrees to disarm and set up National Unity Government
1992	NPFL attacks peacekeepers, overruns Monrovia
1994	"Warlord agreements" incorporate NPFL and AFL in transitional government
1995	Abuja agreements signed and modified
1996	Fighting continues, spreads to Monrovia
1997	Taylor wins presidential and parliamentary elections
1999	Fighting spills over from Sierra Leone; Liberian rebels attack from north
2001	UN imposes arms embargo
2003	Fighting intensifies; Taylor flees to Nigeria; Interim Administration created; UN launches major peacekeeping mission
2005	Ellen Johnson-Sirleaf wins presidential elections

Table 30: Timeline of Political Regime Change in Liberia. *Source:* (Khafre, 1978)

7.1.2 Trajectory of the Liberian Economy (1950-2003)

From the 1950s onwards, Liberia experienced rapid economic growth rising to achieve significant economic growth rates in the mid-1960s. Between 1950 and 1962, real domestic product increased by approximately two and half times while exports increased from $28 million in 1950 to $ 67 million in 1962. The economic prospects of the country were clustered around increases in the exploration of iron ore, rubber and timber production attracting significant amounts of foreign direct investments notably from the United States and Asian countries such as Korea (Khafre, 1978). Around this period, government revenue increased more than 10 folds reaching $38 million from an insignificant amount of $3.8 million in 1950. Public expenditure could be financed from government revenues but were insufficient for the ambitious capital expenditure projects of the country such as roads, public buildings and power facilities. In consequence, the Liberian government turned to multilateral and bilateral borrowings to finance these infrastructural developments. Monetary stability was achieved through the continuing use of the United States Dollars in circulation, which also attracted foreign investors to the sound economic policies of the country (Cook, 2003).

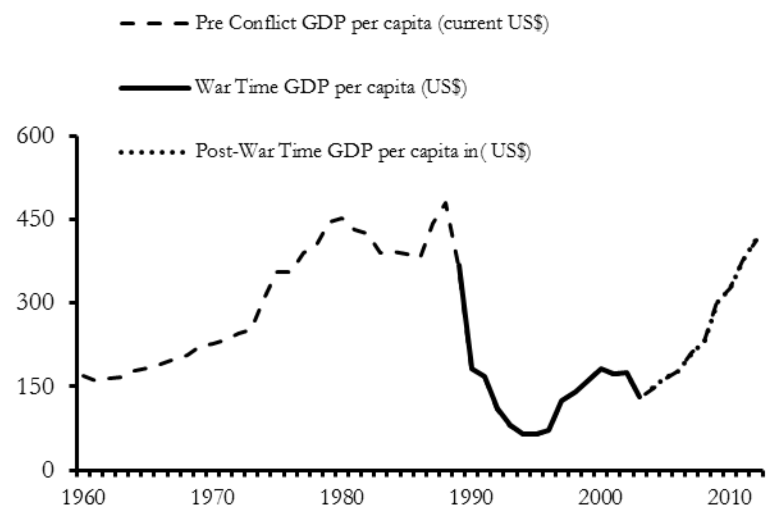

Figure 44: Liberia GDP per capita. *Source:* (WorldBank, 2014a)

In the mid-1960s, the Liberian economy began to have troubles owing to over-borrowing and falling rubber prices coupled with the huge expenditure for public infrastructural projects (Radelet, 2007). In 1962, Liberia joined the International Monetary Fund and the World Bank. Between 1975- 1984, the state began borrowing from the IMF on annual basis largely to refinance bilateral loans and financing market interest rates on borrowings through stand-by-arrangements. The situation deteriorated further resulting in a poor fiscal position eventually leading to an unsustainable accumulation of external debt from the IMF, World Bank, and bilateral and commercial creditors (Qureshi et al, 1964). By 1984, Liberia started accumulating arrears to the Fund and other creditors resulting in the IMF becoming the largest single creditor to Liberia.

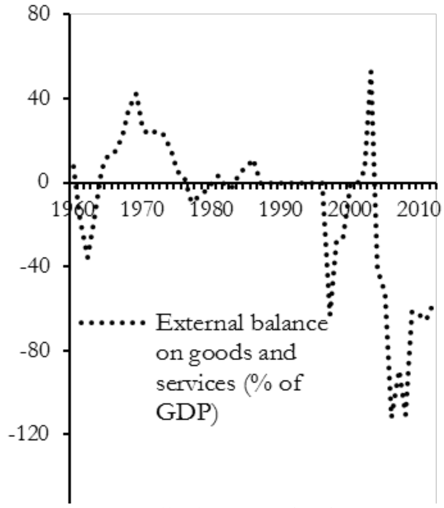

Figure 46: Liberia External Balance on Trade as percentage of GDP.
Source: (WorldBank, 2014a)

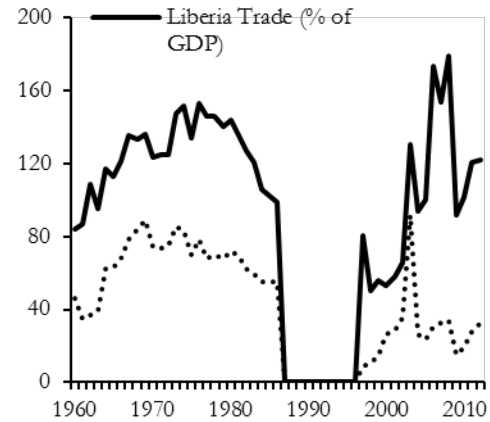

Figure 46: Liberia Trade metrics as a percentage of GDP.
Source:(WorldBank, 2014a)

External trade, export of goods and services primarily from the rubber, timber and iron ore industry began to plummet in the late 1980s widening public debt and significant defaults on bilateral loans by the Liberian government. This period coincides with the beginning of the first civil war in Liberia. During this time, the IMF and the World Bank disengaged their relationship with the Liberian government that had defaulted on its loan repayment obligations (IMF, 2003b). The crisis eventually led to a total collapse of the Liberian economy by the 1990s. In 2003, the relationship between the Fund and Liberia worsened when the Fund suspended the country and scrapped its voting rights as a member of the Fund stating that the country had been in continuous default in the repayment of credit facilities granted it since December 1984. The Fund also stated that the Liberian government had refused to implement policy recommendations from the Fund to strengthen their economy (IMF, 2003b; Qureshi et al., 1964).

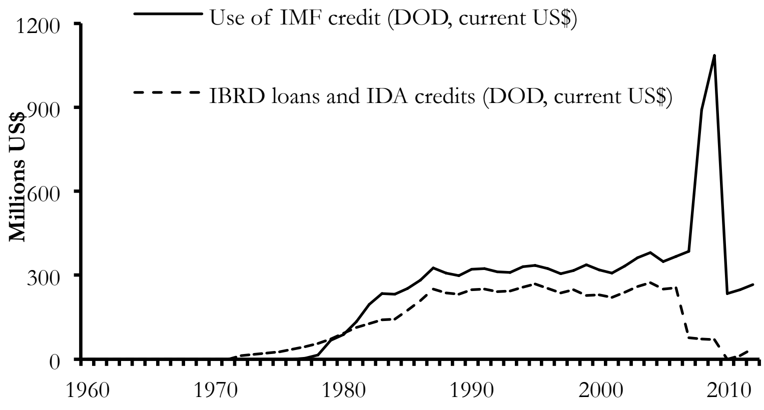

Figure 47: Liberia. Borrowing Relationship with IMF and World Bank.
Source: (IMF, 2003b)

The International Monetary Fund has consistently raised concerns about the weaknesses in the financial reporting structures of Liberia. In 2000, the Fund wrote that the lack of progress towards fiscal transparency and accountability to reduce the high incidence of corruption in the country accounted for; in part, the inability of the country to honour is debt repayments. These concerns were aggravated by the failure of the Liberian government to address the substantial governance issues pointed out by the Fund in the area of structural reforms (Radelet, 2007). Though not entirely blaming the Liberian government, the Fund admitted that Liberia remained in a trapped quagmire of domestic conflict, corruption and institutional neglect which destroyed institutional infrastructure needed to improve governance in the country (WorldBank, 2011b).

7.2 Colonial Historical Context of Accounting in Liberia (1933-1970s)

Accounting standard setting is at its rudimentary stage in Liberia. Though Liberia is perhaps home to the oldest Institute of Certified Accountants in West Africa (Interview LIB7), evidence suggests that Liberia has never engaged in accounting regulations, standardization and institutionalization of rules for professional accountants to follow in the construct of financial statements. As early as 1933, the North American settlers had imported the American model of accounting professionalization just like many modern institutions that diffused from the United States. The Institute of Certified Public Accountants of Liberia was established in 1933 and remained dormant throughout the years of its formation until the late 1970s when through an executive order issued by Samuel Doe, Chairman of People's redemption Council, the institute was revived and renamed the Liberian Institute of Certified Public Accountants (LICPA) (Interview LIB7).

The accountancy profession in Liberia has historically thrived on the combined efforts of few individuals who had an interest in inculcating into the Liberian society the value of "professional accountants" (Interview LB7). The idea that motivated these individuals[24] to form a local association of professional accountants in the 1930s was to secure the legitimate positioning of professional accountants among Liberian elites. In 1978, this motivation continued to inspire other individuals who did not want the accountancy profession to disappear from the Liberian society. In consequence, a group of young accountants who returned from the United States[25] led the way for the re-establishment of the LICPA (Interview LIB 7).

However, a combination of capacity constraints, lack of financial resources and the ensuing political unrest throughout the 1970/80s, made it impossible for the institute to develop the accountancy profession further in Liberia. Between 1987 and 1989, several efforts were again exerted at putting the accountancy profession in the limelight. In consequence, in 1987, the institute gained membership to the International Federation of Accountants (IFAC) (Mombo, 2013; WorldBank, 2011b). This new status of the Institute also made it a member of the Association of Accountancy Bodies in West Africa (ABWA). Nevertheless, the profession could not grow beyond this point because of the prolonged 14 year civil war which begun in 1990 (Interview LIB 7). During this time, many accountants and students who were preparing to obtain an accountancy qualification fled the country.

7.3 Accounting in Times of War (1980s-2003)

History of the nation of Liberia is intermingled with constant conflicts, both military and civil in nature (Dalton, 1965). Starting in 1944, conflicts ensued following discontent among the citizenry for the lack of social amenities, widespread poverty and the political

[24] The pioneers and founding fathers of the Liberian Institute of Certified Public Accountants included, A.K Jefferies Adorkor (a Ghanaian), Jr., C. Robert Campbell (Liberian); William N. Ross (Liberian); J. E. Sawyer (Sierra Leone); J.W. Babor (Ghanaian).

[25] They included, Wreh Darbge (an accounting academic at the University of Liberia), Francis B.S. Johnson (an accounting academic) John Bestman (a prominent Liberian businessman who served as Minister of Finance in the 1990s and later as Governor of the then National Bank of Liberia- the predecessor institution of what is now called Central Bank of Liberia) Ellen Johnson Sirleaf (Served as President of the Liberian Bank for Development and Investment and later as Minister of Finance and now the President of the Republic of Liberia)

domination of Americo-Liberians in the country (Khafre, 1978). By 1980, these conflicts intensified leading to a military coup led by Samuel Doe, which ushered in a decade of authoritarian rule and significant human right violations. By 1989, Charles Taylor launched an assault on the Doe regime succeeding in taking power and returning relative calm in 1997 when elections were held. Between 1990 and 2003, these conflicts intensified leading to the longest civil wars in Liberia. Charles Taylor intensified his holding of the country's leadership and was fiercely resisted by a newly formed rebel group called the Liberians United for Reconciliation and Democracy (LURD). In consequence, Taylor supported a rebel group in neighbouring Sierra Leone and engaged in several human rights violations (Sola-Martin, 2011). In 2001, the United Nations imposed sanctions on Liberia, aggravating the economic problems confronting the country.

In response to the deteriorating civil war in Liberia, the international community engaged first at the regional level of the Economic Community for West African States (ECOWAS), supported by the United Nations with the aim of ending the civil war. As a first response, the ECOWAS deployed troops in the form of The Economic Community of West African States Monitoring Group (ECOMOG). The ECOMOG subsequently established the ECOWAS Mission in Liberia (ECOMIL) to improve the security situation and calm tensions between the two-rebel groups and to establish a peace treaty in Liberia.

Complementary to these efforts at ending the civil war in Liberia, several aid agencies established networks in Liberia to provide relief aid. Documentary evidence suggests that between 1993-1997 alone, the United Stated became the largest single donor country to Liberia contributing US$ 139 million closely followed by Germany US$ 88 million (Cook, 2003). These aid packages came in the form of Official Development Assistance programmes from international donors such as the United States Agency for International Development (USAID), the National Democratic Institute (NDI), International Foundation for Election Systems (IFES) (Chalk, 1967, p. 12).

In 1998, the suffering of most Liberians could not go unnoticed by the international community. As a result, an emergency meeting of international donors was held in Paris to devise solutions to alleviating the pains of Liberian refugees and those displaced by the civil war. At this meeting, NGOs and funding organizations jointly agreed to raise awareness of and funding for Liberia (Walraven, 1999). Liberia subsequently became the second largest aid recipient in Africa and went on to become the largest single recipient of Aid from the

United States accumulating some US$ 444.5 million aid from the U.S. between 1990 and 2001 (See chart below)(Radelet, 2007). During this time, it is unclear how accounting, accountability and financial reporting for resources from international organizations were constructed. However, a good proxy to gauge how aid agencies constructed accountability of the aid provided is to reference the country of origin of the aid. Financial reports were prepared using guidelines developed by the United States Agency for Development Assistances (USAID) for financial reporting purposes to the providers of the aid (Interview LIB 7).

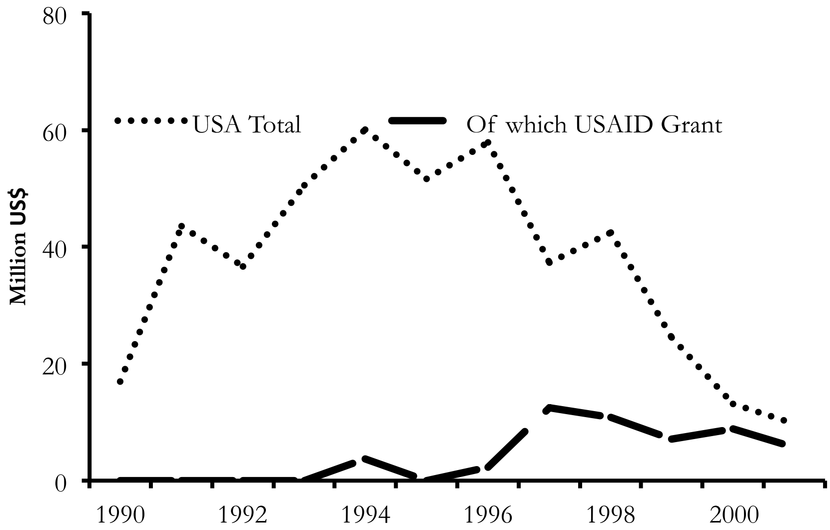

Figure 48: United States Aid to Liberia during civil war from (1990-2001) *Source:* (Cook, 2003)

During the prolonged civil war in 1990s, most professionals including lawyers, economists, doctors and accountants fled the country to neighbouring English speaking countries such as Ghana, Nigeria and Sierra Leone. Pre-war times, the population of accountants in Liberia numbered about 250 (Mombo, 2013). As one official recalls;

> During the war, nearly all accountants that were members of the LICPA fled the country to neighbouring countries while others who had obtained their professional accountancy certification from the United States returned to practice their trade there. In post war period, only 20 of these accountants returned to Liberia. (Interview LIB 8)

This development opens questions on how financial reporting in state institutions was conducted in ensuring accountability. With fewer qualified accounting personnel, record keeping in government ministries was non-existent (Interview LIB 1), state spending unaccounted for and government borrowing from international organizations and bilateral countries sky rocketing (Cook, 2003).

Large international accounting firms that had significant operations in Liberia following the increase in the influx of multinational corporations in the natural resources sector of Liberia closed their offices and exited the market (WorldBank, 2011b). Notably, PricewaterhouseCoopers (PWC) Deliotte and Touché, Pannel Kerr Foster (PKF) and Baker Tilly, which were physically present in Liberia pre-war periods, closed their offices, as it was no longer safe to operate under those conditions (Interview LIB 7).

The exit of these accounting firms from Liberia raises questions on the type of audit practices that ensued over the period of the civil war in Liberia. Even so, the presence of these large accounting firms in Liberia did not contribute to the development of accounting professionals in Liberia. Instead, the practice of these large accounting firms further subdued the growth of the profession in the country. Interview materials from the field show that, these firms were made up of expatriate accountants mainly from the United States and the United Kingdom. At the time, local Liberians were not allowed to practice audit in these firms and could only work as clerks (Interview LIB 7). By the late 1980s, records show that only two indigenous Liberians worked for these large accounting firms as assistant accountants (Mombo, 2013).

7.4 Accounting in Times of Peace (2003-2011)

By 2003, the civil war in Liberia came to an end following the forced exile of Charles Taylor to Nigeria under pressure from the international community. In 2005, official elections were conducted and Ellen Johnson Sirleaf became the first female president of Liberia (Cook, 2003). She inherited a broken economy that was debt ridden with few professionals to assist with in the rebuilding of the country. By 2006, Liberia's external debt portfolio had reached an estimated staggering amount of US$ 3.7 billion which was about 800 per cent of its Gross National Product and 300 per cent of its national exports (Mombo, 2013). Much of this debt accrued during the war periods under the leaderships of Samuel Doe and Charles Taylor. The Doe administration especially took on more debt, which it stopped paying in the 1980s resulting in the excessive accumulation of interest costs (Hill, 1987). About 45% of this debt (US $1.6 billion) was owed to multilateral agencies, primarily the IMF, World Bank and the African Development Bank (AfDB) and about 25 per cent was owed to bilateral creditors and the remaining 30 per cent to commercial creditors (Sola-Martin, 2011) (see table below).

Post-war periods, Liberia initiated steps to rebuild the country by first requesting a debt forgiveness programme from its creditors. It applied to join the Heavily Indebted Poor Countries Programme (HIPC) and the Multilateral Debt Relief Initiative (MDRI) and was granted several debt reliefs including supplier's credits. These two programmes provided a framework for a comprehensive approach to reducing the debt burden of Liberia. Bilateral countries also took steps aimed at reducing the overall debt of the country. Most bilateral country relationships resulted in a 100 per cent debt write-off. The United States, Germany, the United Kingdom and China all announced a 100 per cent debt relief for the country. By 2010, the country benefited from a full debt relief programme by the World Bank, the IMF and other international donors. The IMF and the World Bank's International Development Association (IDA) supported a US$4.6 billion debt relief package for Liberia of which US$1.5 billion was delivered by multilateral creditors while bilateral and commercial creditors delivered the remainder. In addition, the HIPC initiative ensured that Liberia was eligible for a nominal debt reduction of US$66.9 million from the International Development Association (IDA) and a further US$17.2 million from the African Development Bank (IMF, 2003a). The IMF also supported Liberia with a US$173 million debt relief while the European Union contributed a special debt relief of US $0.9 million (see table below).

In the post-war periodization of Liberia, accounting did not change much and remained in the hands of a weak regulatory field of the Liberian Institute of Certified Public Accountants (LICPA). With a limited private sector, weak public sector and the dominance of aid and development agencies in the country, the demand for the services of professional accountants was minimal and limited to the preparation of accounts for international organizations (WorldBank, 2011b). The LICPA constrained with fewer accountants who returned to Liberia in the post war period struggled to resuscitate itself to grow its membership. As at 2003, evidence suggests that only 20 accountants returned to Liberia after the war (Mombo, 2013) and by 2010, only 40 accountants were members of the LICPA of which 23 were engaged in public practice although only 7 operated with practice licenses (Radelet 2007, p. 10). As at March 2013, there were 24 professional accountants in public practice in the country (LICPA, 2014).

Liberia External Public Debt (2001-2005)
(In million od U.S dollars)

	2001	2002	2003	2004	2005
Total Stock Outstanding	**2964**	**3051**	**3364**	**3735**	**3659**
Multilateral Institutions	**1313**	**1390**	**1572**	**1672**	**1611**
IMF	621	668	739	784	740
World Bank	407	422	499	539	530
AfDB	206	220	250	262	255
IFAD	19	20	20	21	21
OPEC Fund	21	22	22	23	23
BADEA	18	18	18	18	18
EIB	13	15	18	20	19
ECOWAS Fund	4	4	4	4	4
European Union	2	2	2	2	2
Bilateral	**721**	**689**	**792**	**1028**	**955**
Paris Club	633	612	729	894	833
United States	317	313	325	332	358
Germany	137	112	205	250	232
United Kingdom	63	60	46	91	76
Japan	68	78	80	90	56
Denmark	10	12	24	28	17
France	8	6	12	16	16
Italy	6	7	9	57	51
Norway	9	9	12	14	9
Sweden	9	9	9	9	9
Other	6	6	7	7	10
Non-Paris Club	79	77	63	134	122
China	28	27	10	10	8
Kuwait	9	9	10	10	7
Saudi Arabia	25	24	26	26	18
Taiwan	17	17	17	88	89
Commercial	**882**	**915**	**943**	**977**	**1033**
Suppliers Credit	**56**	**57**	**57**	**58**	**60**

Table 31: Post-War Public Debt of Liberia. *Source:* (Steven Radelet, 2007)

Grappling with these challenges of conflicts, political instability and a declining economy, the governance structure of financial reporting in Liberia has not received enough attention from the state nor has the international donor community highlighted enough the importance of financial reporting in Liberia. The state has historically not involved itself in matters of accounting standardization and has left it largely in the hands of accounting professionals to determine their mode of governance. In consequence, the accounting profession in Liberia has had a weak regulatory support to organize themselves in a form that can demand legitimacy from the state either through legislation or formal recognition (Interview LIB 7).

Following the restoration of political stability, accountants have begun organizing themselves to regain their professional status rendering accountancy services to clientele mainly from international organizations, banks, financial institutions and state departments (Interview LIB 4). Since 2006, there have been efforts to revive the accountancy profession through the training of more accountants in Liberia. These efforts have come mainly from a few individual accountants who returned in the post-war periods and have begun practicing as accountants. As a first step, the LICPA has negotiated with the ICAG for the former to assist the latter in the training of accountants in Liberia. In consequence, the two institutions have been working together to develop an accountancy qualification curriculum in line with those of the Institute of Chartered Accountants Ghana where students from Liberia can obtain the Ghanaian accountancy designation to qualify as an accountant in Liberia (Interview LIB 7)

Concurrently, private firms such as banks and financial institutions have also hired professional accountants to assist in the in house training of accounting personnel in their companies (Interview LIB 6). Although there is an attempt on the part of the LICPA to limit the number of expatriate accountants from practicing in Liberia to avoid the incidence of where the profession is dominated by foreigners, the institute recognizes that there is a significant limitation in the supply of skilled labour for accountancy related services (WorldBank, 2011b).

To conclude on the historical development of financial reporting in Liberia, it is fair to argue that post-conflict societies differ from other developing countries in that, state institutions that can support the development of financial reporting is often missing or dysfunctional. More so, important institutional arrangements such as professional accounting associations and professional certification organizations that support the development practice of accounting rules are often inoperative. As shown in the last section of this chapter, the effort to rebuild these institutions presents an opportunity to conceptualize accounting reforms as part of the overall economic reform programme of Liberia.

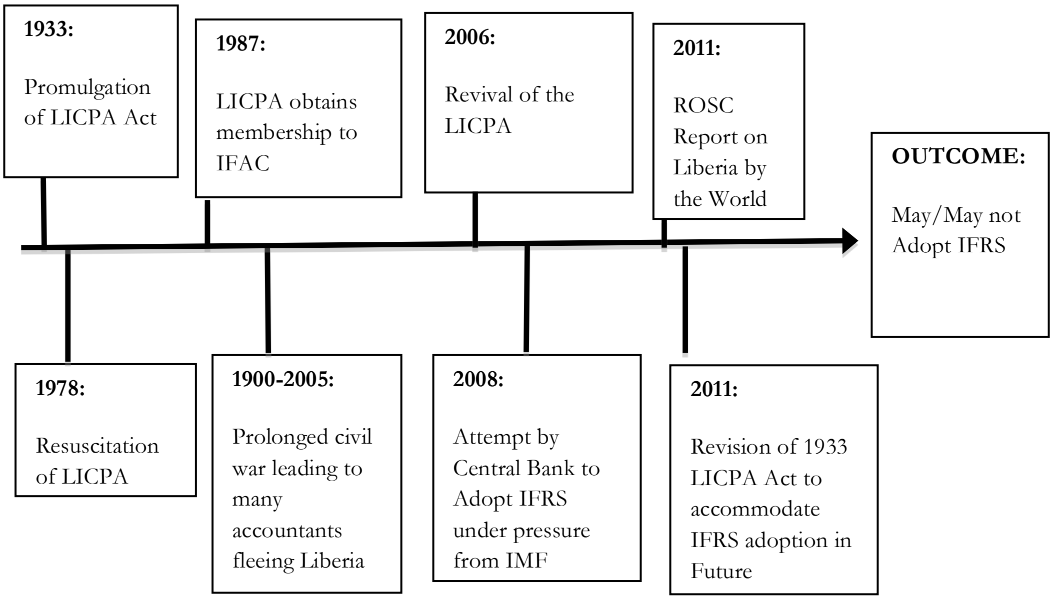

Figure 49: Timeline of Accounting Reforms in Liberia.
Source: Authors own construction

7.4.1 Attempt at adopting IFRS in the Central Bank of Liberia

The Central Bank of Liberia maintains a strong relationship with Bretton Woods's institutions in an effort to stabilize the Liberian economy. Notably, the International Monetary Fund is a strong economic partner to the Central Bank of Liberia (IMF, 2003a). In 2006, the IMF through its partnership assessment programme of the fiscal and financial policies used by the CBL conducted an audit and safeguard assessment at the request of the Liberian Central Bank governing board. The audit report recommended among others the adoption of IFRS pursuant to international best practices to maintain global stability and to engage in auditor rotation as recommended by the International Federation of Accountants (IFAC). The Central Bank Board as per the recommendations of the IMF assessment team decided that the CBL was willing to transition to IFRS in 2008 (Interview LIB 3).

By the end of 2007, the Central Bank of Liberia had made some progress towards transitioning to IFRS. In its annual report for 2007, the bank noted that it had begun implementation of IFRS and was expected to complete the compliance process by the end of 2008 (Central Bank Liberia, 2011). In parallel, the CBL had gained knowledge of IFRS implementation through the College of Banking Supervisors in the West African Monetary Zone (WAMZ) (Oshikoya et al., 2010). At the College of Banking Supervisors meeting in Sierra Leone, the West African Monetary Institute urged all Central Bank governors to adopt the rules of the Banking Stability Board as recommended by the Bank for International Settlements (BIS) (WAMI, 2012). In consequence, the CBL governor was poised to implement IFRS in the Central Bank and welcomed the idea from the International Monetary Fund when the Fund recommended the implementation of the standards (Interview LIB 3).

The Central Bank of Liberia completed the implementation process and published its second year financial statements prepared based on IFRS in 2009. It further made progress towards the achievement of all the pillars of Basel II and risk based banking supervision as recommended by the IMF. In 2010, the Central Bank announced following another recommendation from the IMF that it would from 2012 onwards require all banks and IFRS. Yet, at the time of conducting fieldwork in Liberia, the banking regulator had achieved only modest success in this regard (Interview LIB 3 & 7). It established a Roadmap Committee to assist banks in the adoption of IFRS. The aim of the committee was to provide guidance to the six banks in Liberia to implement IFRS. At present, the Central Bank projects that, by April 2014, all banks in Liberia would transition to IFRS. As at the time of writing, it is still unclear if the banking sector would be able to meet the timeline proposed by the banking regulator in the adoption of IFRS.

7.5 Future of Accounting Standardization in Liberia (2011-2015)

Accounting standardization and reporting is bound for a change in Liberia. In the last three years, individuals with the aim of revitalizing the accountancy profession have begun to work towards the development of a comprehensive review of accounting policy in the country. These initiatives, though from few individuals, have received support from the state and international organizations with the aim of structuring the accountancy profession in a way that would support future national development. One of such initiatives is the rebranding of the Liberian Institute of Certified Accountants (LICPA) to train professional accountants to support the development agenda of the country.

In 2011, at the request of the President of Liberia, the World Bank conducted a ROSC study in Liberia and concluded that the LICPA lacked the required capacity to train qualified accountants to support public practice (Interview LIB 3). It further concluded that there were no institutions in Liberia with the legal mandate to set accounting and auditing standards. These findings highlighted the lack of institutions that would support the adoption of international accounting best practices as recommended by the Bank. In consequence, the Bank recommended to the Liberian government to adopt international accounting and auditing standards (WorldBank, 2011b). It offered to finance the capacity building processes needed to implement the recommendations of the ROSC study. In consequence, the LICPA in 2012 entered into a Twinning Partnership Project with the institute of Chartered Accountants Ghana (ICAG) for the latter to mentor the former until maturity. As a financier for the project, the World Bank has been working to support stakeholders in accounting education in Liberia to train adequate accounting personnel required for the country to adopt international standards on accounting and auditing. The banks extended this support to the University of Liberia accounting college to train professors and academic teaching staff on modern accounting standards and skills transferable to accounting students.

In parallel, the LICPA has revamped the 1933 accounting act ditching it in favour of the new 2011 *Accounting Act* (Republic of Liberia, 2011). This Act gave the re-established LICPA the mandate to standardize accountancy practices in the country marking the first wave of accounting standard setting. Section 9(2) (5) provides that, the LICPA General Council shall maintain the right to "determine, issue and ensure the relevance of professional standards including accounting, auditing, other assurance and ethics standards taking due consideration of the needs of users of financial statements''(Republic of Liberia, 2011; WorldBank, 2011b).

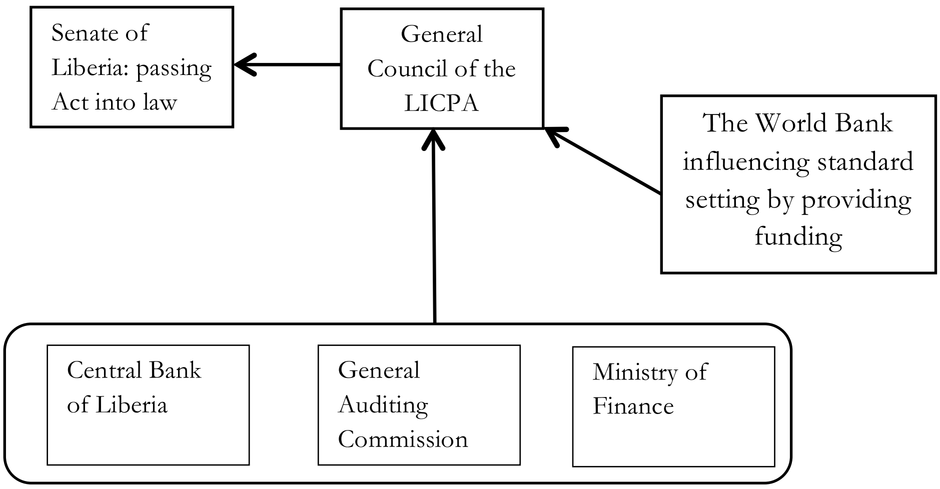

Figure 50: Structure of Accounting Standard Setting in Liberia.
Source: Author's Own Construction from LICPA Act, 2011

The LICPA has made significant progress towards the potential adoption of IFRS in future. In 2012, it redrafted its bylaws incorporating international standards similar to those in the international periphery. The bylaws will in future grant the LICPA the authority to enforce international standards on accounting, auditing, ethics and accounting education as issued by international bodies such as the IASB, IFAC and the IAESB. Section 4 (4.1) of the LICPA bylaws states that, the accounting standards to be followed in Liberia shall be those issues by the IASB. The LICPA has tentatively set a date of 2015 for the adoption of IFRS for all private sector and public interest entities subject to the ratification of the bylaws by the Governing Council and the Senate. If passed into law, Liberia could pronounce its interest to adopt IFRS in future.

Despite the overwhelming interest of the LICPA to adopt these standards, the institute and the World Bank recognizes that the adoption of IFRS will not be successful if the country is unable to train adequate accounting personnel with full knowledge of the standards to provide guidance for the implementation process. Moreover, the country faces a significant governance gap of lack of adequate institutions to support the adoption process. State institutions such as well functioning compliance departments, tax authorities, revenue mobilization organizations, securities regulators, insurance regulators are at their rudimentary stages and unable to support the implementation of these standards.

In concluding this section, it is useful to recall my main research question on why some African states have not adopted International Financial Reporting Standards (IFRS) despite their pronounced economic benefits and calls by international organizations to do so. In the context of Liberia, the non-adoption of IFRS is nested on two main accounts; firstly, the country emerged from two prolonged civil wars which lasted nearly two decades. In consequence, its institutions, economic and social structures to support the adoption of these standards have been destroyed. To adopt these standards, Liberia must engage in significant development of state institutions to support the implementation of IFRS. Secondly, despite its overdependence on the international donor community, the coercive pressures exerted by these institutions cannot materialize due to the lack of institutions to support the adoption process. Most importantly, the notion of professions playing key roles in policy adoption manifests itself in the context of Liberia. With less than 25 professionally qualified accountants, it is open to debate as to whether Liberia has the capacity to adopt these standards.

7.6 Neo-institutional perspective of IFRS (Non) adoption in Liberia

I now turn to the theoretical exposés of the chapter. I apply the conceptual analytical framework developed in chapter three to analyse how financial reporting and standardization is conceived in Liberia and how actors interact in the decision to conduct accounting reforms.

In chapter two, the dissertation explored the notion of institutional economics of policy innovation adoption in developing countries, which is premised on the assumption that policy innovations appeal to nation states owing to the embedded economic benefits. Holding all other things constant, this assumption should drive developing countries to adopt policies that promise to deliver economic gains leading to poverty reduction. Thus, the economic explanation for the diffusion of international policy innovation across national borders anchors on the notion that social characteristics such as institutional forms, governance structures and goal congruence among and within social clusters cannot adequately explain the adoption of policy innovations from abroad. On the other hand, from a new institutional theoretical standpoint, the adoption of policy innovation from elsewhere is dependent on social pressures existing in the ecosystem of the adopting country.

While both arguments find merit and favour among classical and neo-institutional scholarship, they both fall short of explaining policy adoption in the absence of basic institutional structures that accommodates policy innovations. To investigate this argument, I examined a case of a post conflict society in an attempt to show that while it is beneficial for such countries to adopt international policy innovations to foster rapid national development, the non-existence of important social institutions that shapes the policy adoption spaces limits the spread of policy. On account of neo-institutional arguments of institutional isomorphic pressures, it is argued that these pressures can only manifest if basic institutions are present in the local economy.

Accounting standards setting has received little or no attention for actors both locally and from abroad. Interviews show that, following accounting rules from the onset have only been voluntary and restricted to multinational corporations operating in the country. In the pre-war periods, multinational corporations such as Fire Stone International operating in Liberia prepared their local financial reports based on United States accounting rules and brought in accountants from abroad. Over time, accounting standards of the United States diffused among only a limited number of elites in the country. Nevertheless, the lack of state demand for accountability through the regulation of accountancy practices created a void in the promulgation of accounting rules in Liberia.

7.6.1 When coercion hits a brick wall: Case of accounting standardization in Liberia

A fine proxy to measure coercion in institutional theory is through resource dependency relationships. As noted by Simons and Elkins (2004, p. 10) coercion can be applied in various ways from the subtle to the overt; through the threat or use of physical force, the manipulation of economic costs and benefits and even through monopolization of information and expertise. The underlying assumption here is that coercion involves power asymmetries that strong actors exploit to impose their preferences for policy change on the weak. While the literature is quite clear (considering the power relation between the strong and the weak to infer policy adoption) it does not question whether weak actors can accommodate policy changes even if strong actors are successful at inducing policy adoption.

The Liberian economy thrives on the resource dependency relationship with leading international organizations. More than 50 per cent of its national budget is supported by international organizations and donor agencies such as the European Union, USAID, United Nations and the United States government. Nevertheless, these resource dependency relations between the Liberian government and the international donor community have not been constructed to include the adoption of International Accounting Standards as a conditionality in receiving continuing support from these organizations. Instead, the focus of the donor community has been to rebuild basic social infrastructure such as schools, improve health care and education. These investments from donors in the reconstruction of institutions in Liberia have shifted from the governance of financial reporting to focus on general macroeconomic management. As stated in the IMF report of 2002;

> In this context, efforts, beginning in 1997, to reconstruct and rehabilitate Liberia's economy were of critical importance. Assistance from the international community to Liberia during 1997-2000 was substantial and played a key role in supporting the resettlement of large numbers of refugees and internally displaced persons. Official grant inflows during this period are estimated to have totalled over US$300 million-about 14 per cent of GDP on average. In addition to resettlement and emergency food aid, donors helped finance the rebuilding of schools and clinics, restored civil aviation, facilitated the revival of smallholder farming, and provided technical assistance and training in a number of key sectors. These efforts allowed for a substantial economic recovery, with annual GDP growth averaging an estimated 24 per cent during 1998-2000. Smallholder agriculture, rubber production, and forestry all registered substantial increases in activity, generating income, employment, and government revenue (IMF, 2002, p. 7)

The international donor community acknowledges that there are significant deficiencies in the important institutions that must function to restore economic stability. Nevertheless, IFRSs are of less importance among the reconstruction of the Liberian economy. In 2010, the LICPA independent of the Liberian government applied for an Institutional Development Fund (IDF) grant from the World Bank to rebuild the capacity of the institute in view of its plan to revive the accountancy profession. The Bank granted an amount of U.S $ 463,150 to assist the institute in the redesign of its training certification programmes. As a component of the grant request, the Bank states among conditions that the LICPA must fulfil stated in the grant application;

> Part 2: Implementation of International Accounting and Auditing Standards and Training: Provision of technical assistance foe the dissemination of international accounting and auditing standards as well as training of trainers on the said standards with the aim of developing a pool of competent technicians and professionals (LICPA, 2010).

However, interviews with actors on field indicate that, although the Bank have shown commitment to support the country in the adoption of IFRS, this process will most likely not be successful until there are enough qualified accountants in country.(Interview LIB 5). This empirical exemplification of power relations in the diffusion of innovation reminds us of the work of Weyland (2005. p .32) who show that though international organizations command important means of influence, especially strong economic incentive and painful sanctions to push for accounting reforms, these pressures are only ever successful if local institutional structures can support the diffusing policy innovation.

7.6.2 Normative Institutional pressures in the absence of a "Profession". The case of Liberia

As argued elsewhere in my dissertation, normative institutional pressures are a direct result of professions and expert who via legitimacy seeking channels adopt innovative policies as a signal for a collective identity. The idea of international prestige associated with professional standards, ethos and rules of best practices appeal to professionals in the local domain and who aspire to gain recognition either internally from other members of the same profession or from other well established professions.

The historical examination of the accounting profession in Liberia shows that, professionalization of accountancy services on started at the advent of the arrival of multinational firms in Liberia. Chalk (1967) account of the entry of Firestone Inc. into the Liberian economy in 1927 marked the era of the diffusion of professions to Liberia. In consequence, a group of persons who had all studied in the United States and returned to the country initially established the LICPA in 1933. However, due to constant political instability, the institute only survived on paper (Mombo, 2013). From 1978 onwards, efforts to rebuild the accounting profession failed. In the early 1980s, an attempt to rebuild the institute was successful leading to the attainment of membership at the IFAC level in 1986.

Nevertheless, the advent of civil and military wars since the late 1980s led to the fleeing of professional accountants from Liberia. In peace times, the profession has struggled to regain its legitimate status first within the Liberian populace and second to at the global stage through the renewal of its membership with the IFAC.

Proxy/Actors	Coercive	Normative	Imitative
World Bank ROSC Reports/UN-ISAR	✓		
IFAC Membership			✓
Big Four Accounting Firms		☒	
Globally Active Accountancy Certification Providers		☒	
Regionally Integrated Economic Union		☒	

Table 32: Institutional effects on IFRS adoption decision in Liberia. *Source*: Author's Creation

A recapture of the institutional environment of Liberia and its characteristics to support the adoption of international accounting standards is useful at this point. As explained in the other three country's case studies, the accounting institutional environment is driven by macro-level and meso-level institutional variables. At the macro-level the adoption of IFRS is supported by the existence of a sound capital market that utilizes these standards to regulate the financial reporting of companies listed on the stock exchange. In the context of this research, Liberia currently does not have a local stock exchange and does not have plans of establish one in the near future. It is a relatively less developed country and the fourth poorest country in the top 15 poor countries in Africa. Though the country is familiar with Anglo-Saxon models of institutions and norms that diffuse to developing countries, Liberia's encounter with international accounting standards is limited only to the US. At the meso-level, Liberia's accounting profession is relatively undeveloped and still at its infancy with very few professional accountants. Moreover, accounting certification providers do not operate in the country. I show these deterministic features of the financial reporting environment of Liberia in the table below.

Deterministic Characteristic of IFRS Adoption	Presence or Absence
Macro-Level	
Capital Markets	☒
Economic Development	☒
Anglo-Saxon Colonial Legacies	✓
English as Lingua Franca	✓
Meso-Level	
Membership to Global Accountancy Associations	✓
Active Accountancy Profession	☒
Activities of Globally Active Accountancy Certification Providers	☒

Table 33: Institutional Drivers of IFRS Adoption in Liberia *Source:* Author's own construction

7.7 Conclusion

Adopting international financial reporting standards occurs where a variety of social institutional structures that interact to support the adoption of the standards are present. In the absence of basic social institutions such as professions, laws, statutes, regulatory frameworks to support the implementation of the diffusing policy, it is difficult for anyone to conceive how the diffusing practice can be adopted locally. The case of Liberia helps us conceptualize the notion adopting international accounting standards in a post conflict society that emerged from a prolong civil war with broken to non-existing social institutions.

The findings presented in this case show that, neither the economic logic of policy diffusion nor the neo-institutional perspective on policy diffusion would prevail in explaining why some developing countries have not adopted IFRS. Instead, it draws compelling evidence that the breakdown of social institutions explains why Liberia has not adopted IFRS. Its shows that even if policy makers can rationally determine the sign value of adopting IFRS as proposed by classical institutional scholars, a significant limitation in the form of institutional capacities to implement the standards militate against their adoption. Furthermore, neo-institutional notion of isomorphic pressures may fail to manifest in the absence institutions to support the adoption of the standards.

8 Synthesis and Comparative Outlook: To Adopt or Not to Adopt IFRS?

What can we learn from the empirical analysis of case studies on the motives for the adoption of IFRS? How do we interpret the causal mechanisms in the diffusion and adoption of IFRS in developing countries? To what extent do actors influence the process of adopting IFRS? In addition, what role do they play in the decision making process of adopting IFRSs? How about countries that have not adopted the standards, what explains their decision not to adopt them in spite of economic benefits associated with them? This chapter analyses the empirical results of the case studies discussed in the last four chapters.

I open this comparative chapter with a recapitulation of the main research questions and the theme of the dissertation. I then proceed to address two contrasting theorization of the motives for the diffusion of international norms to local jurisdictions. The chapter then draws on the case studies discussed in chapter 4-7 to tease out the two alternative theoretical explanations for the adoption of IFRS in Africa. As a first step, I explore what we can learn by comparing similar cases (Ghana and Nigeria) and by exploring the similarities and differences between two countries that adopted the standards between 2008 and 2012. I apply the same analytical approach developed in chapter three to examine how institutional characteristics in the accounting environment help explain the outcome of IFRS adoption. The chapter proceeds to apply a similar comparative approach to the case of countries that have not yet adopted IFRS despite economic benefits from them. It compares the case of Cote d'Ivoire and Liberia and show how institutional deficiencies can contribute to the slow diffusion of international policies from the global to the local even in the presence of projected economic inflows from such policies. In concluding the chapter, I compare the case of IFRS adoption to the case of non-adoption and discuss the notion of how and why policies diffuse across national borders.

8.1 Comparing IFRS Adopters in West Africa

The dissertation set out to examine the motivation for the adoption of international financial reporting standards in Africa. What accouts for the diffusion IFRS in Africa? which actors matter in the decision to adopt IFRS? How do actors construct their actions and policy choices in the the adoption process? Classical institutional theory interpret the actions, behaviors and decisions of policy makers in the adoption of policy innovation from abroad to mean that, the search for economic improvements drives the diffusion and adoption of policy innovations. On the other hand, neo-institutional scholarship on policy adoption points to the institutional isomorphic pressures as a source of policy diffusion in developing countries. My dissertation examines the adoption of IFRS in selected African countries exploring the implication of this contencious argumentation in institutional theory.

Additionally, it argues from a theoretical angle that policy adoption is anchored on the contested view that early adopters are motivated by economic gains while late adopters adopt purely in search of legitimacy. New institutional theoretical argumentation on policy diffusion emphasize that, social accounts of policy adoption is a pluasible explanation for the adoption of IFRS in most African countries. I discuss and show empirically that the prescription into categories of "early" and "late" adopters based on the motivation for their adoption is over simplified. Rather, an examination of the reasons for their adoption may provide useful insights into the rationale for policy adoption. I contrast the case of two similar but equally distinct countries that have adopted the standards and show how actors constructed motives for the adoption of IFRS.

8.1.1 Rational accounts of IFRS adoption in Ghana and Nigeria

It is increasingly difficult for policy makers to admit that their actions and policy choices are never rational but rather premised on the outcome of policy adoption choices elsewhere. Actors often defend policies they intend to adopt by proposing (un)observable economic benefits embedded in the policy arguing that the proposed policy will improve an already deteriorating situation, or better the status quo. In search of improvement to current problems, policy makers explore opportunities of multiple alternative policy innovations capable of delivering higher policy outcomes than what is currently practiced. In such instances, state action is often guided by basic concerns of the economic well being of the citizery and the desire to pursue options that will protect the collective insterest of the nation state. By doing so, this ideology ignors or puts to second place the legitmacy claims that can be gained by adopting policy innovations for abroad.

Contextually, the notion of international financial reporting standards as a means of improving financial reporting quality, improving financial statement comparability and removing barriers to global capital flow to local jurisdictions has been constructed as the major economic benefit of these standards. In many cases of IFRS adoption worldwide, proponents of the standards present these efficiency benefits as the most appealing reason countries consider adopting IFRS. In consequence, adopting countries have often premised their decision to adopt the standards on these percieved economic benefits. The case of Ghana and Nigeria has been no different. Actors in the arena of accounting standardization have argued that their decision to adopt IFRS is based purely on the econonics of IFRS. When asked why the decision to adopt IFRS was made, actors respond in the affirmative arguing that attracting foreign direct investments was the key motivation for adopting IFRS. In both countries, state officials, banking regulators, professional accountants and accounting regulators have argued that, global mobility of capital has become an important element in the development agenda of developing countries. Not adopting investor friendly policies is a signal that developing coutries will be unable to attract adequate foreign direct investments needed to stimulate economic growth.

While these perceptions on IFRS adoption are clustered around improving efficiency of capital markets, the actions of actors appear to be different and suggest rather differently, a more sociological mechanism to the adoption of IFRS. The quest for techinical efficiencies goes beyond the mention of intentions and translates into action and steps taken to reap the benefits of the policy so adopted. In contrast, policy makers in both countries showed no sign of initiative to reform accounting standards until external social pressures emergered in 2004 from the World Bank. I shall now turn to the discussion of these social pressures and how together they explain the action of accounting modernizers.

8.1.2 Social accounts of IFRS adoption in Ghana and Nigeria

I discuss a more plausible social explanation for IFRS adoption in the developing countries. Neo-institutional theorists account of policy adoption via isomorphic pressures of coercion, normativity and imitation contributes to explain IFRS adoption in developing countries. It is not my claim in this dissertation that in isolation, social accounts of policy adoption is the only explaination for IFRS adoption. However, I show that social account of policy adoption plays a dominant role in IFRS adoption than the economic school of reasoning on policy adoption.

8.1.3 Coercive Case of IFRS Adoption: World Bank ROSC Report (2004)

In chapter three of the dissertation, I provided a historical context of accounting standardization in developing economies trrigged by the joint ROSC project of the World Bank and the International Monetary Fund with a view to promote greater financial stability at both the domestic and international levels through the development, dissemination, adoption, and implementation of international standards and codes. In consequence, the Bank and the Fund have been at the forefront of accounting standard setting since the 1980s when it engaged with the Internationational Accounting Standards Committee (IASC) providing financial resources for the development of these standards. The main aim of the Banks support for the IASC standards was to fund the development of accounting standards that it could use as benchmark standards for developing country borrowers to apply in the preparation of financial statements. The account of Camfferman and Zeff (2007) show that the Bank was concerned about the accountability and transparency issues of developing country borrowers and was willing to finance the development of accounting standards that it could use to mitigate losses on the part of funds lent to these countries.

Consequently, the Bank provided funding to the IASC from the early 1900s onwards and have remained a strong patron in legitimating the use of these standards in developing countries of Eastern Europe, Latin America and Africa. It has often done so via conditional lending arrangements to its developing country borrowers whereby these countries would fulfil the adoption of the standards in return for financial resources for economic reforms. Sufficient evidence suggest that, the Bank has done so in many developing countries compelling actors and policy makers (Hassan et al., 2014; Tyrrall et al., 2007) to reform their accounting, auditing and financial reporting systems by replacing local accounting standards with those of the International Accounting Standards Board (IASB).

The ROSC project of the World Bank and the IMF was the main trigger for the adoption of IFRS in both Ghana and NIgeria. However, the Ghanaian accounting regulator took immediate action by kick starting the adoption process in 2004 while Nigeria waited until 2010 to begin the reform process. In the case of Ghana, the accounting regulator began to mobilize actors in the accounting standard-setting arena and sought financing from the World Bank to support the process. In 2009, the Bank provided resources by initiating a capacity building programme between the accounting regulator of Ghana and the Institute of Chartered Accountants of England and Wales (ICAEW) to support the Ghanaian accounting regulator via Training-of-Trainers (ToT) programmes on IFRS application. In contrast, the Nigerian accounting regulator initiated moves towards IFRS adoption following the introduction of an Economic Recovery and Governance Programme (ERGP) launched by the Nigerian government to improve accountability and transparency in both private and public sector via the elimination of corruption to attract foreign direct investment in Nigeria.

The programme was fully funded by the World Bank and included as a core component for the Nigerian accounting regulator to fully adopt IFRS.

Contrary to earlier arguments by accounting standard-setters that accounting reforms and the adoption of IFRS were constructed from an efficiency perspective, the two cases reveal that the involvment of the World Bank down plays these arguments and raises important issues regarding coercive isomorphic pressures often exerted by IFIs on developing countries to adopt international standards.

While it is evident that fewer financial conditions were attached to the ROSC study on Ghana and Nigeria, the offer of financial assistance to build capacity in order to adopt IFRS is sufficient proof that coercive isomorphic pressures from the Bank to both countries resulted in institutional changes in accounting reforms. Weyalnd's (2006.p.56) work on pension reforms in Latin America induced by IFIs stressed that whereas IFIs cannot easily force a country to adopt a specific policy model, exhortations to move in a general direction can yield results. One way of achieving this is to reshape their preferences via normative channels. IFIs promote policy innovations into a normatively appropraite model inducing countries to see through the importance of adopting such policies not only from an economic angle but from a legitimacy seeking perspective.

Through international accountancy organizations such as the IFAC, the Bank has through its ROSC reports stated that the non-compliance with IFRS adoption is not only detrimental to the economic prospects of attracting foreign investments, but that it is also in contravention of the IFACs statements of membership obligations (SMOs). Additionally, when standard-setters in these countries speak of IFRS adoption, an alternative ulteria motive for adopting IFRS is the desire to comply with the SMOs of IFAC. In consequence, the Bank has relied on the IFAC SMOs to manipulate accounting standard-setters into adopting IFRS. The decision of both countries to obtain funding from the Bank to adopt IFRS is a signal that they were both willing to engage with the Bank and to listen to its efficiency argument of proposing the adoption of IFRS.

The Bank admits that its role in pushing for neoliberal blueprints in Third World countries is often done by specifically calling for reforms in certain key economic areas of governments institutions and private sector. One of such has been to support global accounting standards replicable throughout Third World countries thereby fostering condusive investment cliamate for cross border investment flows. An example of such effort of the Bank has been documented in the context of Nigeria where the Federal Government in partnership with the World Bank launched an economic recovery programme to target corruption in state institutions to improve accountability and transparency in public and private sectors. In consequence, the Bank impressed upon the Federal Government of Nigeria to include IFRS adoption as a key component of the reform programme funded by the Bank. The case of Ghana has been no different. In the 1980s economic reform programmes, similar arrangements financed the Bank resulted in the introduction of the first Ghana National Accounting Standards. In the last accounting reform in 2007, the Bank again has been outspoken on the need for Ghana to adopt IFRS incentivized by funding from the Bank.

The Bank has been an important actor in the field of IFRS adoption in Ghana and Nigeria and have shown that their interest remains in the domain of helping developing countries improve their techincal capacities by pressurizing them to adopt international standards. This claim is valid when viewed from the supply side of the equation where the Bank lends financial resources to least developed countries. It constructs a rational motive for states to consider in adopting IFRS through the manipulation of maximizing economic gains or mimimizing economic losses out of financial resources provided. While this is prudent from the stand point of the Bank, the resulting policy adoption choice is not necessarily nested in the economic gain hypothesis of policy adoption. Rather, developing countries fear of loss of social legitimacy between them and the Bank becomes a motivation for the adoption of IFRS.

8.1.4 Normative Case of IFRS Adoption in Ghana and Nigeria

The normative construct of IFRS adoption globally is driven by the activities of professional accounting associations (Botzem, 2013, p. 152). Professional accounting associations create platforms for accountants and accounting experts to exchange ideas, knowledge and expertise which evetually translates into accounting standards either locally, regionally or globally. At the global level such normative discourses created the International Accounting Standards Board (IASB), the International Federation of Accountants (IFAC) and the United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (UN-ISAR) with the latter assisting developing countries in the adoption of IFRS.

These associations are governed by a set of norms, rules, codes and best practices which current members must adhere to, or prospective entrants should aim to comply with when seeking membership (Jacobsson, 2000). Professional accountants in developing countries strive to gain international recognition by obtaining membership to such professional associations. In the context of Ghana and Nigeria, both countries have been at the forefront of the formation of these associations, especially the International Federation of Accountants (IFAC), and continue to play an active role in the activities of these associations. In 1977, Ghana and Nigeria were founding members of the IFAC. In 1982, the IFAC established a regional accountancy association in West Africa, namely, the Association of Accountancy Bodies in West Africa (ABWA). In 2011, ABWA along with other sub regional accountancy bodies was transformed into the Pan African Federation of Accountants (PAFA). In all these instances, Ghana and Nigeria have played key roles in the establishment of these professional accounting associations.

The IFAC has been a leading advocate in legitimzing the adoption of IFRS globally and has been a soruce of disseminating and promoting the standards. It has developed a set of membership obligations (SMOs) persuading its members to apply international accounting and auditing standards. Membership of Ghana and Nigeria to the IFAC suggest that the IFAC either via its membership rules voluntarily exerted normative pressure on these countries to adopt IFRS. These countries sought normative legitimacy via the adoption of IFRS as a signal to the IFAC that professional accountants in Ghana and Nigeria comply with international standards. Accounting standard-setters, professional accounting associations in both countries have endorsed the standards of the IASB laying claims to the membership obligations of the IFAC as a motive for the adoption of IFRS. This normative appeal for the adoption of IFRS has very little connection with the rational account of policy choice.

On other accounts, normative pressures leading to the adoption of IFRS in both Ghana and Nigeria stem from the training of accountants. Little differences remain in the curriculum of accountant trainees in both countries. They have a shared history of an anglo-saxon accountancy training emanating from Great Britain. At present, both countries accounting training systems are still connected with the British system. In addition, the supply of accountants to augment local demand for the services of accountants have tended to come from Britain. Many accountants have in the past trained as accountants in Britain and later returned to either Ghana or Nigeria to practice. This pool of professional accountants has an anglo-saxon approach to accounting standard setting often replicating accounting standards, practices with which they were originally trianed and are familiar with.

In British West Africa, Ghana and Nigeria are members of the West African Monetary Institute (WAMI). As a regional economic community in the West African Monetray Zone (WAMZ), these two countries provide leadership in the stablization of the economic community by demonstrating that the adoption of global financial standards such as Basel II, IFRS, intergrated banking systems will provide an insultion against future crisis in the community. Though the idea of adopting IFRS did not emerge from their association with the WAMZ, Ghana and Nigeria strived to obtain legitimacy claims from their peers in the zone by becoming leaders in the adoption of international standards in banking and financial reporting.

8.1.5 Imitating global trends in IFRS adoption: Case of Ghana and Nigeria

In times of uncertainty, organizations are complelled to seek straturation patterns and actions from other orgranizations (DiMaggio and Powel, 1983). When organizations or adopting units observe success of others in the same field, and when faced with uncertainty, adopting units tend to mirror themselves against successful ones in similar fields. The adoption of IFRS in Ghana an Nigeria displays similar characteristics although field evidence suggests that the decision to adopt IFRS by both countries did not emerge from a mimetic approach. In Ghana, the accounting regulator had already decided in 2006 to adopt IFRS based on the discourses of coercive and normative pressures discussed above. Once it was clear that the country wanted to adopt IFRS, it sent a team of accounting standard-setters to South Africa to understudy how to implement IFRS. South Africa as an early adopter of IFRS adopted the standards in 2005 following its adoption in the European Union. This placed South Africa in the bracket of successful adoption countries which prospective adopting countries could use a model in the adoption of IFRS. The case of Nigeria is not different. In 2010, once the accounting regulator had arrived at a decision to adopt IFRS, it invited the Central Bank of Zambia to give a seminar in Nigeria and to share its experiences on the adoption of IFRS in Zambia in 2006.

Mimetic isomorphic pressures although a source of institutional change which can drive institutional adoption of policy, its combined effect on IFRS adoption in Ghana and Nigeria was minimal and negligible. Accounting standard-setters generally agreed that the decision to adopt IFRS in the two West African countries was not as a direct consequence of successful adoption of the standards in Southern Africa where they could copy and replicate such successes, but that the success of South Africa and Zambia was used as a experience learning channel in the implementation of IFRS in Ghana and Nigeria.

8.1.6 Time is of essence in IFRS adoption

Thus far, the theme of the dissertation has concentrated on the social pressures confronted by developing countries in the choice of adopting IFRS. I have shown how institutional pressures in the case of Ghana and Nigeria has influenced the decision of standard-setters to adopt international financial reporting standards. In this section, I address the key question of the timing differences in the adoption of IFRS in Ghana and Nigeria. Addressing this question is important in two ways. First, is helps us in resolving the simple characterization of policy adopting countries into early versus late adopters (leaders versus laggards) and assigning motives of efficiency and legitimacy to the former and the latter respectively. Second, the motivation of individual actors in the IFRS adoption process can tell us more about the timing differentials in the discourses that ensue often leading to some countries to become late adopters which does not necessarily amount to legitmacy seeking as claimed by neo-institutional theorists.

I start my analysis by asking one important question regarding the timing of policy adoption. Granted that Ghana and Nigeria have similar institutional structures that support the adoption of IFRS, and were faced with similar institutional pressures, why did Ghana adopt IFRS in 2008 while Nigeria adopted in 2010? What accounts for this timing difference? In addressing this question, I start from the premise that both countries had similar IFRS adoption triggers (when the Wolrd Bank conducted parallel ROSC studies in both countries) and faced with similar institutional pressures from the World Bank, IFAC and the accounting profession.

The starting point to discuss this notion is to rely on the two stage diffusion model used in the work of Kennedy and Fiss (2009, p. 899) who discusses the contention between what early adopters of innovation pursue as motivation in contrast to late adpoters in the context of TQM adoption among U.S Hospitals.

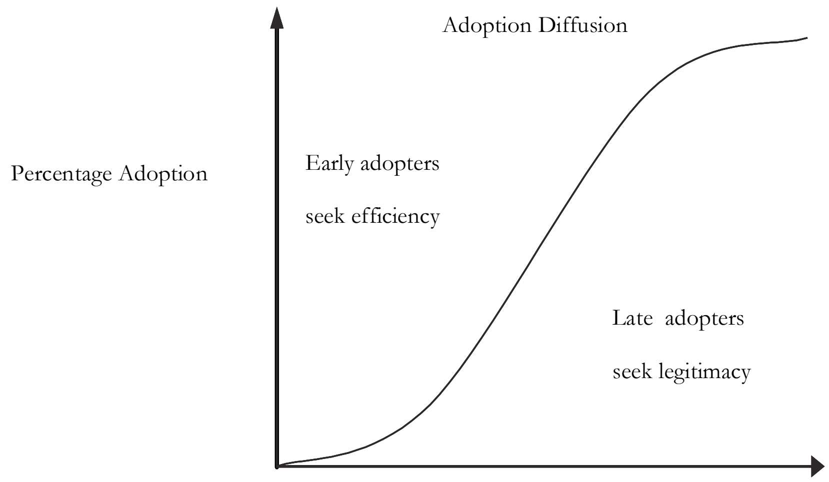

Table 34: Adoption Motivation over Time. Classical Two-Stage Model
Source: (Kennedy & Fiss, 2009, p. 899)

They attempt to justify other studies that earlier on deomonstrate that, while early adopters of policy innovations seem to pursue efficiency improvements in the adoption of policy, late adopters pursue a strategy of ligitimatacy, a notion that ties in with the logic of appropraite action proposed by March & Olsen (1989, 2006). Citing the work of Tolbert and Zucker (1983) and Westphal et al. (1997) they argue that one way to tease out alternative explanations in the motivation of policy makers decision to adopt policy innovation is to more directly examine adoption motivations at different stages of a diffusion process rather than infer motivations from period or performance effects.

One way to explain policy adoption motivation is to examine the adoption process itself identifying how the decision making processes and institutional structures differ between the two clusters of adopters in the context proposed by Kennedy and Fiss (2009). In the context of my dissertation, I show that a distiction between the logic of policy adoption between “leaders” and “laggards” (Herremans et al., 2009) is not clear cut simple to identify according to their motivation but that, institutional set ups and processes may lead to these blancket distinctions which does not amount to varrying interests in policy adoption strategy. For instance Nigeria has been at the forefront of accounting standardization since the early 1980s often classifying itself as a world class accounting standardization organization comparable to those in developed countries such as the Financial Reporting Council (FRC) of the United Kingdom and the Financial Accounting Standards Board (FASB) of the United States. In consequence, the Nigerian Accounting Standards Board took an entrenched position not to fully adopt IFRS but rather issue equivalent accounting standards to those of the International Accounting Standards Board (IASB).

Accounting standardization in Nigeria is clustered around a legal provision which lends a legal status to the accounting regulator to classify itself as an accounting “standard-setter” - thus, one which eangages in and develops its own accounting standards into the Nigerian Accounting Standards, and not a “standard-taker” merely importing foreign accounting standards.

IFRS Adoption in Ghana and Nigeria: A case comparative Analysis

Difference	Ghana	Nigeria
1. Timing of IFRS Adoption Process	2004-2008	2004-2012
2. Transition date	2008	2012
3. Process of IFRS Adoption: - Accounting Regulatory Structure	Self-Regulation	State / Independent Regulator
- Establishment of IFRS Adoption Structure	IFRS Adoption Task force	IFRS Adoption Road Map Committee
4. Ranking of Actors in IFRS Adoption Decision:	ICAG	ICAN
	Big Four Accounting Firms	Ministry of Finance
	Industry Regulators:	Industry Regulators:
	SEC-Ghana	Central Bank of Nigeria
	Central Bank of Ghana	SEC-Nigeria
	Insurance Commission	ICAN
	World Bank	Insurance Commission
		World Bank
Triggers of IFRS Adoption	ROSC Report 2004	ROSC Report 2004/2011
	Normative Pressures from IFAC	-Normative pressures from IFAC -Banking Crisis and Reforms (2008-2010)

Commonalities:	
Colonial Institutional Heritage	Former British Colonies
Membership to International & Transnational Accounting Communities	Founding Members of IFAC, ABWA and PAFA
Global Accountancy Certification Providers	ACCA, CIMA, AIA
IFRS Adoption Triggers	World Bank ROSC Reports
Financial Support for IFRS Adoption	World Bank

Table 35: IFRS Adoption in Ghana and Nigeria: A case comparative Analysis. *Source*: Author's Compilation.

To maintain this social status, the Nigerian accounting standardization body must not only be financially sufficient, it must also be techincally efficient to deal with the rapid changes in the accounting standards produced by the IASB. Nonetheless, the Nigerian Accounting Standards Board did not have the financial resources to maintain this position although the pressures exerted by the World Bank to reform accounting systems in Nigeria were mounting. In 2004, the NASB successfully resisted the pressures exerted by the World

Bank to adopt IFRS. It did so by issuing revised versions of the Nigerian Accounting Standards (Statement of Accounting Standards-SAS) incorporating some international accounting standards. The NASB, however, could not continue to maintain this status as it had run out of resources and technical abilities on accounting standard setting by 2009.

When faced with crisis, orgnizations are uncertain of the outcome of the crisis. This crisis can drive institutional change leading to the adoption of policies percieved as solutions in mitigating the crisis. In 2009, Nigeria confronted with the largest banking crisis in the economic history of the country began the search for solutions, best practices and standards. As part of banking reforms, the banking regulator recommended the adoption of international standards on banking supervision, risk based monitoring of financial institutions and accounting standards. These calls were backed by the World Bank reiterating its position for Nigeria to fully adopt IFRS.

By 2010, the banking crisis had degenerated into an economic crisis with falling investor confidence and declining foreign direct investments. This crisis period propelled the Federal Government to establish a committee to investigate the possibility of IFRS adoption. The committee concluded that Nigeria should abandon its position as an accounting “standard-setter” and fully adopt the standards of the (IASB). Two main arguments were plausible; first, the cost involved in the development of Nigerian Accounting Standards were too high, and second, Nigeria lacked the techincal capacity to produce accounting standards at the pace of the (IASB).

When compared with Ghana, Nigeria is a late adopter of IFRS in West Africa adopting after Ghana: 2008, Sierra Leone: 2009 and Nigeria: 2012. The late adoption status of Nigeria based on the timing of the adoption would simply suggests that the country adopted IFRS in search of legitimating itself in the global accounting arena. This simplified assumption does not take into account the detail processes invovled in standard adoption but only segregates the motives of adoption based on the timing of the adoption. In consequence, it reduces our understanding of how processes matter in helping policy makers reach a rational decision. This rational decision may not involve an economic rationalization process involving game theory, competing hypothesis or comparing economic gains and losses. But it may amount to a rational decision to imitate or mimick oneself against others seen as successful in the adoption of similar policies.

8.2 Comparing IFRS Non-Adopters in West Africa

The global wave of IFRS adoption by many countries in Europe, Oceania, Americas, Asia and some parts of Africa has only modest effect on the rate of its adoption across all countries particularly when looking at Africa. In West and Central Africa, the adoption rate of IFRS has remained at a record low of 11 per cent as compared to 47 per cent in East Africa and 100 per cent in Southern Africa. In much of West Africa, only 3 countries have adopted IFRS even though proponents of the standards proclaim economic benefits associated with the adoption of these standards. This raises important questions about why many countries in West Africa have not adopted IFRS. To answer this question, this comparative case study highlights important institutional facets that support the adoption of IFRS. The case argues that, while the economic benefits embedded in IFRS adoption may be appealing to developing countries, the absence of certain vital institutions to support their adoption is a disincentive for African countries to adopt them.

In this section, I attempt the reconstruction of the institutional settings of accounting standardization in two West African countries that have so far not adopted IFRS. I compare and contrast the case of Cote d'Ivoire and Liberia, which both have varying institutional arrangements clustered around accounting standardization. I support these case studies with interviews conducted between March and May 2013. I analyse documentary evidence from accounting standardizing organizations, international organizations, stock market regulators and central banks in these countries. The cases are similar in the outcome of IFRS adoption in that, both countries remain IFRS non-adopter countries but differ in the processes and institutional arrangements leading to this outcome. Empirically, Cote d'Ivoire is one country where the governance structure of accounting standard setting differs greatly from Liberia in that, it has a more bureaucratic accounting standard setting structure with a multiplicity of actors from local, to regional to global, that has more vested interests in maintaining a unique accounting standardization system that meets the economic needs of the country. In contrast, Liberia has a weak governance structure clustered around accounting standardizations, which only came into existence in the last two years and has yet to develop its operating field to standardize accounting regulation in the country.

A comparison of these cases from both empirical and theoretical dimensions would prove useful. From an empirical viewpoint, the cases show that, both the presence of, and the absence of institutional structures that are necessary for policy adoption can serve as a motivation for the adoption of international norms but could also act as a barrier to the diffusion of similar standards elsewhere. By implication, while there are institutional structures in Cote d'Ivoire such as an organized accounting standardization body, this did not influence the adoption of IFRS but rather seem to serve as a barrier to the adoption of the standards. The CNC-Cote d'Ivoire is strong at influencing the direction of accounting standards within the West African Monetary and Economic Union (WAEMU) and could easily convince other actors in the region to abandon their current accounting standards in favour of IFRS. Instead, it has formed strong alliances with other French West African countries to commit to the use of the SYSCOA-OHADA. In contrast, Liberia had never had an accounting standardizing body until 2011 when the law was promulgated giving exclusive standard-setting rights to the Liberian Institute of Certified Public Accountants (LICPA). Until this time, many accounting standards diffused to Liberia, but predominantly, United States GAAP prevailed.

The two cases show from a theoretical perspective that institutional isomorphic pressures are strong in persuading actors to adopt IFRS. Nevertheless, these isomorphic pressures can only be successful at changing the status quo to accommodate the adoption of IFRS if institutional structures allow them to do so. The adoption of IFRS is preceded by vital institutional arrangements such as a well-trained accountancy profession that has the capacity to understand and implement the standards. When international organizations exert coercive isomorphic pressures on countries to adopt IFRS, they can only be successful if the accountancy profession has similar normative views on accounting reforms. In the case of Liberia, the World Bank, International Monetary Fund and the United States Agency for International Aid (USAID) have been strong development partners especially in the post-civil war periods of the country. These three organizations together with the American government became the largest donor financing sources for the Liberian government. Nevertheless, these organizations were unable to institute accounting reforms in Liberia owing to many factors but chiefly to the absence of professional accountants in the country.

A comparative approach to the distinctive institutional arrangements between the two countries that leads to the outcome of IFRS non-adoption is useful at this point. These institutional arrangements include the existence and development of financial markets, historical colonial relationships, and the level of economic development, regional economic integration, accountancy education and governance of accounting standardizing structures.

Proxy for Cross Country Comparison	Liberia	Cote d'Ivoire
Colonial Legacies	United States	France
Capital Market Development	None	BRVM (1998)
Economic Community	ECOWAS/WAMZ	WAEMU/OHADA
World Bank ROSC Report	2011	2009
Professional Accountancy Institutions:		
Accountancy Profession	LICPA (1933/2011)	OECCA-CI (1999)
Affiliation to IFAC	1987	1996
Professional Accountancy Certification	CPA/ICAG	CNAM/OEC/CNCC
Outcome on Accounting Standards Adopted	US-GAAP (1933)	SYSCOA-OHADA (2000)

Table 36: Comparing IFRS Non-Adopters. *Source:* Author's Own Construction

8.2.1 Rational account on IFRS Non-adoption

Competition motivates economic agents to act against each other in a fashion of race-to-the-bottom to enact prudent and investor friendly policies that are able to attract foreign investments into local jurisdictions (Simons & Elkins 2004, p. 18). This incentive also holds true when viewed from a reverse perspective that actors in a localized economy are unlikely to adopt certain policies if the economic payoffs are lower than those adopted by their peers. As a consequence, policy makers constantly seek ideas, innovations, norms, rules and standards of best practices across the global that can serve their purpose by improving the economic environment of the adopting country. Such behaviour can be constructed as a rational approach to policy adoption/non-adoption (Weyland, 2006).

By IFRS non-adoption in a rational manner, the basic assumption stands that these standards are not capable of delivering premium economic benefits than current accounting standards. When viewed from this angle, policymakers are expected to have had full knowledge of the standards and are able to argue that local accounting standards perform better than international accounting standards and thereby maintain current accounting standards (comparing economic gains versus economic losses). In both the case of Cote d'Ivoire and Liberia, policy makers have not adopted IFRS on grounds of rational approach to reject the standards. Rather, a more institutional problem exists that makes both countries unable to adopt them. It is the argument of this dissertation that rational approaches in the choice of IFRS adoption are less informative than an institutional approach to the study of why countries adopt/not-adopt IFRS, at least in developing countries. I now turn to a more plausible explanation for the non-adoption of IFRS in Cote d'Ivoire and Liberia.

8.2.2 Social accounts of IFRS Non-adoption in Cote d'Ivoire and Liberia

The involvement of the World Bank and its partner institutions at diffusing neo-liberal policies across developing countries have been examined in the opening chapter of this dissertation. In particular, I have demonstrated that the joint effort of the World Bank and the International Monetary Fund through their ROSC report projects to draw the attention of policymakers of the need to undertake accounting reforms in African countries have had some successes (Andrews, 2013). Nevertheless, these successes are only true for some group of countries with certain institutional characteristics. Cote d'Ivoire and Liberia are typical countries where the World Bank ROSC project is yet to prove its viability in introducing accounting reforms.

In both countries, the Bank and the IMF have been very instrumental at financing projects including economic reforms following the post-war periods yet, these reforms did not include financial reporting reforms. For instance, Cote d'Ivoire became the first West African country to introduce Structural Adjustment Programmes (SAP) that were designed by the IMF in 1981 and subsequently went on to become one of the largest single borrower of the Fund in the 1990s. In a similar vein, Liberia obtained significant amounts of financial support from the IMF. From 1993-2002, the IMF was the single largest lender to the Liberian government. Yet, in all these cases of financing arrangements between the Bank, the Fund and the respective governments, there has been little or no success at introducing IFRS in both countries. It is puzzling how the two Bretton Woods institutions have been successful in exerting pressure on developing countries to adopt IFRS but have been unable to do so in the context of Cote d'Ivoire and Liberia.

Financial accounting reforms are only ever successful if there are institutions capable of supporting the adoption process. A stable economy, peaceful political environment, strong financial market systems and a vibrant accounting profession often precede the adoption process. These factors have remained rudimentary in the case of both countries. In consequence, the efforts of the Fund and the Bank to institutionalize change have focused on broader governance frames that have fewer perspectives on IFRS adoption. In the post war period of Liberia, the focus of the Bank and the Fund has been to secure a peaceful political environment and return the citizenry to normal daily life. This is reflected on the volume of financing arrangements that is committed to security, healthcare, education, human rights issues and infrastructural development. In Cote d'Ivoire, the focus of economic reforms from the IMF has been to reform the agricultural sector which more than 50% of the population is engaged and dependent on.

In 2009 and 2011, the Bank and the Fund conducted ROSC studies in Cote d'Ivoire respectively concluding that there was a strong need for both countries to carry out accounting reforms and recommending IFRS adoption. In the post ROSC period, both countries are yet to initiate moves towards the adoption of IFRS. The Bank and the IMF acknowledge the fact that, IFRS adoption is not an immediate economic priority of these countries. Pointing to significant capacity gaps, they argue that accounting reforms is a long term objective as most of these capacity issues will need time to build before IFRS adoption can be successful.

The lack of vital institutions such as developed capital markets, active banking and financial sector, large companies and legal regulations to support the adoption of IFRS has proven to be a barrier to the adoption of IFRS in both countries. Liberia lacks a capital market and depends on a fragmented banking system. In addition, only a fair number of banks and multinational corporations operate in the country. Cote d'Ivoire on the other hand thrives on a large agricultural sector with a dominance of small and medium sized entities. The lack of these institutions to use/apply the standards creates a usability problem. This problem is centred on the sceptic view that the application of IFRS in these countries cannot produce the economic benefits embedded in them and hence explains why actors in these countries have voiced concerns about adopting IFRS. This in part explains why policymakers are less inclined to adopt IFRS in these countries.

8.2.3 Normative Accounts of IFRS Non-adoption in Cote d'Ivoire and Liberia

Professional accounting associations are an important source of normative institutional pressures for the adoption of IFRS. As IFRS has become more institutionalized as binding rules for current and new entrants into these associations, it becomes commonplace for these associations to diffuse the standards among their members. Cote d'Ivoire and Liberia are both members of the International Federation of Accountants. Although Liberia (1987) joined the IFAC much earlier than Cote d'Ivoire (1996), both countries maintain active membership status and are expected to comply with the IFAC statement of membership obligations by adopting IFRS. However, these countries have not adopted the standards owing to the fact that they lack the required capacity to implement IFRS.

A critical examination of the IFAC SMOs show that, in cases where members cannot fully comply with some components of these obligations, they could explain in writing to the IFAC why they cannot comply fully. At the time of writing, it is unclear whether these countries have communicated with the IFAC on their inability to adopt IFRS. However, evidence suggests that, the significant capacity gap that exists regarding the sheer number of professional accountants in these countries is the main barrier to the adoption of IFRS.

Comparatively, Cote d'Ivoire is faced with much more normative pressures not to adopt IFRS than Liberia. Cote d'Ivoire belongs to a wide range of professional accounting associations. It is a member of Federation Internationale des Experts-Comptables Francophone (International Federation of Francophone Accountants (FIDEF)[26]. This association has been a strong critic on IFRS adoption in member states. In particular, it has criticized the IASB on the firefighting mode of developing accounting standards that seem to have little or no congruence with its own conceptual framework. The FIDEF does not counsel its members not to adopt IFRS. Nevertheless, it creates a platform for critics of the IASB's standards to meet and exchange ideas about the unsuitability of the standards. All

[26] The Federation Internationale des Experts-Comptables Francophone is a professional accountancy association comprising French speaking professional accountants. The aim of the association is to promote exchange and cooperation among members within the French speaking communities. As at 2011, it had 30 full members and 15 associate members from 34 different countries and has registered about 65, 000 professional accountants.

the member states of WAEMU are also members of the FIDEF. This creates an environment for them to reassess their position as to whether IFRS is suitable for the OHADA or not.

8.3 Comparing IFRS Adopters and Non-IFRS Adopters

Comparative case studies are a rich source of explicating causality in explaining a policy outcome between similar or different group of countries. Social science research often makes use of comparative case studies to not only draw causality, but also make inferences between groups and within groups. When researchers study cases in an in-depth manner, they often focus on a change that occurred over a specified period of time, signalling some sort of shift or transformation (Ragin & Schneider, 2012, p. 81). But more importantly, explaining change itself is preceded by not only listing the vital ingredients that must be present or absent for the outcome to occur, but also identifying the processes and mechanisms involved and how they interact in the production of the outcome (George & Bennett, 2005).

In the context of my dissertation, I explain what causes a particular outcome (IFRS-adoption) and what mechanistic processes must combine to produce this outcome. I select cases not based on the predicted outcome, but based on the similarities and differences in the causal mechanisms that lead to a particular outcome. As discussed in chapter three, one way to answer the question of why countries adopt similar policies is to examine their socio-economic environment identifying the unique characteristics that must combine in varying ways to influence the adoption of IFRS.

Starting from an institutional perspective, my argument rests on the notion that institutional isomorphic pressures combine in varying degrees in African countries producing the outcome of IFRS adoption. I develop proxies for each institutional pressure and apply it to the case of two countries that have already adopted the standards. The aim is to explain when faced with similar institutional pressures, how policy makers respond in conducting accounting reforms? I then apply the same framing to a group of countries that have not adopted the standards to explain how different amounts of institutional pressures combined with local institutional arrangements can lead to dissimilar policy adoption outcomes.

Source of Pressure	Ghana	Nigeria	Cote d'Ivoire	Liberia
Coercive Isomorphic Pressures:				
World Bank ROSC Reports/UN-ISAR	✓	✓	✓	✓
Normative Isomorphic Pressures:				
IFAC Membership	✓	✓	✓	✓
Big Four Accounting Firms	✓	✓	✓	☒
Globally Active Accountancy Certification Providers	✓	✓	☒	☒
Imitative Isomorphic Pressures				
Regionally Integrated Economic Union	☒	☒	✓	☒
OUTCOME	**IFRS**	**IFRS**	**SYSCOA-OHADA**	**US GAAP**

Table 37: Institutional Pressures and the Diffusion of IFRS. *Source:* Author's Own Creation

The results point to the fact that IFRS adoption as the outcome of interest occurs when policy makers are faced first, with coercive isomorphic pressures largely through resource dependency relationships from international organizations such as the World Bank and the IMF. Nevertheless, coercive institutional pressures are necessary conditions to induce accounting reforms but are not sufficient to push through accounting reform implementation. Field evidence points to the fact that, in all four cases studied, the World Bank had provided funding through its Institutional Development Fund (IDF) to all these countries to support them in the adoption of IFRS. As shown in the table below, these financing arrangements were triggers for accounting reforms in the case of IFRS adoption countries but did not produce similar outcomes in the case of IFRS non-adopters.

Country	Amounts in USD
Country Level Funding	
Ghana	497.000
Nigeria	14.840.000
Liberia	463.150
Cote D'Ivoire	397.950
Regional Level Funding	
OHADA	6.400.000
WAEMU	889.930
ABWA	676.000
Total	**24.164.030**

Table 38: Funding IFRS adoption in developing countries by the World Bank.
Source: Author's Compilation from World Bank project funding reports.

Normative construct of institutional pressures are the sufficient conditions, which can push through accounting reforms in African countries. Most notably, professionals and experts are the catalyst to initiating reforms in African countries. As a result, professionals construct motives for the adoption of international norms to seem as though their decision to adopt emerges from a rational thinking perspective while in reality; their goal is to pursue legitimacy strategies. This divergence in interest between states who seek to maximize efficiency and benefit from the technical gains of policy adoption in order to secure political power on one hand and professionals, who seek to legitimize themselves at the global stage on the other hand, culminates into a long process of policy adoption negotiations. In between case studies, the role of professionals in policy adoption is maintained as the critical deal breaker in the decision to adopt international policies. In the case of IFRS adoption, professionals admit that their goal is not only to align their interest with those of the state, but also to fulfil their professional legitimacy interests. When compared with countries that have not adopted IFRS, the idea is not that national governments do not wish to conduct accounting reforms in their respective countries. However, a major reason for the non-adoption of IFRS is that, professional accountants do not have the capacity to implement the standards. Moreover, the deficiency in the capacity of professionals to implement the standards puts them on a spot where they are unable to convince national governments of the potential merits of adopting the standards.

Imitation as a form of institutional pressure in IFRS diffusion is less evident in the case of IFRS adoption in Africa. As pointed out in earlier chapters, when policy makers face uncertainty, they tend to mimic others often following the best in the group approach to policy adoption. The case of Ghana and Nigeria show that, mimesis played a less role in the decision to adopt IFRS. However, once policy makers had reached the decision to adopt the standards, they engaged with other countries that had earlier on adopted in 2005 and 2007. When compared to the cases of IFRS non-adoption, mimicry only seem to play a role in Cote d'Ivoire where policy makers are inclined to follow accounting standards developed by the regional accounting standardization organization.

Apart from intuitional pressures that confront African countries in the adoption of IFRS, policy makers must deal with the presence or absence of important institutional arrangements that serve as deterministic variables in the decision to adopt international accounting standards. At the macro-level, the desire to conduct accounting reforms is stronger if capital markets exist and functions in a way that can attract the needed foreign investment flows. When a developing country's economy is relatively large measured by GDN size, the volume of economic transactions turn to be high either between the state and external sources, or through private capital flows. Regulating such capital flows through financial reporting may induce national governments to adopt IFRS. Another important determinant of IFRS adoption is the notion of easy understanding of the standards themselves to be able to implement it locally. Historically, IFRSs have been produced in the Anglo-Saxon setting with English as the official publishing language of the IASBs standards although translation to other languages exists. Countries that are already familiar with the standards through either colonial relationships or language familiarity turn to lean towards adopting IFRS.

At the meso-level, professional agency plays a key role in the decision of developing countries to adopt IFRS. Membership to international professional communities entices professionals to seek a common identity by adopting policies proposed or suggested by these bodies. The IFAC has so far proved to be the global community of accountants and through which accountants refer to in search of legitimacy to the practice of the profession. Additionally, as shown in the preceding section, professional accountants play a lead role in advising national governments on accounting standardization matters. An active accounting profession serves as an assurance and reassurance to the state that, the implementation of IFRS is achievable as the accounting profession has the capacity to ensure a smooth transition from local accounting standards to IFRS. Finally, the role of globally active accounting certification organizations is in the training and socialization of professional accountants with standards of the IASB. Consequently, in countries where these associations operate, professionally certified accountants are quiet familiar with the standards even before their official adoption in the country and are more likely to support the idea of adopting them.

Deterministic Characteristic of IFRS Adoption	Ghana	Nigeria	Cote d'Ivorie	Liberia
Macro-Level				
Capital Markets	✓	✓	✓	☒
Economic Development	✓	✓	☒	☒
Anglo-Saxon Colonial Legacies	✓	✓	☒	✓
English as Lingua Franca	✓	✓	☒	✓
Meso-Level				
Membership to Global Accountancy Associations	✓	✓	✓	✓
Active Accountancy Profession	✓	✓	☒	☒
Activities of Globally Active Accountancy Certification Providers	✓	✓	☒	☒
OUTCOME Year	**IFRS (2008)**	**IFRS (2012)**	**SYSCOA-OHADA (2000)**	**US.GAAP (1933)**

Table 39: Comparative Deterministic Institutional Variables of IFRS Adoption in Africa.
Source: Author's Own Compilation

8.4 Conclusion

Taken together, institutional isomorphic pressures and institutional characteristics help us in the examination of the research questions presented in my dissertation. The case of Ghana and Nigeria reveals that institutional pressures of coercive sources triggered accounting forms in both countries but were not sufficient to independently explain IFRS adoption. Rather, normative institutional measure of institutional pressure incentivized professional accountants to influence national governments in the adoption of IFRS. While imitation in policy adoption is another channel of diffusing the IASBs standards, the motivation to adopt the standards does not emanate from imitative sources. While this holds true for IFRS adoption countries, IFRS non-adopter countries faced varying degrees of institutional pressures. Coercion from IFIs continues to build momentum pushing for accounting reforms. Nevertheless, in the absence of normative institutional pressures, national governments are unable to decide whether to adopt IFRS or not.

Institutional determinants of IFRS adoption at both the macro-level and the meso-level in the case of Ghana and Nigeria are much stronger than that of IFRS non-adopters in

Cote d'Ivoire and Liberia. With full functioning capital markets, relatively economically developed in West Africa, and an Anglo-Saxon tradition of accounting regulation, it is easy for policy makers to adopt IFRS. Compared to IFRS non-adopters, the lack of or low capital market activity coupled with slow economic development and no history of Anglo-Saxon accounting standards seem to explain why these countries have not adopted the standards. At the meso-level, membership to international professional accounting associations seems to appeal to professionals in all cases to adopt IFRS. Nevertheless, membership to these associations alone is not enough to determine the adoption of IFRS. The role of local accountancy profession itself largely plays a key role as accountants lobby national governments into seeing the need to conduct accounting reforms. The case of Ghana and Nigeria demonstrates this point quite well as professional accountants were very proactive in constructing and shaping the decision of the state in the adoption of IFRS. On the contrary, the weak nature of the profession in Cote d'Ivoire and Liberia translates into their inability to push national governments in the direction of conducting accounting reforms. Finally, the role played by globally active international professional accounting certification associations in the adoption of IFRS has been to disseminate the standards through professional training of accountants in the case of Ghana and Nigeria. In consequence, it ensured the supply of skilled labour with the capacity to implement the standards. When compared with Cote d'Ivoire and Liberia, the absence of these certification organizations limits the diffusion of the standards that show that professional accountants are not familiar with the standards.

9 Conclusion

Globalization and the free flow of capital across transnational borders have heightened the interconnectedness of the global financial architecture. In response, actors have dealt with financial market regulation by designing rules, standards, norms and best practices to govern how businesses operate throughout the world. A plausible explanation to a global response in regulating capital is that the fragility in market contagion to destabilize the world economy especially in the face of serious financial crisis such the Asian Financial crisis, the Russian currency crisis and the most recent mortgage caused financial crisis. International standardization organizations have proposed the adoption of sound policies designed specifically to avert future occurrences and the accompanying impact of such crisis. In consequence, a group of international standards across the space of the finance sector such as banking, insurance, insolvency, securities regulation and financial reporting have been proposed for adoption by the international community (Arnold, 2012). One of such policies has been the idea of International Financial Reporting Standards (IFRS).

In 2005, the European Union became the largest economic community to adopt these standards forcing over 7,000 listed companies to report using IFRS. In the following years, many other countries especially from developing countries have made significant progress towards the application of these standards. Nevertheless, some countries have still not adopted the standards despite the economic benefits of improved comparability in financial reporting, reduced cost of preparing dual financial statements, reduction in the equity cost of capital and the potential to attract foreign direct investments into local jurisdictions. This raises questions of why countries choose to adopt the standards while others have not yet adopted them.

Institutional theory lends us a lens to investigate the following questions: what motivates the adoption of IFRS in developing countries? How do transnational actors play a role in the adoption of these standards? And to what extent does national policy-makers response to transnational pressures translate to the adoption of the standards? The divide between classical institutional scholarship and neo-institutional notion of isomorphism presents us an opportunity to examine these questions especially in the context of developing countries to understand how policy diffusion occurs from developed to developing economies. Classical institutional theory suggests that diffusing practices have an economic appeal attracting the attention of policy makers to adopt these standards because of their economic benefits with a view to improving efficiency. These views lead policy makers to think and act rationally considering all alternative policies and settling on the best policy outcome with the prospects of delivering benefits higher than the status quo. Neo-institutional theorists such as DiMaggio and Powell (1983) propose a different perspective on why policy diffusion and adoption may occur. To them, policy diffusion across national borders is as a result of the adopting units response to the pressures present in its institutional environment. Drawing on the notion of institutional isomorphic pressures of, coercion, normative and mimesis, neo-institutional scholarship explores important sociological facets that contribute to the diffusion of policies as opposed to a rationalization of economic gains embedded in the policy.

The central theme of this dissertation is therefore to examine the motive for the adoption of international financial reporting standards in African countries. It addresses the economic logic presented in the adoption and implementation of IFRS as a replacement of local national accounting standards and present alternative explanations for why African countries adopt these standards. I show that the adoption of IFRS in African countries or their non-adoption is not purely an economic decision by policy makers but that, the economics for the adoption of IFRS is based on several institutional arrangements internally and externally. While classical institutional economic scholarship suggests that national governments will adopt similar policies or pursue similar strategies in view of the economic gains associated with them, it leaves us with a gap to explore why despite the "race-to-the-bottom" approach to achieve these economic gains, all countries do not adopt international accounting financial reporting standards. Most importantly, the theoretical cleavage of early adopters seeking technical efficiency gains and late adopters pursuing legitimation strategies are examined. I show that timing of policy adoption is of essence when considering the motive of policy adoption. In certain circumstances, while the motive for policy adoption among countries may be similar, differences in institutional arrangements may cause them to be dissimilar in the policy adoption outcome.

The dissertation further examines the role of actors (internal and external) in influencing the decision of standard-setters to adopt IFRS. Essentially, actors play two important roles in the adoption of IFRS. Firstly, actors pursue varying interest in the choice of accounting policy. These distinctions in interests lead to extended negotiations and translate into some countries becoming early adopters and the others as late adopters.

Secondly, while states pursue efficiency strategies and entrust the decision-making machinery in the hands of professional accountants, they in turn pursue legitimating strategies divergent from those of the state.

How can we explain why some countries have not adopted IFRS? From a theoretical standpoint, neither classical institutional ideology on policy adoption motivated by the search for efficiency nor neo-institutional theoretical notion of institutional pressures can sufficiently explain why some African countries have not adopted IFRS. Instead, my dissertation proposes and provides evidence that inadequate, dysfunctional or non-existent institutional arrangements in a domestic economy may cause countries not to adopt IFRS. I show with comparative case studies how the breakdown of institutions in post conflict societies draws a limitation on the diffusion of international policies.

In this section, I present the results of the study and discuss the contributions of the dissertation to our understanding of policy adoption in developing countries.

9.1 Summary of Findings

Chapter 3 of the dissertation discusses the current state of IFRS adoption around the world and expatiates on the historical antecedents in the diffusion of the standards from developed to developing countries. More generally, the diffusion and adoption of IFRS in developing countries emanate from the institutional pressures present in that country. Isomorphic pressures in the form of coercion through resource dependency relationships, normative pressures via professional sources, and mimicry through imitation combine in varying portions inducing accounting reforms. Throughout the examination of the research questions, the economic motive for adoption of IFRS in African countries have been synonymous with how actors from international organizations formulate and present the idea of IFRS adoption. Policy makers respond to international organizations ideologies of accounting reforms with the view that, these standards would provide economic benefits through increased transparency and reduced corruption thereby attracting foreign direct investments. Nevertheless, the economic construct of IFRS adoption by IFIs transformed into a soft form of coercion through which added financial incentives to conduct accounting reforms becomes the trigger for IFRS adoption. More so, normative account of IFRS adoption induced by international accountancy associations who exert pressure on professionals in the local economy to seek legitimation by complying with internationally recognized accounting standards manifested in the decision of professionals to persuade national governments on the need to conduct accounting reforms.

However, institutional isomorphic pressures alone do not contain enough explanatory power for the diffusion of IFRS in developing countries. The independence and sovereignty of national governments provides them with enough latitude to reject accounting reforms proposed by IFIs as they cannot force developing countries into adopting international policies. Nevertheless, they can formulate institutional change in a more palatable way quoted with financial incentives to draw the attention of policy makers of the benefits of reforms by reshaping their preferences.

Beyond the institutional pressure account of how IFRS can diffuse in developing countries, it is important to note that institutional characteristics of the prospective adopting country largely determine the reception of the standards into local jurisdictions. I show the institutional context in which IFRS diffused into in Ghana and Nigeria. At the macro-level, institutional arrangements such as the presence of functioning equity capital markets, stable economic development path, historical colonial ties and the use of English language as a lingua franca proves to be significant determinants for the adoption of IFRS. At the meso-level, the decision of accounting standard-setters to adopt IFRS thrives on the professional agencies related to the discourses they face such as the training of professional accountants, membership to global accounting communities and the activities of international accounting certification providers. Together, the presence or absence of these institutions determines largely whether African countries will adopt IFRS.

The case of IFRS adoption as a process involving the state, professional accountants and other actors is examined in chapter four. The case of Ghana as the first country to adopt IFRS in West Africa is presented and shows that accounting reforms were triggered by the World Bank and the IMF following their joint ROSC project in 2004. In consequence, the accounting regulator initiated reforms motivated by perceived economic benefits ideology of pursuing neo-liberal economic policies in developing countries. From the onset, accounting regulators relied on the professional opinion of accountants to determine the direction of accounting reforms. Instead, the accounting profession acted differently by exploiting their professional position and pursuing an alternative motive to legitimize itself in the global professional arena by adopting international accounting standards as a signal to the IFAC that it had complied with its SMOs. The actions of professional accountants in the adoption of IFRS in Ghana fulfil the criteria of normative isomorphic pressures in policy adoption. It reveals that the adoption of IFRS did not involve a rationalization of the economic benefits versus economic losses, or a thorough consideration of alternate accounting standards but rather, a quest to conform to professional norms as prescribed by the international body of accountants.

Chapter 5 extends the argument to the case of Nigeria that adopted IFRS in 2012. Nigeria unlike Ghana has had a strong accounting standardization mechanism developing its own accounting standards since the 1980s. However, the Financial Reporting Council (FRC) decided to abandon the Nigerian Accounting Standards and to adopt IFRS. Two explanations are found in this decision: first, the FRC faced with resource constraints to continue the development and maintenance of home-grown accounting standards decided to adopt IFRS as a cost cutting strategy. Nevertheless, more interestingly, the decision to do so emerged triggered by pressure exerted from the World Bank through its Economic Recovery Programme (ERGP). Secondly, the banking crisis of the 2008/2009 in Nigeria compelled the banking regulator to initiate reforms towards the adoption of IFRS as regulatory instruments to control financial misreporting in the banking sector.

In the case of Ghana and Nigeria, it is evident that IFIs triggered IFRS adoption through the ROSC project exercising coercive pressure on national governments to conduct accounting reforms and through normative channels by influencing professionals to drive home the idea of complying with global professional accounting standards. The success of IFIs in driving accounting reforms in Ghana and Nigeria draws out the problematic application of neo-institutional theory. How can we explain why other African countries faced with similar institutional pressures have not adopted similar policies? In chapter 6, the dissertation examines this notion extending to the case of an African country that has not adopted the standards. It shows that when faced with institutional pressures such as coercion, countries respond by conducting reforms only in cases where institutional arrangements needed to accommodate reforms exist. The case of Cote d'Ivoire highlights how institutional barriers such as regionally integrated communities with a common agenda blocked the proliferation of policies from abroad. It follows the SYSCOA-OHADA accounting system developed in line with the micro-economic environment to serve the relatively large Small and Medium sized companies in the region. Owing to this, accounting standardizers have found little use in the adoption of IFRS, which has a capital market appeal. Apart from that, normative institutional pressures in Cote d'Ivoire are quite weak suggesting a lack of capacity in the accounting profession with the ability to fully understand and apply the standards. In consequence, accounting standard setters struggle to persuade national governments on the potential merits of adopting international accounting standards.

In chapter seven, a void in the theoretical framing is used to explain IFRS adoption. This void emerges from the notion that, neither classical institutional theory nor neo-institutional theory can sufficiently explain why post conflict societies have not adopted IFRS. I argue in this context that when faced with similar institutional pressures such as coercive, normative and mimesis as in the case of IFRS adopter countries, and the economic incentives to adopt policies are present, post conflict economies are unable to adopt international accounting standards due to the significant dysfunctional institutions that can support the adoption of the standards. I apply the case of Liberia; a country which has emerged from more than a combined two decades of civil war, and show that all the necessary institutions that support the adoption of IFRS are either non-existent or were destroyed by conflict. In consequence, IFIs have mainly focused on the rebuilding of basic social institutions to support daily economic life as opposed to the push for IFRS adoption.

In making sense of why African countries adopt international accounting standards, and why despite economic benefits of their adoption some countries have not adopted the standards, I draw a comparative analysis of the cases presented in chapter 4-7 and show how the motivation to adopt IFRS is constructed by actors in each country. I present the analysis in chapter 8 discussing the similarities and differences in IFRS adoption by tracing the processes leading to the adoption of the standards. As in the case of IFRS adoption discussed above, institutional pressures matter in the adoption of IFRS when combined with institutional presence of institutional characteristics such as capital markets, strong economic growth and colonial relationship with Anglo-Saxon countries at the macro-level and a strong professional accountancy environment connected to global accountancy communities at the meso-level.

In the case of IFRS non-adoption unlike those of adoption, it is quite distinct in many ways and has theoretical implication for this study. I have argued that institutional isomorphic pressures culminate in the adoption of IFRS. Holding constant the presence of these pressures, standard-setters are more likely to adopt IFRS as a replacement of local accounting standards. Nevertheless, in many ways, non-adopter countries face similar pressures (coercive pressure from the World Bank), normative pressure from the IFAC and to some extent mimetic pressures from regional accounting associations such as the ABWA yet, these countries have not adopted IFRS. Empirical field data suggests that these pressures are only ever successful if certain institutional arrangements are present.

9.2 Actors and their interests in IFRS adoption

I now turn to the second question of timing differences and how varying motivationsinterests of actors involved in policy adoption can lead to late adoption of policy. At the macro level, governments seek to maximize the benefits of the rather limited resources. In maximizing the benefits of these resources, they continuously search for policies that will help maintain a sound economy and drive growth leading to a stable political economy. The search for good policies involves relying on experts to provide expert opinion on the best policy options at the disposal of Government decision making hierarchy. Economists and professional accountants are then tasked with the responsibility of advising the state on the best practicable accounting standards that can be used in national income accounting leading to efficient decision making of state machinery. This places the interest of the state as an efficiency seeking one looking to maximize economic gains from chosen accounting policy.

While governments seek efficiency by trusting that professionals will provide best judgements in the interest of the state, professionals may have divergent interest from those of the state. These interests could on the one hand be driven by efficiency or techincal gains of the policy and on the other hand be driven by a social gain motive of seeking to legitimize their position domestically as experts or internationally as belonging to global professional communities. It is difficult to calculate the interest of professionals based only on the outcome of their policy choices, however, it is easy to see through their motivation based on the consideration involved in their policy choices. On account of their social gains, policy choices of professionals turn to be driven by their social environment. For instance, their system of training. Where accountants are trained in the United Kingdom, the choice of the UK accounting systems over others is easy as in the case of Ghana and Nigeria, or the choice of an accounting system from the United States in the case of Indonesia. Beyond their training, professional accounting communities are a source of deriving legitimacy by accounting professionals. To demostrate their membership commitment to global accounting associations, professionals tend to be swayed by social benefits of belonging to these communities by mimicking themselves against other members of the association. In consequence, professionals are unlikely to make an efficiency argument alone when considering IFRS adoption options. I show in the diagram below the differences in interest and actions of governments and professionals in arriving at IFRS adoption decisions.

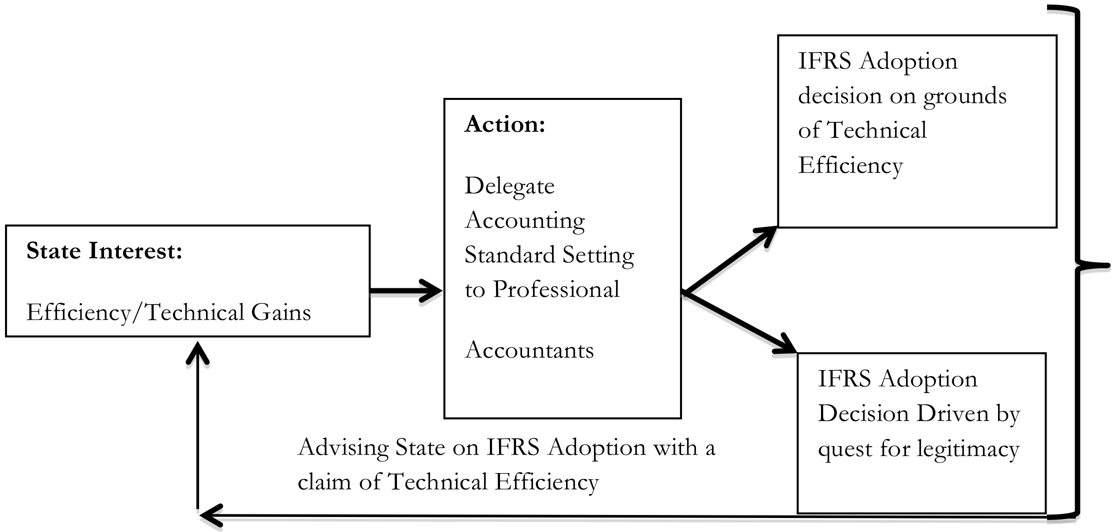

Figure 51: Varying Interest in IFRS Adoption *Source:* Author's own compilation

Apart from the varying interest of state actors and professionals, there are other actors in the domain of accounting standardization that impact the outcome of IFRS adoption. I have identified in the case of Ghana and Nigeria the categories of actors that play a key role in the outcome of IFRS adoption and how each group appears to have different interest in the outcome of IFRS adoption. While the outcome of IFRS may not be driven entirely by one motivation of either efficiency seeking or legitimacy seeking, it depicts the over simplification of timing of policy adoption into early versus late adoption. For instance, in the case of Ghana as an early adopter, it is the general assumption that actors were seeking technical efficiency. However, not all actors construct their motivation in the same way. While some actors pursue efficiency strategies in IFRS adoption, others pursue a legitimacy seeking strategy looking to maximize the social gains embedded in IFRS adoption. The table below illustrates the interest of each actor group.

Actor	Interest	Action
Governments	Efficiency	Delegates adoption decision to Professional Accountants
International Financial Institutions (IFIs)	Efficiency/ Legitimacy	Exert pressure on Governments to Adopt IFRS through lending instruments and financial incentives
Accountancy Profession	Legitimacy/ Efficiency	Expends IFRS adoption decision first considering social gains
Regulators	Efficiency	Rely on Professional Accountants on the best IFRS Adoption outcome
Big Four Accountancy Firms	Legitimacy	Exploits dominant position in the field of accounting to maintain dominance

Table 40: IFRS Adoption Actors and Motivation *Source:* Author's own compilation

In the opposing direction to the case of Ghana, Nigeria is categorized as a later adopter of IFRS and is considered to have adopted IFRS following a legitimacy seeking strategy. However, this description is clouded by the individual motives/interest of actors which had to be negotiated in arriving at the decision to adopt IFRS. In the context of Nigeria, a clear case of banking crisis drove the banking regulator to search for policies that could mitigate the crisis by embracing global standards on banking and accounting. In contrast, accounting professionals have argued that, their membership to the International Federation of Accountants (IFAC) is an important incentive to fulfill the membership obligations of the association thereby leading them to pursue a legitimacy strategy. Whats more, while internal differences persist on the motivation of IFRS adoption, on the interenational periphery, Interenational Financial Institutions have a mixed motivation of pushing developing countries to adopt IFRS. On one hand, it is their objective that borrowing countries would be able to repay their financial indebtedness by pursuing efficient economic policies. On the other hand, it is their objective to legitimize the use of global standards for which they have contributed financially and technically to develop.

At the centre of this analogy, I find it striking that, based on the negotiating power of individual actors, they are able to manipulate other actors leading to the prevalance of the strategy that finds sympathy with a large audience of actors. Quite apart from that, the length of the negotiation process can lead to a delayed adoption of policy. In this instance, delayed adoption of policy culminating in late adoption does not amount to legitimacy seeking as suggested by Camfferman and Zeff (2007, p. 402).

9.3 Policy Implications

The findings of the study are significant both theoretically and empirically. It contributes to our further understanding of how institutions matter in the diffusion and adoption of policies. The study shows that both classical institutional economic perspectives and neo-institutional theory on why states adopt policies from abroad are not mutually exclusive, but rather can complement each other. On one hand, policy makers instigate institutional change purely with the view of obtaining economic benefits of such policies and on the other hand, some actors propose institutional change on the grounds of search for legitimacy. Nevertheless, the contributions of the dissertation contains the view that studies that have examined similar research questions by categorizing early adopters are efficiency seeking and later adopters as legitimacy seeking have over simplified the argument burying important sociological lessons to be learned in the motives of varying actors in policy adoption decision making process.

I show rather that varying incentives of actors in policy adoption decision making processes, can lead to extended negotiations which invariably leads to late adoption of policy. Here, although late adoption means a conscious rationalized process of policy adoption decision, the timing of the adoption of the policy categorizes it as late adopters, which is simply misleading.

Empirically, my dissertation has tried to show that the current initiatives by the IASB to reach a wider coverage for the adoption of its standards are hampered by the presence or absence of certain important institutional arrangements. Institutional facets such as colonial legacies, capital markets, accounting education and certification, and the use of English language as a lingua franca plays an important role in the decision of a country to adopt IFRS.

It further shows that central banking function is a relevant institution that can drive the adoption of IFRS in most developing countries. Throughout the empirical case studies, the role of central banks have been so significant at influencing the adoption of IFRS either by virtue of the significance of central banking in these countries or by the fact that central banks have more powers to institute strong reporting guidelines than other regulatory institutions in the country.

As more and more nations are preparing to adopt these standards, it is important that state authorities recognize institutional deficiencies that will serve to support the adoption of

IFRS first before the formal decision to adopt the standards. Without these underlying institutions, it will only be a symbolic gesture even in the presence of institutional pressures for countries to announce IFRS adoption, as it will be difficult to implement them.

Appendix

Subject Area	Key Standard	Issuing Body
Macroeconomic Policy and Data Transparency		
Monetary and Financial Policy Transparency	Code of Good Practice on Transparency in Monetary and Financial Policies	IMF
Fiscal Policy transparency	Code of Good Practice on Fiscal Transparency	IMF
Data Dissemination	Special Data Dissemination standards (SDDS) General Data Dissemination System (GDDS)	IMF
Institutional and Market Infrastructure		
Insolvency	Principles and Guidelines on Effective Insolvency System	World Bank
Corporate Governance	Principles of Corporate Governance	OECD
Accounting	International Accounting Standards (IAS)/ International Financial Reporting Standards	IASC/IASB
Auditing	International Standards on Auditing	IFAC
Payment and Settlement	Core Principles of Systematically Important Payment Systems	CPSS
Market Integrity	The Forty Recommendations of the Financial Action Task Force on Money Laundering	FATF
Financial Regulation and Supervision		
Banking Supervision	Core principles of Effective Banking Supervision	BCBS
Securities Regulation	Objectives and Principles of Securities Regulation	ISOCO
Insurance Supervision	Insurance Supervision	IAIS

Table 41: Key Standards for Global Financial Stability. *Source:* (Cornford, 2002, p. 32)

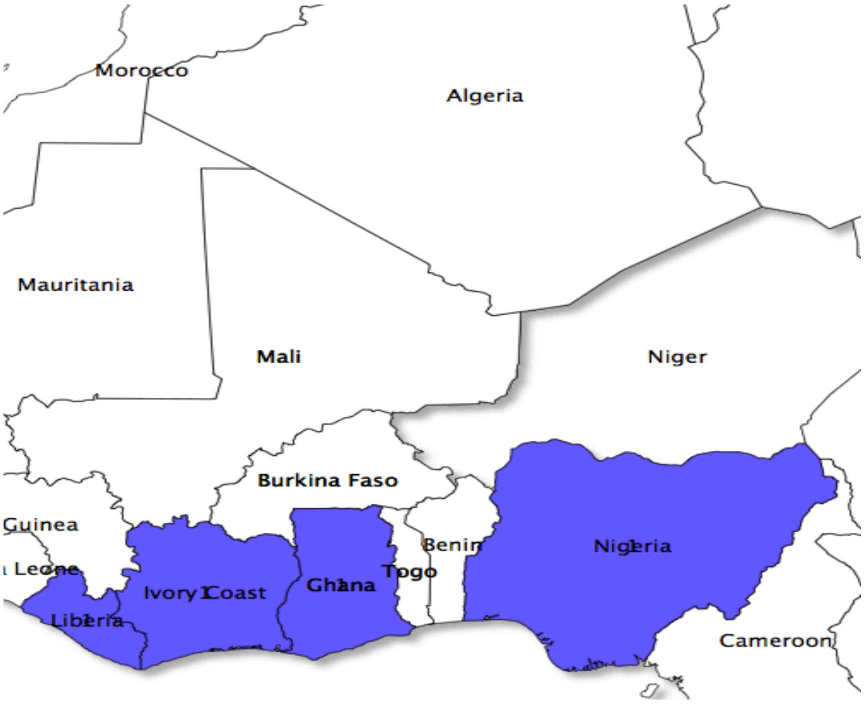

Figure 51: Case Study Countries

Interview Guide

Interview guideline – general template modified for different types of interviewees for the comparative case studies

Estimated duration: 90 – 120 minutes

Introduction

- **If you go back to the time when you first became involved in discussions about International Financial Reporting Standards, can you tell me sequentially how things have evolved since then?**

Follow up questions

Strategy of your organization

- Why has your organization proceeded in the discussions and decisions about IFRS as it did?
- What spoke or speaks in favor of this strategy?
- What spoke or speaks against this strategy?
- What unexpected developments and changes resulted from your strategy?

Course of decision-making or discussion

- Which other actors and organizations have played a role in discussions and decisions about accounting standard setting in your country, and the possible adoption or adaption of IFRS?
- Have actors and organizations changed their opinions and positions towards IFRS over time? If yes, to what extent?
- Which actors were/are in favour of full-scale adoption as compared to a partial adaption of IFRS? Which actors oppose adoption and/or adaption? What alternatives do they promote?
- For which constituency of firms has/is the adoption or adaption of IFRS been/currently considered? What role do IFRS for SMEs and Micro-entities play in the discussion? Has the discussion changed since these slim versions of IFRS have been offered by the IASB, and if yes, how?
- Which institutions in your country are in charge of taking decisions on the adoption or adaption of national accounting standards and/or IFRS? Have they taken so far any decisions? If yes, when and with what outcome?

Local, national and international context

- From whom did and do you get information about accounting standard setting in general, and IFRS in particular in the past and present?
- Have the sources of information changed over time?
- What positive or negative examples have been considered in discussions and decision-making? What lessons have been drawn from such comparison? (Probe for national and international examples)
- How would you describe the overall opinion of the informed public (politicians, accountants, other constituencies) with regard to accounting standard setting in general, and IFRS in particular?
- Have there been major changes over the last 10 years and if yes, what?
- Are there other actors who believe that they should have a voice in decisions over IFRS but have been absent from discussions and decision-making?

- How important was the local as compared to the national, and the national as compared to the international environment in discussion and decision-making about accounting standard setting in general, and IFRS in particular?
- Has the balance of local, national and international influences changed over the last 10 years? If yes, in which direction?

Facilitating and hindering conditions

- What factors and processes have hampered the adoption or adaption of IFRS?
- What factors and processes have facilitated the adoption or adaption of IFRS?
- Please describe the situation in accounting in your country before IFRS became a topic.
- What possibilities for a switch to IFRS existed and how did these opportunities change over time?
- Which arguments speak in favour of a change to IFRS?
- Which arguments speak against a change to IFRS?
- How have arguments in favour and against IFRS changed over time?
- Where do you see the largest problems and difficulties in a switch to IFRS?

Summing up

- To sum up, what do you consider as the most important decisions in accounting standard setting in your country over the last 10/20 years?
- How have options for decision-making changed over time?
- Have there been critical turning points or key events that had positive or negative effects on accounting standard reform, and the switch towards IFRS in particular? If yes, what?

Interviews from the Field

Ghana

Interview GHA1: Former President of Institute of Chartered Accountants Ghana and Retired Country Director of PricewaterhouseCoopers, 16 January 2013, Accra

Interview GHA2: Audit Manager and IFRS Trainer Pannel Kerr Foster-Ghana, 23 January 2013, Accra

Interview GH3: Technical Director of Institute of Chartered Accountants Ghana and Secretary to IFRS Adoption Committee, 15th January 2013, Accra

Interview GHA4: Former Country Director of PricewaterhouseCoopers and Head of Audit monitoring committee at the ICAG, 30th January 2013, Accra

Interview GHA5: Chief Executive Office of the Institute of Chartered Accountants Ghana, 25th January 2013, Accra

Interview GHA 6: Chairman of IFRS Adoption Taskforce, 25th January 2013, Accra

Interview GHA 7: Head of Finance and Administration, Ghana Stock Exchange, 22 January 2013, Accra

Interview GHA8: Head of Regulatory Policy, Banking Supervision Department, Central Bank of Ghana, 23rd March 2013, Accra

Interview GHA9: IFRS Managing Partner Deloitte and Touché- Ghana, 31st January 2013, Accra

Interview GHA10: Head of Finance and Accounting, Securities and Exchange Commission, 14th January 2013, Accra

Interview GHA11: Financial Management Specialist, World Bank Ghana Office, 18th January 2013, Accra

Interview GHA12: Financial Management Specialist, World Bank Ghana Office, 18th January 2013, Accra

Interview GHA13: Former Controller and Accountant General and Professor of Accounting, 31st January 2013, Accra

Interview GHA14: Retired Head of Banking Supervision Department- Central Bank of Ghana, 30th January 2013, Accra

Nigeria

Interview NIG1: Technical Director, Institute of Chartered Accountants of Nigeria (ICAN), 5th February, 2013, Vitoria Island Lagos

Interview NIG2: IFRS Convergence Partner Ernst & Young West Africa, 15th February 2013. Lagos

Interview NIG3: Chief Executive Officer of the Financial Reporting Council (FRC), 15th February, 2013, Lagos

Interview NIG4: Representative of the Association of National Accountants on the IFRS Adoption Roadmap Committee, 8th February, 2013, Lagos

(ABWA), 11th February, 2013, Abuja

Interview NIG6: Financial Management Specialist, World Bank Office Nigeria, 11th February, 2013, Abuja

Interview NIG7: IFRS Convergence Partner and Member of the IFRS Adoption Roadmap committee, 7th February, 2013, Lagos

Interview NIG8: Head of Audit Reporting and Banking Supervision Central Bank of Nigeria, 8th February, 2013, Abuja

Interview NIG9: IFRS Specialist Partner. PWC-Nigeria

Liberia

LIB1: Chief Executive of Baker Tilly Liberia, 14th March 2013, Monrovia

LIB2: Chief Executive Officer of Sam Mombo Auditors, 8th March 2013, Monrovia

LIB3: Senior Officer, Banking Supervision Department. Central bank of Liberia, 8th March 2013, Monrovia

LIB4: Financial Management Specialist, World Bank local Office Liberia, 3rd March 2013, Monrovia

LIB5: Chief Financial Officer, Liberia Electricity Corporation, 3rd March 2013, Monrovia

LIB6: Country Manager of United bank of Africa (UBA), 5th March 2013, Monrovia

LIB7: President of the Liberian Institute of Chartered Public Accountants (LICPA), 7th and 11th March 2013, Monrovia

LIB8: Executive Director, the Liberian Institute of Chartered Public Accountants

Cote d'Ivoire

IVC1: Accounts Manager KPMG Cote d'Ivoire, 09th April 2013, Abidjan

IVC2: Accounting Consultant and former president of the Ordre des Experts Comptables et Comptables Agréés de Côte d'Ivoire. (OECCA-CI), 15th April 2013, Abidjan

IVC3: Financial Management Specialist, World Bank local Office Cote d'Ivoire, 12th April 2013, Abidjan

IVC4: Executive Director of National Accounting Council (CNC) Cote d'Ivoire, 8th April 2013, Abidjan

IVC4: Accounting Consultant and Assistant Professor of Accounting, 9th April 2013, Abidjan

IVC5: Expert Comptable and President of the CNC-OHADA, 15th & 16th April, 2013, Cotonou, Benin

IVC6: Legal and Tax Partner Ernst& Young Cote d'Ivoire, 8th April 2013, Abidjan

International Interviews

INT1: Professor Emeritus of Accounting at Paris Dauphine University, 15th December 2011, Paris

INT2: Expert Comptable and President of the CNC-OHADA, 16th December 2011, Paris

INT3: Professor of Comparative International Accounting, 16th February 2012, London

INT4: Board Member International Accounting Standards Board- South Africa, January 28th 2012, London

INT5: International Business Development Manager, Professional Standards-ICAEW, 1st February 2012, London

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