This is the authors’ final peer reviewed (post print) version of the item published as:

Mihret, Dessalegn Getie and Bobe, Belete Jember 2014, Multiple informal imperial connections and the transfer of accountancy to Ethiopia (1905 to 2011), Accounting history, vol. 19, no. 3, pp. 309-331.

Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30064588

Reproduced with the kind permission of the copyright owner

The final, definitive version of this article has been published in the Journal, Accounting history, 19/3, 2014, © by SAGE Publications Ltd at the page: http://sagepub.com/ on SAGE Journals Online: http://online.sagepub.com/

Copyright: 2014, Sage Publications
Multiple informal imperial connections and the transfer of accountancy to Ethiopia (1905 to 2011)

Dessalegn G Mihret
Belete J Bobe
Deakin University, Australia

Abstract

The accounting history literature expounds the role of imperial connection on the transfer of Western accountancy concepts and practices to developing countries. An emerging theme within this literature is the shift in imperial power from Britain to USA over the last century and the ramifications of this shift on accountancy globally. Using a framework developed by prior research for investigating the transfer of accountancy across countries, this study examines historical developments of accounting practice, education and professional training in Ethiopia (from 1905 to 2011) in view of the country’s interactions with Britain and USA. These interactions facilitated Ethiopia’s continued importation of British accountancy practice and professional training contemporaneously with importation of accounting education from the USA. Over the past two decades, Ethiopia has been undertaking accounting reforms as part of economic policy reforms in pursuit of neo-liberal economic ideals. In response to shifting priorities of transnational actors, Ethiopia continued trialing policy initiatives that are yet to yield a stable equilibrium with coherent links of accounting education, practice and professional training.

Keywords

Accounting education, accounting history, accounting practice, accounting profession, Ethiopia, IFRS, ROSC

Corresponding author:

Belete J Bobe, School of Accounting, Economics and Finance, Deakin University, Locked Bag 20001, 1 Gheringhap St, Geelong VIC 3220, Australia.
E-mail: bj.bobe@deakin.edu.au
Introduction

The growing accounting history literature explains how the craft of accounting and models for professional organization of accountants have been transferred to developing countries in the context of imperial connection. This literature mainly illustrates the role of imperial connection in the transfer of British accounting concepts and practices as well as the British professional accountancy model to erstwhile British colonies (Annisette, 2000, 2010; Carnegie and Parker, 1996, 1999; Johnson and Caygill, 1971; Parker, 1989; Poullaos and Sian, 2010). During the twentieth century, especially since World War II (WWII), the declining British imperial power was largely supplanted by the new world order of the USA’s “informal” empire (Bush, 2010; Cox, 1987). In recent decades, globalization and the accompanying hegemonic tendencies of powerful industrialized countries have impacted on accountancy in many countries through pressures for economic policy liberalization (Annisette, 2004; Caramanis, 2002). Powerful countries employed a variety of strategies, including coercion, to make less powerful ones accede to the wishes of the former. This type of influence on developing economies has existed as a hallmark of many post-WWII economies, which are characterized by the economic, political, military and ideological dominance by the USA (Cox, 1987). Over the last two decades, a number of countries have faced pressure from International Financial Institutions (IFIs) to adopt International Financial Reporting Standards (IFRS) as part of broader economic policy liberalization reforms. While the Anglo-American orientation of the reforms is evident (Soederberg, 2003, 2004), the reforms generally have tended to aim at creating a favorable global environment for the expansion of international capital that largely originates from the developed world (Annisette, 2004; Caramanis, 2002).

Despite a growing body of literature on the history of accountancy (Bisman, 2012), the influence of multiple imperial powers on the transfer of Western accounting knowledge and models of professional organization to developing countries remains yet to be fully explored. Richardson’s (2010) study of the Canadian accountancy profession illustrates how contemporaneous influences of multiple imperial powers shaped the history of the Canadian profession. While Canada is a developed country and a former settler British colony, its unique imperial heritage in accountancy suggests the eclectic nature of imperial influences on the profession, which makes the topic worthy of further examination. The notion of why
some developing countries failed to properly adapt accountancy to their local needs (Bakre, 2010) could be better understood by analyzing how accounting education, practice and professional training are transferred to developing countries.

Using Parker’s (1989) framework for understanding such transfers, which is also extended in later works (e.g., Annisette, 1999; Carnegie and Parker, 1996, 1999, 2000), the present study examines the ramifications of adopting accountancy models from multiple sources. The study takes Ethiopia—an East African country—as a case in point. As of 2011, Ethiopia’s accounting practice, education and professional training exhibited a lack of overarching shared frame of reference. Tertiary accounting education draws on the US model; professional accountancy training is imported from the UK; and accounting practice, while not making explicit reference to any financial reporting framework, tends to have been influenced largely by the UK system (Mihret et al., 2012). A series of accounting reform measures have been initiated especially over the past two decades although the reforms are yet to yield equilibrium with coherent links of accounting education, practice and professional training. The present study analyzes key historical events that unfolded in Ethiopia from 1905 to 2011 to explain how this state of accountancy has come about.

Even though Ethiopia has existed as an independent country throughout its recorded history, it has had periods of very open relationships with Western powers – especially Britain and USA. Modern accounting was introduced into Ethiopia in 1905 along with the inflow of British investment although Ethiopia, being one of the ancient civilizations with commercial activities, might have retained indigenous accounting concepts from earlier times (Kinfu, 1990). This phenomenon engendered the subsequent adoption of British accounting models and entry of British public accounting firms in Ethiopia. The British orientation of accounting practice has been sustained through professional accountancy training provided by the Association of Chartered Certified Accountants (ACCA) (Mihret et al., 2012). On the other hand, accounting education was introduced into Ethiopia’s higher education with the assistance of American academics in the early 1960s (Kinfu, 1990; Knowles, 2006). Consequently, Ethiopia’s accounting education has continued to be American-oriented over the past five decades, owing to a predominant use of American literature. This trend is consistent with the global experience whereby wide distribution of American intellectual capital served as a prelude to the global accounting harmonization initiative of IFRS adoption (Richardson, 2010), although the IFRS agenda is spearheaded by IFIs (over which the USA has a significant influence).
Over the past two decades, Ethiopia has been undertaking economic policy reforms along the lines of neo-liberal economic concepts (Peterson, 2001; Tesema, 2003). As a result, Ethiopia is one of the fifteen African countries that have adopted IFRS (Zori, 2011), with companies in the Ethiopian banking sector reporting according to IFRS since 2008 (Government of Ethiopia, 2008). IFRS adoption has also been under consideration for reporting entities in other sectors. The analysis in this paper shows that owing to the continued dependence on imported accounting expertise and shifting agendas of transnational stakeholders, Ethiopia continued trialing various policy responses largely driven by requirements of international funding agencies.

The remainder of this paper is structured as follows. The next section develops analytical framework of the study. Section three outlines the research methods. This is followed by an historical account of accountancy in Ethiopia from 1905 to 2011. This historical description is analyzed and discussed in section five. Section six concludes the paper.

**Analytical framework**

**Imperial connection and accountancy**

The development of accountancy is influenced by a range of institutional, political and economic factors (Perera, 1989). The literature on former British colonies shows imperial connection as a major factor that facilitated the transfer of the British accountancy models to ex-colonies (Carnegie and Parker, 1999; Chua and Poullaos, 2002; Parker, 1989, 2005). Analytical themes drawing on the lens of imperial connection have also been employed to understand accounting professionalization processes in these settings (Annisette, 2000, 2010; Bakre, 2006, 2010; Parker, 2005; Poullaos, 2010; Susela, 2010; Yapa, 2010). Such analytical tools can be employed to examine the histories of accounting education, practice and professional training in developing countries in general. In particular, the changing nature of imperial influence since WWII (Bush, 2010) can offer useful analytical insights to explain the role of imperial influence on the transfer of Western accountancy concepts and models to developing countries. Analyzing economic policy liberalization reforms undertaken with a view to embracing globalization (Caramanis, 2002), and the increasing predominance of American intellectual capital in accounting education through wider distribution of American accounting literature (Richardson, 2010), could provide further insights into the transfer of Western accounting education, practice and professional training to developing economies.
can be argued that this notion is especially relevant to developing economies in which the role of British accountancy bodies has continued contemporaneously with America’s informal empire.

**Transnational role of British accountancy: colonial legacy and beyond**

Accounting education and practice in developing countries have generally been modeled on those of Western countries (Prather-Kinsey, 2006). Nonetheless, the specific legacies of Western influence vary from country to country. Many former British colonies imported accounting personnel, the accounting craft, and/or professional accounting qualifications from Britain (Carnegie and Parker, 1996, 1999; Parker, 1989, 2005). Some ex-colonies, for example Sri Lanka (Yapa, 2000; Wijewardena and Yapa, 1998), Ghana (Awayiga et al., 2010) and Pakistan (Ashraf and Ghani, 2005) continued to follow the British models after independence from colonization. Also, the postcolonial experiences of Kenya (Sian, 2010), India (Verma, 2010), and Nigeria (Uche, 2002) show the continued influence of British accountancy in these countries and the varying degrees of success achieved in terms of indigenizing accountancy. Similarly, the continued dependence of ex-colonies such as Trinidad and Tobago (Annisette, 1999) and Jamaica (Bakre, 2005, 2006, 2010) on British-based professional accountancy training illustrates the significance of imperial influence on developing countries’ accountancy in the postcolonial era as well. On the other hand, Singapore and Cambodia moved away from the British model due to economic or political/ideological circumstances that unfolded after independence (Yapa and Jacobs, 2010).

The expanding role of transnational British accountancy bodies such as ACCA reflects that the continuing international influence of British accountancy (Bush, 2010; Johnson and Caygill, 1971) is not restricted to former colonies (Briston and Kedslie, 1997). ACCA promotes itself as a global accountancy body with a worldwide membership network (ACCA, 2011). The association enters into arrangements with national professional associations in developing countries, thereby being able to export professional accountancy training and certification. This strategy enables ACCA to export a British professional accountancy qualification (Johnson and Caygill, 1971; Parker, 1989) to such countries and ACCA members to control the market for audit services (Mihret et al., 2012).

**Post-WWII imperial trends and accountancy in developing countries**
IFI-led accounting reforms have been undertaken in numerous developing economies within the framework of Reports on the Observance of Standards and Codes (ROSC) developed by IFIs (The World Bank Group, 2011). The wave of IFRS adoption initiatives arising from the reforms has become a topic of substantial discourse in the accounting literature. The critical literature shows that the reforms are aimed at integrating developing and emerging economies into the international financial system, thereby enlisting acceptance of the precepts of neoliberalism (Annisette, 2004; Soederberg, 2003). Such integration in turn facilitates the development of transnational regime of capital accumulation thereby enabling expansive transnational capital to operate smoothly at a global scale. While Anglo-American Western economies served as the seeding ground for the expansion of transnational capital (Gill and Law, 1989), America’s informal empire has advocated this regime of accumulation through IFIs (Annisette, 2004; Soederberg, 2003). On the other hand, developing economies have an incentive to adopt the reform measures, including IFRS, to facilitate foreign capital inflows in the form of IFI loans and foreign direct investment.

This trend of harmonization of financial reporting through IFRS adoption predated and was buttressed by the wide availability of American accounting literature (Richardson, 2010). This phenomenon portends the possibility of some countries to import the American model of accounting education despite having adopted the British system for accounting practice owing to former imperial connection. The adoption of accounting education and practice in developing countries from different sources creates a potential for the two to develop independently (Yapa, 2000). Also, the adoption of Western corporate governance principles as a basis for accounting reform poses a similar challenge to accountancy. As IFI-led reforms draw on Anglo-American principles of corporate governance that do not necessarily reflect the realities of developing countries (Annisette, 2004; Soederberg, 2003), the issue of lacking synergy between accounting education and practice in these countries could arise. This synergy is crucial for the development of accountancy (Tempone and Martin, 2003; Woods and Higson, 1996) because accounting education provides theoretical and practical grounding to students entering the practice, and serves as an input for accounting practice. As the accounting profession provides career paths to accounting students, it needs well-prepared potential members from higher education (Byrne et al., 2002). Educators teach current as well as desired “best practices”; and practitioners do what they have been taught (Dyckman, 1989). This interrelation is influenced by the interests of both higher education institutions and professional associations, for they are both actively involved in defining the nature of the
link between education and practice (Annisette, 2010; Byrne et al., 2002; Birkett and Evans, 2005; Evans, 2008).

**Methods**

Explaining how accounting’s past produced its present positions remains one of the key concerns of accounting history scholarship (Carnegie and Napier, 2012; Delfina Gomes et al., 2011; Funnell, 1996; Parker, 1999; Previts et al., 1990b). The methodology employed in the present study is dictated by this central purpose in the Ethiopian context. The study contributes to the ‘general history’ category of the accounting history literature which takes a ‘[m]acroperspective of accounting development [with] national emphasis [and] … critical history [which] examin[es] the role of an historical factor [or factors] in the context of conflicting social, political, economic, and institutional interaction’ (Previts et al., 1990a:142). [Emphasis added].

The study is predominantly based on analysis of publicly available documents including professional and academic publications supplemented with interview evidence on recent phenomena. The study was conducted in two phases. In the first phase—mid-2008 to the end of 2009—document sources comprising the literature on historical development of Ethiopian accountancy and publications on accounting reforms were reviewed. In March and April 2010, interviews were conducted with four individuals (Table 1). Interview participants’ involvements in national level committees and projects concerning Ethiopian accountancy as well as their long time associations and involvements in issues of interest were used as key criteria for selecting interviewees. These interviews enabled obtaining information and interpretation of historical phenomena that cannot be captured in documented sources (Caramanis, 2002). This approach also enabled the researchers to obtain firsthand information from persons involved in historical events of interest for the study (Carnegie and Napier, 1996; Parker, 1994, 1997, 1999).

<table>
<thead>
<tr>
<th>No.</th>
<th>Background</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Participants’ profiles

7
The interviews were semi-structured and lasted about 1.5 hours on average. All the interviews were tape-recorded. One of the researchers conducted the interviews and the second researcher transcribed them. To gain a sense of the whole content of the interview transcripts, the two researchers read through the transcripts several times. Subsequently, they summarized the key themes from the transcripts independently. The researchers then reviewed each other’s summaries with a view to reconciling any differences in interpretation before the write-up began. While contradicting interpretations did not emerge in this process, the two researchers discussed and reconciled some differences in the themes identified. The researchers further developed the themes based on the summaries. An earlier draft of the paper was then sent to the interviewed participants, requesting each to indicate if they had concerns on any of the papers’ contents. None of the participants suggested major changes to the content of the paper, which provides further assurance as to the accuracy of the interview data interpretation.

**Accounting practice, education, and professional training in Ethiopia: 1905 to 2011**

**Ethiopia’s political-economic context**

Ethiopian society had a feudal economic base up to the mid-20th century. This system was gradually transformed into early-stage capitalism until the early-1970s, mainly as a result of the country’s interactions with Western powers and the resulting inflow of foreign capital. Despite significant interactions with major European powers in the early twentieth century, Ethiopia’s relations with Britain and USA were particularly notable from the perspective of the present study. During the second half of the nineteenth century, Ethiopia fought wars against Ottoman Turks, Dervish forces (now Sudan), Britain, Egypt, and Italy at different
times. All of these wars except the one with Britain’s Napier expedition in 1868 were motivated by imperial ambitions of one sort or another (Zewde, 2001). This episode of Ethiopia’s history was concluded with the Ethio-Italian war, with the Ethiopian anti-colonial victory at the battle of Adwa on 1st March 1896. This victory helped Ethiopia garner recognition as an independent country, despite being juxtaposed with the rest of Africa under colonization. Adwa served an inspirational role not only for anti-apartheid and anti-colonial movements in Africa and the Caribbean regions, but also for the struggle for rights of African-Americans (Vestal, 2011; Zewde, 2001).

In the aftermath of Adwa, European powers changed their strategy for dealing with Ethiopia from military moves to diplomatic pressures for economic concessions. Britain, France and Italy exerted such pressures until the 1940s to control resources of Ethiopia (Vestal, 2011; Zewde, 2001). British interests to build a dam on Ethiopia’s Lake Tana, the source of the Blue Nile, and to be able to control the water flowing to the then British colonies of Sudan and Egypt was the central agenda of Ethio-British negotiations from 1922 to 1935 (McCann, 1981; Zewde, 2001). British companies started investing in Ethiopia in 1905 with the formation of the Bank of Abyssinia in 1905 and continued until the early 1970s (Zewde, 2001). Traditionally, Ethiopia has a tendency of rejecting European civilization and preserving its culture, Oriental Orthodox Christianity, history and values (Metaferia, 2009). The country has a recorded history of over three thousand years and uses indigenous alphabets for written communications to the present day. Ethiopia also continues to officially use the Julian calendar and a unique way of measuring time whereby the 24-hours day is divided into daytime and nighttime each comprising twelve hours. Despite this history of rejecting much of foreign civilization, foreign capital and technology appear to have been welcome in twentieth century Ethiopia. Ethiopian Emperor Haile Selassie’s (1930 -1974) remark sums up Ethiopia’s twentieth century dilemma (Rogers, 1936: p. 27): “[W]e need European progress only because we are surrounded by it. That is at once a benefit and a misfortune.”

European strategies of diplomatic pressure were interrupted during the Italian occupation of Ethiopia from 1936 – 1941 with a full-scale war Mussolini launched to avenge Italy’s defeat at Adwa. During the period of occupation, Italy succeeded in controlling major Ethiopian cities while guerrilla fighters not only restricted invader activities to the cities but also curtailed Italy’s ability to set up a functioning colonial administration (Vestal, 2011; Zewde, 2001) even in the occupied areas. Haile Selassie, who was exiled in Britain during this
period, garnered British military support when Italy joined the Axis powers in WWII. British troops assisted Ethiopian patriots to drive out Italian troops in 1941 and stayed in Ethiopia until 1944 treating Ethiopia as ‘occupied enemy territory’. While this strategy enabled Britain to exert influence on Ethiopia’s diplomatic and military activities (Marcus, 1995), it also impelled Ethiopia to seek American support, as the latter was considered an anti-colonial power (Zewde, 2001). In 1944, Ethiopia and Britain signed a treaty that affirmed Ethiopia’s sovereignty while the treaty also allowed British troops to stay in some parts of Ethiopia until 1952 (Marcus, 1995). During this period, British troops assisted Ethiopia to establish police forces and train personnel. In addition, the adoption of English as a medium of instruction in Ethiopian secondary schools and its continued use in secondary schools and universities to the present day is traced to the Ethio-British relations of this period.

Britain’s decline as a world power and the rise of the USA as a new power with the objective of curtailing Soviet expansion in the Middle East and Africa during the cold war period of the 1960s and 1970s created the imperative for the USA to strengthen relations with Ethiopia. This interest not only facilitated the exit of British troops but also the start of stronger Ethio-US ties in the economic, diplomatic and military fields (Marcus, 1995; Zewde, 2001). On the part of Ethiopia, strong relations with America were sought mainly as a counter-weight for strong pressures from European forces. Although Ethio-American relations began in 1903, this relationship was not strong until the 1940s, mainly because Britain, France and Italy were largely effective in preserving the East African region for their own economic interests through tripartite agreements (Metaferia, 2009; Zewde, 2001). However, even during this period, the service of an American citizen, by the name of John H. Spencer, as a legal and foreign affairs adviser to Haile Selassie since the early 1930s (to early 1970s) established relations between the two countries (Vestal, 2011). For instance, Spencer was instrumental in US companies’ investments in Ethiopia including Transcontinental World Airlines’ (TWA) role in the establishment of Ethiopian Airlines in 1946, and subsequent assistance until the latter eventually indigenized its personnel. The entry of Sinclair Oil Corporation to explore oil in Ethiopia, and of American textile products into the Ethiopian market, are other examples of economic relations (Marcus, 1995; Vestal, 2011; Zewde, 2001).

Ethio-American relations became particularly stronger after the USA established the Kagnew military station in Ethiopia. The station was used as radio communications center due to suitability of the location’s high altitude for receiving signals from various parts of the world. The military base was in a geopolitically strategic location to monitor the Red Sea-Indian
Ocean region (Marcus, 1995; Vestal, 2011; Zewde, 2001). American interest to prevent Soviet expansion during the Cold War remained the major rationale for continued American diplomatic, military and economic support to Ethiopia. The arrival of Peace Corps Volunteers in 1962 increased American presence in Ethiopia (Vestal, 2011; Zewde, 2001).

However, opposition movement of the Ethiopian people against the then Ethiopian monarchy and American imperialism grew in intensity in the 1960s while at the same time the advent of satellite technology reduced the relevance of the USA’s Kagnew radio communications center for American national interests (Marcus, 1995; Vestal, 2011). The movement deposed Emperor Haile Selassie through a revolution that resulted in seizure of political power by a military junta called Dergue (meaning committee) which subsequently adopted communism and ruled the country until 1991. The revolution also ended the then Ethio-American relations and Ethiopia became allied with the communist bloc of the Cold War.

Following a policy change by the former USSR in the late 1980s and its eventual collapse, the Soviet-backed military regime of Ethiopia declined as well. A coalition of Ethiopian opposition fronts that had been confronting the military regime through armed insurrection succeeded in installing the current government into State power in 1991. Consequently, Ethiopia’s interactions with the West were resurrected in the early 1990s, and the country embarked on major economic policy reforms in the direction of a market-oriented economic system (Tesema, 2003) under the technical and financial assistance of the World Bank and International Monetary Fund (IMF). Policy reforms and capacity building programs for both the public and private sectors have been undertaken with the technical and financial assistance of IFIs. The private sector component of the reform aims to create:

conditions for improving private sector productivity and competitiveness [for which] [t]he higher level objective is to facilitate increased growth and competitiveness of the Ethiopian private sector. The project consists of [components including] ... Strengthening Integration of Ethiopia [i]nto the Global Economy [t]hrough Support to WTO [World Trade Organization] Accession.... (World Bank Group, 2004).

Development of accounting in modern Ethiopia

British investment played a significant role in the transfer of Western accounting practices to Ethiopia. The craft of modern accounting started in Ethiopia in 1905 with the establishment of the Bank of Abyssinia as a branch of the Bank of Egypt, which was in turn administered under the British financial system. As a result, British accounting terminology and financial reporting requirements were used and personnel training reinforced the adoption of British-
oriented accounting practice. In subsequent decades, advice of foreign consultants to the Ethiopian government led to the issuance of proclamations and regulations relevant to accounting (Kinfu, 1990). Early proclamations include one that established a commission of trade inspectors in the Ethiopian public sector by government regulation in 1927 to conduct performance-audit type activities. The inspectors’ responsibilities included providing, ‘suggestions for improving departments whose expenditures were too high relative to the income they generated’ (Kinfu, 1990:193). In 1944, the Audit Commission was established by proclamation (Emperial Government of Ethiopia, 1944) to ‘examine and control the accounts of the Ministry of Finance’, whereas accounts of other ministries were ‘controlled and examined by officers of the Ministry of Finance’ (Article 3). Article 2 of Proclamation 79/1946 extended the commission’s responsibility with a view to “centraliz[ing] the audit and control of all Government accounts under one Department [i.e., the commission].” Subsequently, The Office of the Auditor General (OAG) was established by Decree 32/1958 and then Proclamation 199/1961, with greater authority of public sector auditing than was provided in 1944 (Government of Ethiopia, 1961).

The 1940s saw the start of internal and external auditing. Establishment of the Ethiopian Highway Authority—financed by the US-sponsored International Bank for Reconstruction and Development (Vestal, 2011)—and Ethiopian Airlines (with a management contract of TWA) (Zewde, 2001), and the reorganization of Ethiopian Telecommunications and Ethiopian Electric Light and Power Authority as state-owned enterprises in the 1940s led to the involvement of European companies as partners, financiers or consultants to these enterprises. The foreign involvement necessitated strengthening internal audit and control systems of the enterprises (Kinfu, 1990). Also, public accounting started in Ethiopia in the 1940s with the establishment of Ethiopian branches by British accounting firms, namely PriceWaterhouse and Peat & Co., mainly to service foreign subsidiaries of their British clients (Kinfu, 1990).

In response to the growth of private sector business in subsequent decades, the Commercial Code\(^2\) of Ethiopia was proclaimed in 1960 (Government of Ethiopia, 1960), which served as another landmark in Ethiopia’s accountancy development. The code contains accounting and external auditing provisions, although it does not specify required qualifications of an auditor. These provisions have continued to the present time to serve as the legal basis for financial reporting and external audit of companies (Mihret and Admassu, 2011). Articles 63 to 85 of the code specify accounting and auditing requirements\(^3\) for businesses. Article 63 (1) states:
Any person or business organization carrying on trade shall keep such books and accounts as are required in accordance with business practice and regulations having regard to the nature and importance of the trade carried on.

A state-owned Audit Service Corporation (ASC) was then established by Proclamation No. 126/1977 to conduct external audit of state-owned enterprises. The ASC was established in order to fill the gap created by the exit of UK public accounting firms following the nationalization of private sector companies subsequent to Ethiopia’s adoption of communism in the mid-1970s (Woldegiorgis, 1992). The establishment of the ASC and mandating of internal auditing in government organizations remain major legacies of the communist period in accounting in Ethiopia (Mihret et al., 2012). The following articles of the proclamation specify the goals of the ASC as follows:

Article 5(1): Audit the accounts of production, distribution and service giving organizations of which the government is the owner or majority shareholder and submit through the Auditor-General, a consolidated report thereof to the congress of the Provisional Military Administration Council.

Article 4(3): ... to find ways and means for the further development of the audit profession and to try to make Ethiopia self-sufficient within a short period, with respect to the audit profession.

Professional accountancy training, public accounting and regulation

In response to the growing private sector of the economy in the 1960s, the Ethiopian government showed interest in strengthening the role of accounting and auditing. Accordingly, an accountancy bill was drafted in 1966 although it was not enacted as no professional association existed to which the proposed regulation would apply (Kinfu et al., 1981). Subsequently, the Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established in 1973, mainly as a state initiative through the Auditor General. Founders of EPAAA included the then auditor general of the country, an ACCA qualified professional accountant, an accounting academic, and two expatriates who were members of Institute of Chartered Accountants in England and Wales. Individual chartered accountants participated as founders representing their auditing firms in response to a request by the OAG (Mihret et al., 2012).

Table 2. EPAAA Founders’ profiles

<table>
<thead>
<tr>
<th>Founders*</th>
<th>Academic/professional qualification</th>
<th>Background</th>
<th>Citizenship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gorfu Gebremedhin</td>
<td>F.K., P.M., B.Com.</td>
<td>Auditor General</td>
<td>Ethiopian</td>
</tr>
<tr>
<td>Johannes Kinfu</td>
<td>DBA, Accounting</td>
<td>Academic</td>
<td>Ethiopian</td>
</tr>
<tr>
<td>Getachew Kassaye</td>
<td>FCCA, ACIS</td>
<td>Public practice</td>
<td>Ethiopian</td>
</tr>
<tr>
<td>W.J. Pile</td>
<td>FCA, ACMA, ACIS</td>
<td>Public practice</td>
<td>Expatriate</td>
</tr>
<tr>
<td>P.F. Hawkins</td>
<td>FCA</td>
<td>Public practice</td>
<td>Expatriate</td>
</tr>
</tbody>
</table>

Source: EPAAA Board of directors directive No.1/2, 1975
Nonetheless, EPAAA’s professional project has not made significant progress. Despite its organization following the British model, the Association has not developed the capacity to control entry into professional practice. Instead, EPAAA has continued to import professional accounting qualification through an arrangement in which it grants automatic membership to ACCA qualified professionals. EPAAA achieved membership size of 123 active members in 2008 (Mihret et al., 2012), which signifies a slow growth when compared with thirty-eight members in 1975 (Kinfu et al., 1981). On the other hand, the ACCA has a strong presence in Ethiopia. A total of 282 ACCA qualified accountants existed in Ethiopia as at December 2011, of whom eighty-seven held the Association’s practicing certificate. Fifty seven out of sixty-two professional accountants who were partners in private auditing firms in Ethiopia were ACCA members (ACCA, 2012; The OAG, 2012). As Ethiopia has not fully adopted a financial reporting framework, auditors play an important role in financial reporting through recommendations on clients’ accounting policy choices (Participant 1). Thus, the predominance of ACCA qualified audit practitioners suggests a continuing British orientation to Ethiopian accounting practice.

In the absence of an authoritative professional accountancy body, the OAG undertakes regulation of the Ethiopian accounting profession. Article 14 of Proclamation 68/1997 empowers the OAG to ‘issue, renew, suspend and cancel certificates of competence of auditors and accountants who provide auditing and accounting services…’ (Government of Ethiopia, 1997). The OAG also issued a Code of Ethics for professional accountants to fill the gap created by the “absence of … strong national [accounting] associations” (The OAG, 2009: p. 1). In line with Proclamation No. 669/2010, Regulation No. 4/2010, Article 2 specifies that the OAG issues certificates of competence to individuals licensed to offer fee-based services as authorized auditors or authorized accountants. To obtain a license as an authorized auditor, an applicant is required to possess a professional accountancy certification and active membership as well as practicing certificate from a recognized accounting association. Professional accounting association membership is not required to work as an accountant in both private and public sector organizations. Article 14 states that “[a]ny person without being provided with Certificate of Competence in accordance with this regulation…is not allowed to engage in private [i.e., fee-based] audit or accounting activities.” As at December 2011, there were 327 authorized accountants and 56 auditing firms. Authorized accountants provide bookkeeping services on a fee basis to businesses not having permanent accounting personnel; whereas, authorized auditors provide external
auditing services. Five of the auditing firms (including ASC) were Grade\(^5\) A, 14 Grade B and 37 Grade C (The OAG, 2012). An audit partner in a “B” firm describes the implications of the grading as follows:

There are no clearly set delimitations of work to be performed by each grade of auditors. But in practice there are various restrictions. For example, financial institutions generally require Grade A firms to audit their books, The Privatization and Public Enterprises Supervising Agency (PPESA) allows only grade A or B firms to audit public enterprises and the Charities and Societies Agency requires NGOs with Birr 50 million or above annual expenditure to be audited by Grade A firms only. There are also various references made by the Office of the Federal Auditor General to audit United Nations agency funded projects which generally follow the grade categorization.

As most of the business activity in Ethiopia is undertaken by state-owned enterprises, the ASC plays a significant role in external auditing in the country (Mihret et al., 2012). The predominantly small-business nature of private companies and the resulting limited separation of ownership and management reduce the role of private auditing firms and of accounting in the private sector at large. As Participant 1 comments:

… Thus, private sector businesses [in Ethiopia] do not need sophisticated accounting systems. … [P]rivate audit firms exist mainly because the government requires [financial statements of] NGOs [Non-Governmental Organizations] to be audited for license registration and renewal purposes. … In 2008, the largest proportion of my firm’s income came from this sector.

Similarly, due to the perceived lack of standardized financial reporting practices that arise from a weak financial reporting and audit framework (Gizaw, 2009), the tax office tends to question reliability of financial statements. The 1995 Ethiopian constitution defines taxation powers of the federal government of Ethiopia and the nine regional sates that the federate government comprises. The constitution (Article 96) grants the federal government the power to levy taxes on import and export as well as income and profit taxes on organizations operating at the international and/or federal levels. Article 97 grants regional states the power to levy taxes on organizations operating within their territories. These taxation powers are operationalized through various proclamations such as the Income Tax Proclamation No. 286/2002, VAT Proclamation No. 285/2002, Sales and Excise Tax proclamation No. 68/1993, etc. The role of accounting in the tax system appears to be limited. According to Participants 1 and 2:

In the year 2001 there was a requirement to file audited financial statements for tax purposes, but this did not continue because it was considered that audited statements were not reliable. [Participant 1]

Similarly, “bankers prefer to provide collateral-based loans rather than conduct risk analysis using financial statements.”[Participant 2]
Accounting reforms

Following Ethiopia’s return to a market-oriented economic system in 1991, the country embarked on policy reforms to liberalize its economy along the lines of neo-liberal economic principles to facilitate economic development (Peterson, 2001; Tesema, 2003). Ethiopia is one of those countries that reconceive foreign aid and loans from international organizations in the effort to reduce poverty (Collier and Dollar, 2002). The country has been undertaking the reforms as a prerequisite for WTO membership (WTO, 2011). IFIs championed the reforms by providing technical and financial assistance (The World Bank, 2007) for a number of projects claimed to foster competition in the private sector and enhance global competitiveness of the country’s economy6 (The World Bank, 2010). The reforms resulted in renewed focus on accountancy. Participants commented:

WTO accession requires sound accounting infrastructure. The World Bank has put a pressure and significant amount of funding for the same cause in Ethiopia.… [Participant 3]

… Government policy has had substantial impact on accounting. […] The civil service reform has significantly enhanced the need for accounting professionals. [Participant 2]

While the importation of Western accounting education and professional certification continued, the globalization era produced new dynamics that called for Ethiopia’s adoption of IFRS. In 2005, the Ministry of Trade and Industry commissioned a World Bank funded project to devise strategies for the development of accounting and auditing standards. This initiative has its roots in a 1997 project funded by the British Overseas Development Agency (ODA) to develop ‘National Accounting and Audit Development Program’ although the subsequent funding and direction of the initiative were pursued under the framework of IFIs. A team of experts comprising Ethiopian accounting practitioners and academics evaluated the ODA project report and recommended establishing a National Board of Accountants and Auditors (NAAB) to oversee the profession (Aberra, 2005). The OAG and EPAAA took responsibility for this task and subsequently contracted it out to the ACCA, which developed ‘a roadmap for the development of the standards’ for development of accounting standards (ACCA, 2005).

Due to ‘the government’s … [intention] to manage the profession under the Ethiopian Civil Service College [ECSC]’7, Council of Ministers Reg. No.121/2006 was issued to establish Institute of Certified Accountants and Auditors (ICAA) under ECSC with a World Bank funding. The regulation states the objectives of ICAA as follows:

16
Article 5(3): Formulate standards and based on such standards confer professional certification in auditing and accountancy.

Article 20(5): Ensure that financial and accounting systems of the Enterprise are consistent with financial laws of the country.

The Institute was intended to initially administer accounting certification examinations and develop financial reporting standards for the Ethiopian public sector with a further plan to carry out similar tasks for the private sector. However, ICAA did not come to existence as its envisaged mission was integrated into another IFI-supported National Steering Committee (NSC) of which ECSC became a member. The NSC projects aimed at addressing the ROSC recommendations (Participant 1) including enacting accountancy laws, revising the Commercial Code of Ethiopia, developing financial reporting standards in line with IFRS, and establishing a NAAB under which professional accounting associations with legislative backing would operate (The World Bank, 2007). At the time of writing the present paper, a financial accounting law has been drafted, proposing the establishment of NAAB with the powers to develop accounting and auditing standards and conduct oversight of the profession (Ministry of Finance and Economic Development, 2011). Article 12(1) of the draft proclamation states that the board is to be ‘established as an autonomous public body…’ Similarly, the Ministry (2011) drafted a financial reporting law. Article 2 (20) of the draft law defines a reporting entity as “any entity required by law to submit financial report[s] but does not include public bodies”. Article 5(1) of this proclamation states that ‘reporting entities in Ethiopia shall use’ IFRS:

(a) …issued by the International Accounting Standards Board or its successor;

(b) … for Small and Medium Size Enterprises (IFRS for SMEs) issued by the International Accounting Standards Board or its successor; [or]

(c) International Public Sector Accounting Standards (IPSAS) issued by the International Accounting Standards Board or its successor.

The Ministry also drafted another proclamation for the establishment of Institute of Certified Public Accountants of Ethiopia (ICPAE), Article 6 of which states that the Institute has the power to:

(1) Establish, publish and review a Code of professional Conduct and Ethics for certified public accountants and certified auditors, which shall be consistent with that of the International Federation of Accountants and its successors;

(2) Issue directives related to membership in the Institute, including the acceptance, rejection, withdrawal, suspension, cancellation or renewal of membership; and

(3) Issue directives related to the examination and qualification of the Institute.
The draft bills outlined above signify the implementation of ROSC recommendations although the banking sector has already adopted IFRS (Government of Ethiopia, 2008). It can be seen that the draft proclamations aimed to create institutions that will take over the OAG’s regulatory activities as discussed earlier. The reform initiatives are generally consistent with the global trend of IFI-led economic liberalization. Participant 2 commented as follows regarding the resulting predominance of foreign involvement in the initiation and conduct of the accounting reforms:

The current demands by the World Bank, IMF … and donor countries for better financial information have been the critical factors for the various studies (e.g., ‘the road map’ and ROSC), revision of the commercial law, the progress towards establishing professional bodies for accounting and auditing, financial reporting law, etc. […] In fact, this [ongoing accounting reform process] is more related to the need to meet requirements of funding agencies; [yet] it was not all in all negative [because] it enables the country to develop a financial reporting system. (Participant 2)

Similarly, Participant 4 expressed that the reforms originated from international institutions interests:

All reforms have been initiated and funded by external bodies like the World Bank. When a particular project is completed, it will be put to file [i.e., recommendations were not implemented because different donors tended to fund new projects rather than continuing with what was accomplished in prior projects]. Another project at another time by another or same body would be initiated and will have the same fate. Reforms should be institutionalized and owned by the Country... (Participant 4)

Accounting education in Ethiopia

This review of accounting education in Ethiopia has been undertaken using the Department of Accounting and Finance (DAF) at Addis Ababa University (AAU) as a case. DAF is the only department that was running a bachelor degree program in accounting from 1955 to the 1990s (Kinfu, 1990). A Bachelor of Business Administration (BBA) program was launched in 1955 at the then Addis Ababa University College, which was subsequently renamed Haile Selassie I University and then Addis Ababa University. This program offered majors in accounting and management. A separate Bachelor of Arts (BA) degree program in accounting was then established at Haile Selassie I University in 1963 (AAU, 2008) under the College of Business Administration (CBA). CBA was launched with 154 students, and 12 full-time and 6 part-time academic staff with the assistance of American Peace Corps Volunteers (PCVs) (Knowles, 2006: 2):

[aiming to] supply skilled businessmen and women to manage the expected growth of Ethiopian industry and other economic activities pursuant to the Second Five-Year Development Plan of the Imperial Government of that time.

Knowles (2006:1) writes:
I had been part of a Peace Corps contingent of 250 volunteers who arrived in Addis Ababa [the capital of Ethiopia] in September 1963. … I, along with several other PCV’s, was assigned to the newly created College of Business Administration of the Haile Selassie I University with a mission to help develop curriculum and teach courses.

The DAF curriculum was modeled on the American system (Knowles, 2006) and has continued with this orientation as can be seen from Table 2. Consistent with the global distribution of American intellectual capital through American literature in the era of American informal empire (Richardson, 2010), American textbooks were adopted for a majority of accounting courses in the DAF curriculum (Table 2). The number of locally-authored textbooks has been limited. This dependence on imported textbooks has influenced the orientation of accounting education to be focused on advanced economies rather than on a framework tailored to the local context of Ethiopia. Furthermore, the DAF curriculum exhibited little dynamism over the last six decades despite the alternation in the country’s economic policy between a market oriented and centrally planned economy. Participant 2 remarked: ‘The disappointing part is, for a long time, the changes in the accounting curriculum have not been fast enough.’ Also, Participant 3 commented that ‘… over the last thirty years there have not been major changes in the curriculum. Thus, I wouldn’t say that accounting education has developed given its age.’ Similarly, Participant 1 commented:

The syllabi and textbooks for accounting education in Ethiopia were imported from Anglo-Saxon countries without any attempt of customizing to the Ethiopian context. For me, accounting education and the practice are parallel lines which have never met over the years and will never meet unless a complete overhaul is made to the Accounting Education. On the other hand, accounting practice is rudimentary and very fragmented and heavily dependent on the knowledge of the company’s finance personnel and its auditor if the company has one. ‘…[One] can import western accounting education and accounting standards … but not the Western market and economic contexts [that demand sophisticated accounting].

Employers use both ‘short-term training courses’ (Participant 1) and accounting manuals to fill the gap created by the absence of accounting standards coupled with limited consistency of education and practice. This indicates accounting education would have been more relevant and less costly if it was designed reflecting the realities of Ethiopian organizations, i.e., public sector bodies, state-owned commercial organizations, and small/medium enterprise private companies. Similarly, the fact that ACCA\textsuperscript{8} training in Ethiopia is also based on British tax and company laws, which are far from relevant for Ethiopia, shows that the issue of relevance applies to professional accountancy as well. National level accounting manuals were used as a guide for accounting practice in state-owned enterprises from 1974 to 1991. Kinfu (2006: 2) wrote:
Urban Dwellers’ Association Accounting Manual for retail shops; Manual for rental housing operations and other activities; Cost Accounting and Internal Auditing Manual, and Financial Accounting Guidelines for corporations under the Ministry of Industry and Domestic Trade; State Farms Accounting Manual; and Co-operatives’ and Associations attempted to prescribe standard, forms and procedures [as well as illustrate] analysis and summarization of transactions within chart of accounts.

Similarly, Participant 1 supports the view as expressed above, and also indicates that ACCA qualified professionals were involved in the preparation of the manuals. The continued acceptance of the ACCA qualification during Ethiopia’s communist years is mainly because of a lack of alternatives. The then president of Ethiopia, Hailemariam (1984: 29), commented on the difficulty of manpower production under the communist system as follows:

…contradictions are still apparent as executive manpower is not yet free from the old system... but the creation of a completely new situation in manpower development is not easy.
### Table 2. Courses titles, credit hours and textbook origins at different time periods

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Education (36Cr)</strong></td>
<td>General Education (36Cr)</td>
<td>General Education (36Cr) Related-area courses (40Cr)</td>
<td>General Education (36Cr) Related-area courses (40Cr)</td>
</tr>
<tr>
<td><strong>Related-area courses (40Cr)</strong></td>
<td>Related-area courses (40Cr)</td>
<td>Related-area courses (48Cr):</td>
<td>Related-area courses (48Cr):</td>
</tr>
<tr>
<td><strong>Core-area courses:</strong></td>
<td>Core-area courses (48Cr):</td>
<td>Core-area courses (48Cr):</td>
<td>Core-area courses (62Cr):</td>
</tr>
<tr>
<td>Principles of accounting I (3Cr)(*)</td>
<td>Principles of accounting I (3Cr)(*)</td>
<td>Principles of accounting I (3Cr)(*)</td>
<td>Principles of accounting I (3Cr)(*)</td>
</tr>
<tr>
<td>Principles of accounting II (3Cr)(*)</td>
<td>Principles of accounting II (3Cr)(*)</td>
<td>Principles of accounting II (3Cr)(*)</td>
<td>Principles of accounting II (3Cr)(*)</td>
</tr>
<tr>
<td>Management Accounting (3Cr)(*)</td>
<td>Management Accounting (3Cr)(*)</td>
<td>Management Accounting (3Cr)(*)</td>
<td>Management Accounting (3Cr)(*)</td>
</tr>
<tr>
<td>Cost Accounting I (3Cr)(*)</td>
<td>Cost Accounting I (3Cr)(*)</td>
<td>Cost Accounting I (3Cr)(*)</td>
<td>Cost Accounting I (3Cr)(*)</td>
</tr>
<tr>
<td>Cost Accounting II (3Cr)(*)</td>
<td>Cost Accounting II (3Cr)(*)</td>
<td>Cost Accounting II (3Cr)(*)</td>
<td>Cost Accounting II (3Cr)(*)</td>
</tr>
<tr>
<td>Financial (Intermediate) Accounting II (4Cr)(*)</td>
<td>Financial (Intermediate) Accounting II (4Cr)(*)</td>
<td>Financial (Intermediate) Accounting II (4Cr)(*)</td>
<td>Financial (Intermediate) Accounting II (4Cr)(*)</td>
</tr>
<tr>
<td>Financial Management (3Cr)(*)</td>
<td>Financial Management (3Cr)(*)</td>
<td>Financial Management (3Cr)(*)</td>
<td>Financial Management (3Cr)(*)</td>
</tr>
<tr>
<td>Risk Management and Insurance (3Cr)(*)</td>
<td>Risk Management and Insurance (3Cr)(*)</td>
<td>Risk Management and Insurance (3Cr)(*)</td>
<td>Risk Management and Insurance (3Cr)(*)</td>
</tr>
<tr>
<td>Advanced Accounting (3Cr)(*)</td>
<td>Advanced Accounting (3Cr)(*)</td>
<td>Advanced Accounting (3Cr)(*)</td>
<td>Advanced Accounting (3Cr)(*)</td>
</tr>
<tr>
<td>Auditing (4Cr)(*)</td>
<td>Auditing (4Cr)(*)</td>
<td>Auditing (4Cr)(*)</td>
<td>Auditing (4Cr)(*)</td>
</tr>
<tr>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
</tr>
<tr>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
</tr>
<tr>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
</tr>
<tr>
<td><strong>BASIC computer programming (3Cr)(*)</strong></td>
<td><strong>BASIC computer programming (3Cr)(*)</strong></td>
<td><strong>BASIC computer programming (3Cr)(*)</strong></td>
<td><strong>BASIC computer programming (3Cr)(*)</strong></td>
</tr>
<tr>
<td><strong>Advanced Accounting (3Cr)(*)</strong></td>
<td><strong>Advanced Accounting (3Cr)(*)</strong></td>
<td><strong>Advanced Accounting (3Cr)(*)</strong></td>
<td><strong>Advanced Accounting (3Cr)(*)</strong></td>
</tr>
<tr>
<td><strong>Auditing (4Cr)(*)</strong></td>
<td><strong>Auditing (4Cr)(*)</strong></td>
<td><strong>Auditing (4Cr)(*)</strong></td>
<td><strong>Auditing (4Cr)(*)</strong></td>
</tr>
<tr>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
<td>Management Control Systems (3Cr)(*)</td>
</tr>
<tr>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
<td>Project Analysis and Evaluation (3Cr)(*)</td>
</tr>
<tr>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
<td>Government and Other NFP Accounting (3Cr)(*)</td>
</tr>
</tbody>
</table>

21
Notes:
1Cr–credit hours
2(*)Major textbook of USA origin
3(√)Locally authored additional reference material

4 General Education courses are those which are offered to first year university entrants before they choose discipline specializations. Some combinations of courses from the following areas were offered at different times: English Language, Mathematics, Statistics, Geography, History, and Marxist Leninist Philosophy (during the communist era only), Logic, Life Science for Social Scientists, Sociology, Economics, and Civic and Ethics Education (post-2005 only).

5 Related area courses are courses that accounting students are required to complete from economics and management discipline areas at second to fourth year levels.
Analysis and implications

The foregoing historical account of Ethiopian accountancy illustrates how multiple imperial connections shaped the transfer of Western accountancy models to Ethiopia. Specifically, the historical events interpreted in this paper indicate that Ethiopian accountancy practice and professional training have largely been adopted from the British system. The entry of British capital to Ethiopia in the 1900s and subsequent decades not only served as a prelude to the introduction of accounting with British orientation but also facilitated subsequent entry of British public accounting firms into Ethiopia. The simultaneous introduction of British accounting practices in Ethiopia with the inflow of British capital is consistent with the experiences of other countries (Annisette, 2010; Bakre, 2008, 2010; Carnegie and Parker, 1996; Parker, 1989; Sian, 2010; Uche, 2010; Yapa, 2010). Since the 1960s the role of British accounting associations in Ethiopian accountancy was contemporaneous with Ethiopia’s importation of American accounting education. This role resulted in the predominance of ACCA qualified Ethiopians in the professional accountancy market. Consistent with the global trend in the age of American informal empire in the post-WWII era, American literature has been widely used in Ethiopia’s accounting education. However, the Ethiopian case especially illustrates the tension attributable to the continued dependence on different sources for the importation of accounting practice and professional accountancy training on the one hand and tertiary accounting education on the other.

The continued American orientation of the accounting curriculum and the active role of ACCA in accountancy practice and professional training contributed to the perpetuating incoherence of accounting education, practice and professional training in Ethiopia. The absence of a national professional accountancy body to contribute to the development of accountancy expertise grounded in the local context of Ethiopia is also a reflection of the continued dependence on foreign accountancy expertise. As successful professionalization requires a professional association to define, own, control, and develop a body of knowledge (Birkett and Evans, 2005; Carnegie and Edwards, 2001), EPAAA’s continued importation of the ACCA qualification sustained the British orientation of professional accountancy training in Ethiopia.

The context and assumptions of accounting education determine the extent to which graduates of the award possess desired attributes. In the case of Ethiopia, neither professional training nor accounting education is sufficiently grounded in the country’s realities. The three
components of accountancy in Ethiopia lacked coherence as a result of which each continued to progress as a separate strand preserving loyalty to the source from which it was adopted. The use of imported textbooks without adaptation means that the learner is afforded little opportunity to appraise local practices and examine ways of improving them, which contributes to the continued incoherence of accounting education and practice. Both professional training and accounting education designed for advanced capital market settings provide limited value for money for the Ethiopian business environment, which is characterized by predominantly small business private sector and large state-owned enterprises. While short-term training and accounting manuals provide a more focused exposure to accounting graduates on accounting practice, the cost implication of such strategies is clearly evident.

The ways in which IFI-led reforms have progressed in Ethiopia signify the change in the nature of imperial connection and thus shifting priorities of imperial agents. These reforms including IFRS adoption can be interpreted as resulting from the converging of interests of imperial powers. Nevertheless, it can be noted that the pressures on the Government to liberalize the Ethiopian economy and the ensuing incentives to embark on the reforms are consistent with the pressures experienced by other developing economies in the era of globalization, as they come attached to financing requirements of IFIs. Also, when critically evaluated, the interest of the IFIs tends to contradict the agenda of localizing accountancy. For instance, WTO membership challenges national boundaries for the operation of professions (Richardson, 2010). The reform projects also paid little attention to the integration of Ethiopia’s accounting education, practice and professional training, despite the fact that ‘the biggest challenge to implement the new initiatives remains to be a lack of skilled manpower’ (Participant 4).

While the link between accounting education and profession is generally problematic (Burritt et al., 2011; Evans and Poullaos, 2012; West, 1996), the Ethiopian case contributes valuable evidence by illustrating multiple imperial connections as an explanatory factor for the limited coherence of education and practice in some countries. This is a useful contribution because prior accounting history studies on the ‘schism’ between accounting education and practice ‘are typically of a descriptive nature’ (Carnegie and Napier, 2012: 343). Such a historical study puts current positions in a ‘longitudinal timeframe’ to enable the understanding of processes that produced the present (Parker, 1999:14-16). This understanding enables informed policy making (Carnegie and Napier, 1996; Previts et al., 1990b). The present study
highlights key policy implications: first, there is a need for adopting a holistic rather than a piecemeal approach to accounting reforms in Ethiopia. Such an approach would cater for all components of accountancy instead of separately dealing with each component. Second, there is a need for persisting with internally generated policy initiatives that could provide common ground for external and internal stakeholders to the reforms. Implementing the draft accounting law could be a useful starting point in this regard because such a law can provide acceptable baseline framework that might satisfy most stakeholders to some degree.

**Conclusion**

This study has examined the impact of multiple informal imperial connections on the transfer of Western accounting education, practice and professional training models to Ethiopia. It has attempted to explain how the current state of Ethiopian accountancy is reached, whereby coherent relationships among the three components of accountancy are lacking. The study indicates that the introduction of accounting practice and professional training in Ethiopia is traced to Ethiopia’s interactions with Britain and the subsequent transnational investment of British companies in country. Since the early 1960s, this British influence on accountancy continued contemporaneously with an instrumental American role in the development of Ethiopian accounting education and more recently with IFIs-supported accounting reforms including IFRS adoption. The continued allegiance of accounting education and professional training in Ethiopia to their transnational origins left Ethiopian accounting education, practice and professional training without an overarching shared frame of reference. Accounting reform initiatives have been ongoing over the past two decades largely driven by requirements of IFIs. Nevertheless, shifting priorities of multiple transnational agents rendered Ethiopia to continue trialing policy responses that are yet to produce stable relationships among the three components of accountancy. That is, as reform initiatives are driven by the demands of successive informal imperial agents, earlier initiatives are often abandoned as later initiatives are pursued in line with prescriptions of new agents.

**Acknowledgements**

Authors thank interview participants for generously sharing their experiences. Authors also gratefully acknowledge highly helpful comments and suggestions received from *Accounting History* joint editor, Professor Garry Carnegie and two anonymous referees on earlier versions of this paper.
Notes

1. The Napier expedition of Great Britain was aimed at freeing British citizens who were imprisoned by Emperor Tewodros II (1855 – 1868) of Ethiopia (then called Abyssinia) because Queen Victoria turned down the Emperor’s request for military equipment support (Zewde, 2001). When the British army defeated the Abyssinian army, Tewodros freed the prisoners and then committed suicide having preferred not to surrender.
2. The development of the code was informed by the French legal system. USAID. (n.d.) Ethiopia: Company law and corporate governance. Available at: http://www.bizcllr.com/cs/countries/africa/ethiopia/companylaw. However, we have not identified significant implications of this offshore in this regard specifically relevant to our argument because the French influence on Ethiopia was minimal compared to UK and USA.
3. Other articles (available at http://www.lexadin.nl/wlg/legis/nofr/oeur/lxweeth.htm) contain more detailed accounting requirements on ‘Assets’ (Art. 74), ‘Liabilities’ (Art. 75); ‘Amortization, provisions, adjustment accounts’ (Art. 76); ‘Establishment expenses’ (Art. 77); ‘Fixed assets’ (Art. 78); ‘Stocks’ (Art.79); ‘Capital and reserves’ (Art. 80); ‘Balance carried forward’ (Art 81); ‘Amortization and provisions’ (Art. 82); ‘Adjustment accounts’ (Art. 83); ‘Valuation’ (Art. 84); and ‘Provisions for depreciation’ (Art. 85); and auditor duties and responsibilities and procedures for appointment of auditors (Articles 368 -387).
4. The professional project in Ethiopia is fully examined by Mihret et al. (2012).
5. The grading is determined through detailed scoring based on Staff profile (60%) and Office profile (40%). Firms that score 75% or above are graded “A” and those that achieve from 50% to 75% are graded “B”. Firms that score below 50 are graded “C” (The OAG, 2012).
6. Structure of the economy and foreign capital flows:

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (US$, billions)</th>
<th>Sectors’ shares of GDP (%)</th>
<th>Foreign capital (US$, billions)</th>
<th>World Bank Program (US$, billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agriculture (54.3)</td>
<td>Official grants (604)</td>
<td>Commitments (79)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry (11.1)</td>
<td>Official creditors (278)</td>
<td>465</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufacturing (4.8)</td>
<td>Private creditors (-57)</td>
<td>670</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services (34.5)</td>
<td>Foreign direct investment (-8)</td>
<td>518</td>
</tr>
<tr>
<td>1990</td>
<td>12.1</td>
<td>49.9</td>
<td>2,729</td>
<td>Disbursements (74)</td>
</tr>
<tr>
<td>2000</td>
<td>8.2</td>
<td>50.8</td>
<td>2,628</td>
<td>553</td>
</tr>
<tr>
<td>2009</td>
<td>32.0</td>
<td>47.7</td>
<td>2,063</td>
<td>553</td>
</tr>
<tr>
<td>2010</td>
<td>29.7</td>
<td>14.3</td>
<td>1,020</td>
<td>389</td>
</tr>
</tbody>
</table>


7. The Ethiopian Civil Service College (now Ethiopian Civil Service University) (2012) University Vision, Mission, Values and Objectives, Available at: http://www.ecsc.edu.et/index.php?option=com_content&view=article&id=45:college-objectives-vision-mission-and-values-&catid=19:college-profile&Itemid=37%29 state “[b]uilding the capacity of the public sector through education, training, research, consultancy and professional certification services.” It aims at “improving the professional and leadership capacity and ethical standards of the Ethiopian Civil Service, have the following objectives:
- to design training and educational programs and provide same using various modalities
- to conduct research
- to provide consultancy services
- to formulate standards and certify professionals”
8. The ACCA grants exemptions to AAU bachelor’s degree graduates in accounting from its foundation papers (https://portal.accaglobal.com/accredweb/faces/page/public/accreditations/enquiry/main/EnqProgrammesTable.jsp?afPfid=y5ohn3mb8). Accounting graduates do not need to become ACCA/EPAAA members to get jobs in the public and private sector organizations. While professional certification is required only for public practice as an auditor, professional association membership provides advantage to find better paying jobs and advance careers in both the public and private sectors.
References


Bisman JE (2012) Surveying the landscape: the first 15 years of Accounting History as an international journal Accounting History 17(1): 5-34.


