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Accounting professionalization amidst alternating state ideology in Ethiopia

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Abstract

Purpose – This study aims to examine accounting professionalization in Ethiopia focusing on how the state, occupational group struggle and transnational accountancy bodies influence the realization of closure.

Design/methodology/approach – A qualitative research approach is employed. Data were collected using document review and oral history approaches.

Findings – Accounting professionalization in Ethiopia was initiated by the state to strengthen the country's financial system. Owing to a change of state ideology to communism in 1974, a strategy of developing accounting professionals as government-employed experts was pursued. The return to a market-oriented economy in 1991 has seen a trend towards a more autonomous accountancy profession. Inflow of UK capital in the early twentieth century and activities of the UK-based Association of Chartered Certified Accountants (ACCA) in recent decades have influenced Ethiopia's accountancy. Its professional and financial power has enabled ACCA to make arrangements with Ethiopian Professional Association of Accountants and Auditors (EPAAA) and consolidate its position in Ethiopia's accountancy by controlling EPAAA's member training and certification.

Originality/value – The literature on accounting professional projects in developing countries has focused on imperialistic influence in former British colonies. The present study extends this literature by illustrating how British influence has continued to extend beyond Britain's former colonial possessions. This enables an understanding of the dynamics of accounting professional projects in the developing world with analytical dimensions building on the hitherto dominant lens of "formal" colonial connection.

Keywords Accounting profession, Closure, Critical perspective, Ethiopia, Functionalist perspective, Interactionist perspective, Accounting, Developing countries

Paper type Research paper



Introduction

Diverse political, economic, and social dynamics influence accounting professionalization processes in general (Carnegie and Edwards, 2001; Goddard, 2002; Uche, 2002). Such processes were examined under the sociology of professions literature (Uche, 2002; Walker, 1991, 2004; Willmott, 1986; Yapa, 1999) mainly using Western autonomous professional associations as units of analyses. This literature shows that professional accounting associations employ occupational closure strategies by setting membership criteria to exclude non-members from providing professional services. While occupational group struggle for jurisdictional control drives professionalization, the state plays a role by enacting legislation that grants

rights of monopoly to professional associations (Abbott, 1988, pp. 59-85; Annisette, 1999, 2000; Annisette, 2003; Willmott, 1986). This process results in market closure, whereby professional association members exercise exclusive rights to provide professional services. The relative influences of the state and occupational group mobility on the professionalization dynamics have varied among countries. Western European professional models have been, for example, characterized by a greater intensity of state influence than their Anglo-American counterparts (Krause, 1991). The state was a central actor in accounting professionalization processes in Europe (Caramanis, 2002; Ramirez, 2001), whereas it is generally considered to have been neutral in Anglo-American cases (Sian, 2006).

Accounting professionalization in Western societies has generally been well-documented (Hao, 1999); however, it remains largely neglected in the context of developing nations (Uche, 2002; Yapa, 1999, 2006). The exception is the growing body of literature on former British colonies (e.g. Annisette, 2010; Bakre, 2010; Poullaos and Sian, 2010; Sian, 2010; Sian and Poullaos, 2010; Susela, 2010; Uche, 2010; Verma, 2010; Yapa, 2010), which indicates the influence of the British Empire on professional accountancy in the developing world that was under formal British imperial dominions (Parker, 2005). This imperial influence on accountancy development in developing countries was sustained in many former British colonies through international membership development strategies of UK accountancy bodies like the ACCA (Association of Chartered Certified Accountants) (Annisette, 1999; Poullaos and Sian, 2010; Sian and Poullaos, 2010). After independence of non-settler British colonies, the states played an active role in accounting professionalization by moderating tensions between indigenous professional associations and UK-based professional accountancy bodies. The influence of UK accountancy on the developing world extends beyond Britain's former imperial precincts (Annisette, 2010; Sian and Poullaos, 2010). Therefore, there is a need to examine this influence with further evidence across the world (Sian and Poullaos, 2010). Ethiopia[1] provides a suitable local context to examine this issue of British influence.

Ethiopia's accounting practice and professional organization are influenced by UK practices and the UK-based ACCA although Ethiopia has existed as an independent nation throughout its recorded history. An indigenous Ethiopian Professional Association of Accountants and Auditors (EPAAA) exercises only partial closure of external audit services from non-chartered/certified accountants having failed to control entry into the profession due to its dependence on the ACCA for member training and certification. This works through an arrangement whereby ACCA qualified professionals obtain automatic membership of the EPAAA, thus giving the ACCA the power to control member training and certification of EPAAA. Influence of the state on accounting professionalization processes is another dimension worth investigating in the context of Ethiopia because the state played a major role in establishing EPAAA and continues to be a vital employer of professional accounting labor by virtue of state dominance in the economy. Unlike the experiences that followed independence of former British colonies, neither the Ethiopian state nor the EPAAA promoted the idea of localizing accounting education and certification, thereby giving the ACCA wider authority to expand its membership base. The state did not issue legislation to grant EPAAA a monopoly in the market and this has enabled the ACCA to, *de facto*, fill the jurisdictional vacancy for professional accountancy in Ethiopia.

This study examines accounting professionalization in Ethiopia over the past century by analyzing: closure moves of indigenous professional accounting associations; the influence of UK accountancy in general and the ACCA in particular, on the professional project; and the role of the state in the professional project in this country. It extends the literature by illustrating how British influence on accountancy in the developing world continues to extend beyond Britain's erstwhile formal imperial boundaries. This enhances our understanding of professional project dynamics in the developing world by taking into account analytical dimensions that build on previous studies that employed the lens of formal imperial connection.

The remainder of this paper is structured as follows. The next section develops an analytical framework for the study based on a review of relevant literature. Section 3 outlines the research methods employed, followed by an historical account of the development of accounting in Ethiopia from the early 1900s to the 2000s. This historical description is then analyzed and discussed in the succeeding section. Section 6 concludes the paper.

Analytical framework

The sociology of professions literature has examined the process of accounting professionalization from the functionalist, interactionist and/or critical perspectives. The functionalist view regards the crux of professionalization as professional associations' abilities to produce experts with the competence and commitment to serve society with altruistic motives. Thus, esoteric knowledge of a profession's members enabling them to provide honorable, high-skill services to society is considered crucial for the recognition of professions in the wider society. The interactionist perspective regards professional associations as interest groups created to promote and defend their members' interests by convincing society to grant them recognition and utilize their services. Thus, under this view, professionalization is a result of symbolic interactions where meanings are negotiated for professions to be accorded the desired image in society (Sian, 2006; Uche, 2002; Walker, 2004; Willmott, 1986; Yapa, 1999). The functionalist and interactionist perspectives dominated the literature before the 1970s, while the critical perspective remains dominant in more recent decades (Willmott, 1986).

Accordingly, studies on accounting professionalization have taken a critical perspective approach to examine professionalization processes within the wider context of power relations employing Max Weber's concept of closure. Proponents of this perspective maintain that accounting occupational groups attempt to realize closure by obtaining legislation that grants exclusive jurisdiction for the supply of professional accountancy services to niche markets (Abbott, 1988, pp. 59-85; Sian, 2006; Uche, 2002; Walker, 2004; Willmott, 1986; Yapa, 1999). The closure strategy is operationalized by setting criteria for professional association membership, including education and certification (Chua and Poullaos, 1998; Sian, 2007; Walker and Shackleton, 1996). Thus, the formation of a professional association is an important event in the professionalization process. "Signals of movement" (i.e. steps taken by occupational groups) pre-formation of an association determine a profession's ability to establish closure, and such moves after association formation enable maintaining closure (Carnegie and Edwards, 2001). The critical perspective extends the interactionist view by putting the professionalization process into the broader

context of power structures where the state, the public and other stakeholders of the professions promote or inhibit the occupational groups' closure moves. Specifically, the exercise of closure invokes major dynamics involving powerful players including the state, clients, and other occupational groups that compete to occupy and control jurisdictions (Willmott, 1986).

Professional associations can occupy jurisdictions only when they find them vacant. This jurisdictional occupation could take place when previous tenants of jurisdictions move to other jurisdictions; new tasks are created; and/or an occupational group dislodges another in a struggle for turf. Relative power of clients, the state and competing occupations determine a profession's ability to realize closure. For instance, jurisdictional claims are influenced by client choice. Thus, client power has the potential to restrain professional power (Abbott, 1988, p. 140). Similarly, in contexts where the market system is not well-developed and/or the state serves as a major player in the economy, the state as a major client defines professional services and shapes the development of professions (Krause, 1991).

The foregoing perspectives on professionalization have mainly been employed to interpret accounting professionalization processes in Anglo-American settings, where competition among occupational groups served as a major driver for professionalization. Some studies on former British colonies – for example, Uche (2002) on Nigeria, Sian (2006, 2007) on Kenya and Yapa (2006) on Sri Lanka – and other developing countries, e.g. Seal *et al.* (1996) on the Czech Republic, obtained useful insights by using the lens of the Anglo-American professionalization model. These studies, as well as Yapa's (1999) work on Brunei, highlight an additional dimension of cross-border competition of professions whereby transnational professional associations' struggle for turf at a more global level. The studies suggest how such a trend influenced indigenous professional associations' struggles for jurisdiction in developing nations at large.

Recent studies specifically explain the imperialistic character of this transnational influence on accounting professionalization by illustrating that it is closely intertwined with the role of the British Empire (Carnegie and Parker, 1999; Chua and Poullaos, 2002; Parker, 2005). This literature covers British imperial influence on accounting professionalization in several former British colonies (e.g. Annisette, 2010; Bakre, 2006, 2010; Parker, 2005; Poullaos, 2010; Poullaos and Sian, 2010; Sian, 2010; Sian and Poullaos, 2010; Susela, 2010; Uche, 2010; Verma, 2010; Yapa, 2010), which include many developing countries. Subsequent to the independence of several former British colonies like Kenya (Sian, 2010), India (Verma, 2010), and Nigeria (Uche, 2002), the governments of these states promoted indigenization of accountancy. Such moves moderated the tensions between national and UK-based transnational bodies by protecting indigenous accountancy bodies from encroachment of the former. On the other hand, in some ex-colonies like Trinidad and Tobago (Annisette, 1999) and Jamaica (Bakre, 2005, 2006, 2010), the UK-based ACCA continued to control the market for professional accountancy through indigenous professional associations' co-optation.

The mechanisms which the British accounting practice and UK professional bodies employed in the British Empire were not restricted to Britain's colonial precincts (Annisette, 2010; Sian and Poullaos, 2010). The role of the ACCA is considered an illustration of this notion of imperial influence on accounting globally (Bush, 2010; Johnson and Cargill, 1971). The ACCA promotes itself as a globally recognized

accountancy body with a worldwide membership network (Association of Chartered Certified Accountants, 2011). As control of membership of professional associations and control of the market are closely linked (Parker, 2005), the ACCA's strategy of reaching agreements with national professional associations in some developing countries provided it with firm grips on the professional accountancy markets in those developing countries. Therefore, examining the dynamics of accounting professionalization in developing countries that remained outside the formal boundaries of the British Empire could provide useful insights as to how British accountancy influenced professionalization projects in developing countries apart from the rationale of formal imperial connection. The following section outlines the research methods employed for the study of accounting professionalization in Ethiopia.

Methods

The study uses a qualitative research approach. Evidence was mainly collected through a review of documents. Relevant legislation, proclamations, government regulatory requirements, professional association publications, and published as well as unpublished academic materials pertinent to accounting professionalization projects in Ethiopia were reviewed from 2008 to 2010. This was then enriched by oral histories of nascent accounting and auditing associations in Ethiopia. An oral history approach enables researchers to obtain firsthand information from persons involved in a historical activity of interest (Carnegie and Napier, 1996; Parker, 1994, 1997) and the relative closeness to the present time of the events covered in this study enables the use of this approach (Sian, 2006). The oral history approach was operationalized by conducting semi-structured interviews with individuals involved as founding members, board members, or executive committee members of four professional associations in Ethiopia: Ethiopian Professional Association of Accountants and Auditors (EPAAA), Ethiopian Accounting and Finance Association (EAFA); Institute of Internal Auditors (IIA)-Ethiopia; and Accounting Society of Ethiopia (ASE) (see Table I). Writings of some of these individuals concerning the professional associations were also reviewed to: enrich our interpretations where the individuals participated in interviews; and/or make use of the individuals' views when they were inaccessible for interviews.

Professional association ^a	Participant reference in this paper	Total number of interviews	No. of interviews conducted during	
			Phase I	Phase II
EPAAA	1, 6	2	1	1
EAFA	5, 8, 9	3		3
ASE	3, 7	2	1	1
IIA-Ethiopia	2, 4	2	1	1
		9	3	6

Notes: While the identity of specific individuals interviewed is not disclosed in the interest of privacy, we have indicated the profile of all potential candidates from publicly available sources. These profiles are presented in Tables II-V. ^aEPAAA (Ethiopian Professional Association of Accountants and Auditors); EAFA (Ethiopian Association of Accounting and Finance); ASE (Accounting Society of Ethiopia); IIA (Institute of Internal Auditors)

Table I.
Interviewed participants

The four professional associations covered in the study had slightly differing orientations in terms of the struggle for closure of professional accountancy. Thus, interview questions presented to participants from each association were modified as researchers saw fit. Interviews were conducted in two phases: from September 2008 to January 2009, and from February to December 2010. The first phase of interviews was conducted by one of the researchers and the second by a research assistant with relevant research experience. The responses were tape-recorded and the researcher who conducted the first phase of the interviews transcribed these responses. An earlier draft of the paper was then sent to each participant with a request to indicate if they had concerns about any of the paper's contents. None of the participants suggested major changes to the content of the paper.

Accounting professionalization in Ethiopia

Political-economic milieu of Ethiopia: 1900s to 2000s

The process of accounting professionalization in Ethiopia exhibits distinct patterns in the three epochs when the country's state ideology has been at different positions in the continuum from market-oriented to centrally-planned economic policies. Prior to 1974, Ethiopia was a feudal society under transition to capitalism (Tesema, 2003). From 1968 to 1973, the country's private sector accounted for 59 percent of the nation's manufacturing output with the rest being produced by state-owned enterprises. The private sector's share of output was 79 percent for the construction sub-sector during the same period. Foreign investors were major participants in the private sector as the national culture considered entrepreneurship as an undignified concept. Rather, owing to the legacy of the feudal system, land ownership was the major and sought-after source of income compared to capitalist enterprise ownership (Tesema, 2003). A stock market was established in 1965 and operated under the administration of the National Bank of Ethiopia (the country's central bank) until it ceased operation in 1975 following the nationalization of all private sector companies by the communist government that took power in 1974 (Tesema, 2003).

In 1974 a revolution occurred in Ethiopia due to discontent from the people about the ruling class's control of land. A communist military government controlled state power following the revolution and ruled Ethiopia until 1991. This government followed a centrally-planned economic policy as a result of which it nationalized virtually all private enterprises, restructured them as state-owned enterprises (SOEs) and established new SOEs[2]. During this period, private enterprise was discouraged and the dominant focus of the state remained abolishing feudal, bourgeoisie and petty bourgeoisie classes. Kinfu (1990, p. 212) stated:

The powers and duties of the Working People's Control Committees and the Special Court are specified in Proclamations of 213 and 215/1981. The overall objectives and purpose of the Working People's Control Committee are ideological and political in nature, such as the protection of the wealth and property of the broad masses, fighting against anti-people and anti-social elements, and helping guide socialist principles.

Following the collapse of the former USSR (in 1991) the military government of Ethiopia, which was supported by the USSR, was weakened. A coalition of opposition fronts that had been confronting the military regime through armed insurrection throughout the communist years of Ethiopia overthrew the regime and the current government took power in 1991. Subsequently, 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). As a result, the state privatized a number of SOEs and granted enhanced management autonomy to the remaining SOEs by Proclamation No. 25/1992 (Government of Ethiopia, 1992). Nevertheless, similar to the earlier two episodes covered in this study, SOEs continue to dominate the economy (The World Bank, 2007) and thus the state remains a major employer of professional accountancy labor. An historical account of the accounting professionalization processes in the country during the past century is presented next.

The start of accounting in modern Ethiopia

Although Ethiopia is one of the world's earliest civilizations (Turchin *et al.*, 2006, p. 222), the start of modern accounting in the country is traced to the beginning of the twentieth century (Kinfu, 1990). According to Kinfu (1990), the keeping of formal records of government activities started in the 1900s when Emperor Menelik established a Finance and *Guada* (meaning treasury) Ministry, which was responsible for keeping records of the King's treasury. Kinfu also indicates that modern financial accounting in the private sector was started in Ethiopia in 1905 when the Bank of Abyssinia was established as a branch of the Bank of Egypt, which was in turn administered under the British financial system. Kinfu pointed out that, despite Italian and French involvement in the affairs of the Bank of Abyssinia, mainly British experts controlled its administration with successive British nationals as governors until 1931. As a result, British accounting terminology, financial reporting requirements and personnel training left their footprints. This observation lends support to Frank's (1979) classification of Ethiopia's pre-communist financial reporting practices mainly under the British Commonwealth model[3].

In the government sector, a Commission of Trade Inspectors was established by government regulation in 1917 to undertake inspection of trade and customs. The inspectors were required to report their "negative" and "positive" findings on the operations of trade and customs (Kinfu, 1990, p. 193). Kinfu noted the contribution of foreign advisors to the kings of Ethiopia from the 1890s to 1970s helped the issuance of government regulations and proclamations, some of which continue to influence the legal basis of accounting and audit practice in Ethiopia to the present day. European consultants during the Ethio-Djibouti railway construction in the 1890s and of the legal, military, and foreign affairs advisors in the 1930s contributed to the development of accounting in Ethiopia (Kinfu, 1990). Subsequent developments of accounting from 1934 to the early 1970s are then attributed to Anglo-American legal and financial advisors to Emperor Haile Silassie I (1928-1974). These advisors included an American financial advisor to the king up to 1935, an American legal advisor until 1974, and several British advisors to the king (Kinfu, 1990). The first substantial development during this period was the issuance of a Ministry of Finance directive in 1942 (Argaw, 2000b; Kinfu, 1990; Kinfu *et al.*, 1981). This event was followed by the formation of an Audit Commission by Proclamation No. 69/1944 to conduct external audits of accounts of the Ministry of Finance (Government of Ethiopia, 1944). The Commission's audit mandate was subsequently extended to cover other public-sector institutions as well. This marks the start of the present day Office of the Federal Auditor General of Ethiopia (OFAG), which, among other duties, licenses public accounting practitioners in Ethiopia.

The 1940s also saw the start of internal and external auditing along with the development of SOEs and the entry of British firms. The Ethiopian Highway Authority and Ethiopian Airlines were established; and Ethiopian Telecommunications Corporation and Ethiopian Electric Light and Power Authority became autonomous state-owned enterprises. These phenomena engendered involvement of foreign companies as partners, financiers or consultants to the SOEs. Consequently, internal auditing was introduced in these enterprises with a view to strengthening internal controls (Argaw, 2000b; Kinfu, 1990). Furthermore, public accounting practice started in Ethiopia as foreign branches of British auditing firms were established to service foreign branches of their British clients. Kinfu (1990, p. 197) comments:

It is apparent that different types of accounting systems were, at this stage [i.e. 1940s], instituted in Ethiopia by the financing agencies and expert advisers [to the state-owned enterprises]. While many foreign experts from different countries played a role in introducing accounting into Ethiopian enterprises, the influence of Britain is particularly evident on the accounting side, especially in the books [. . .]. Accounting and auditing advisory services were offered [to Ethiopian organizations] by British accounting firms, such as the Price Waterhouse and Peat & Co. etc. the first accounting firms to open a practice in Ethiopia. British influence penetrated the accounting practices of many client organizations as auditing and financial advisory services were provided by their foreign and indigenous counterparts and were to remain British-oriented even up to today.

Consistent with the growth of demand for trained manpower in accounting and auditing up to the early 1940s, the Addis Ababa College of Commerce was established in 1943. The College of Business Administration was then established at Addis Ababa University (AAU) in 1963, with the assistance of American Peace Corps volunteers, with 154 students, twelve full-time academics and six part-time lecturers (Knowles, 2006), and then at Asmara University in 1969[4]. The College aimed to (Knowles, 2006, p. 2):

... 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 [Ethiopian] Imperial Government of that time.

Subsequently, two significant developments took place in the 1960s. First, the Commercial Code of Ethiopia was enacted in 1960 (Government of Ethiopia, 1960). This code contains accounting and external auditing provisions, which continue to serve as the legal basis for financial reporting and external auditing of companies (Argaw, 2000b; The World Bank, 2007). It specifies financial accounting, reporting, and external auditing requirements for companies operating in Ethiopia. However, the code failed to specify the source of accounting standards to be followed in financial reporting and to define the qualifications of an auditor (The World Bank, 2007). These failures limit the code's contribution to the development of the accounting profession. Second, the Office of the Auditor General (OAG) was established in 1961 by Proclamation 199/1961 (Government of Ethiopia, 1961) with greater authority than was provided in the 1944 proclamation (Argaw, 2000b; Kinfu, 1990). The 1997 revised version of this proclamation (Government of Ethiopia, 1977) has served as the legal basis for external auditing for government organizations in Ethiopia up until the present day.

The need for an autonomous accounting profession in Ethiopia was felt in 1966. The then Ministry of Commerce and Industry drafted legislation proposing the establishment of a public accountants' certification committee. The draft legislation suggested

minimum qualifications required for certification, and provided for monitoring of public accounting practices (Kinfu *et al.*, 1981). Kinfu *et al.* (1981) argue that the draft legislation was not enacted due to: a lack of a sufficient number of qualified Ethiopians to meet the requirements; the presence of individuals in accounting practice who did not meet the proposed minimum requirements but obtained practicing licenses through practical experience; and dominance of foreign public accounting firms and accountants with foreign accountancy body qualifications (i.e. UK qualifications).

Professional accounting associations in Ethiopia

Ethiopian Professional Association of Accountants and Auditors (EPAAA). The effort to establish an indigenous professional accounting association in Ethiopia culminated in the establishment of the Ethiopian Professional Association of Accountants and Auditors (EPAAA) on 27 March 1973 (Kinfu, 1990, p. 208). This Association aspired to certify professional accountants and regulate public accounting practice in Ethiopia (Argaw, 2000b; Kinfu, 1990; Kinfu *et al.*, 1981). Table II presents founders' profiles.

Founding membership of the Association comprised the Auditor General, practicing accountants and an accounting academic. The founders in public practice included two expatriate chartered accountants, fellows of Institute of Chartered Accountants in England and Wales, working for branches of UK auditing firms in Ethiopia and Mr. Getachew Kassaye, the first ACCA qualified Ethiopian national who also established an indigenous auditing firm in Ethiopia (namely, Getachew Kassaye & Co. Chartered Certified Accountants). Mr Gebremedhin was the then Auditor General of the country, who initiated the formation of EPAAA. His initiative indicates the state's interest to strengthen the financial system of the country (Interview: Participant 6). Dr Kinfu was an academic at the Accounting Department of Addis Ababa University who served as dean of the Faculty of Business for multiple terms of office and as a professor until his retirement in the late-1990s. He was evidently interested in his Department's linkage to employers of accounting graduates (Interview: Participant 6). Thus, the establishment of the Association was a state initiative that also matched the interests of other stakeholders. Participant 6 commented:

The establishment of the Association [EPAAA] was initiated by the Office of the Auditor General. With an interest to strengthen the financial system of the country, the Office took this initiative and invited auditing firms and Addis Ababa University to participate in the establishment of an accounting professional association. EPAAA was then established with founders representing their employer organizations.

Founders*	Qualification/professional affiliation	Background, nationality
Gorfu Gebremedhin	F.K., P.M., B. Com.	Auditor general, Ethiopian
Johannes Kinfu	DBA, Accounting	Academic, Ethiopian
Getachew Kassaye	FCCA, ACIS	Public practice, Ethiopian
W.J. Pile	FCA, ACMA, ACIS	Public practice, Expatriate
P.F. Hawkins	FCA	Public practice, Expatriate

Table II.

Founders and first Board of Directors of EPAAA

Source: EPAAA Board of directors directive No. 1 and 2, 1975. *These individuals were part-time volunteers

Kinfu *et al.* (1981) claim that the EPAAA achieved limited success because most of its members were expatriates who were already certified abroad. The motivation of certified/chartered accountants to participate in the affairs of EPAAA mainly originated from the need to comply with government regulations. In the words of Participant 6,

Some of the founders who were already certified were involved because the government gave a message that auditing firms should assist in strengthening the profession or their licenses to operate in Ethiopia would be revoked. There was also an advantage to the firms because as they were recruiting staff from abroad, including India and Pakistan, their involvement was necessary to define the qualifications acceptable to them. The accounting department of Addis Ababa University was also interested because it was the major institution producing locally-trained accountants in the country.

Following the 1974 revolution, UK public accounting firms, namely, PriceWaterhouse, Peat & Co. and Mann Judd & Co., closed their branches in Ethiopia (Kinfu, 2005; Woldegiorgis, 1992). This occurred subsequent to the communist military regime's seizure of power and the nationalization of private enterprises and their reorganization as SOEs. Some writers (Argaw, 2000b; Blake, 1997; Kinfu, 2005) maintain that the EPAAA made little progress during the communist era of Ethiopia. Participant 2 links this to the communist ideology of the time:

... Private companies were nationalized and many state-owned enterprises were established. There was little separation of technocrats and bureaucrats. Professionals could not succeed in their careers unless they showed loyalty to the Workers Party of Ethiopia. Hence, professional standards were weakened during this period.

On the other hand, there were significant developments in terms of strengthening external auditing as a state-owned activity during this period. The formation of the Audit Service Corporation (ASC) to conduct external audit of public enterprises was an important landmark in this regard. Proclamation 1977/126, Article 7(1) states that ASC's board of directors is chaired by the Auditor-General, and includes as members the Minister of Finance, Commissioner of Central Planning, Minister of Law and Justice and the General Manager of the Corporation, who is also to be a Deputy Auditor-General (Article 10(1)) (Government of Ethiopia, 1977). Proclamation 1977/126, Article 5(1) states the objective of the ASC as follows:

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.

The establishment of the ASC occurred as a result of the need to fill the gap created by the closure of UK public accounting firms (Woldegiorgis, 1992). Article 4(3) of the ASC's establishment proclamation specifies this imperative for the formation of the ASC.

... 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.

Furthermore, internal auditing was recognized as a separate function during this period (in 1987) when the Auditor General was mandated by Proclamation 13/1987 to monitor and regulate internal auditing in government offices and SOEs (Argaw,

2000b). This proclamation also mandated the Auditor General to set minimum qualifications and experience for internal auditing positions, provide training to internal auditors, and require reports on performance of internal audit units of government organizations. A survey of internal audit in Ethiopia in 1991 indicates that over 90 percent of state-owned enterprises and over 70 percent of government budgetary organizations in Ethiopia had established internal audit units (Argaw, 1997). Many Western pro-market academics, both liberal-democratic and right-wing, might indeed be surprised to learn that some aspects of accounting actually advanced in Ethiopia during the communist era. Consistent with Karl Marx's own "base-superstructure" theory (Marx, 1968, pp. 181-5; Fischer, 1973, pp. 80-1), internal auditing, as part of the superstructure, ultimately responded to the changes in the society's economic base when the country shifted to communism.

In the succeeding epoch (i.e. post 1991) the EPAAA gained a more active status than in the preceding era. Following the change of government in 1991, consistent with the market-oriented economic policy, the Ethiopian government has been undertaking financial reforms in the areas of financial reporting and public sector internal auditing (Peterson, 2001). At the time of writing, the Association has membership categories of authorized auditor, authorized accountant and non-practicing members. Authorized auditors are those holding practicing certificates as a chartered or certified accountant, active membership of a recognized international accounting body and practical experience in auditing. The Office of the Federal Auditor General (OFAG) also uses these criteria to grant a license to authorized auditors. EPAAA's practicing members are predominantly members of the ACCA (The World Bank, 2007). Authorized accountants are those who provide bookkeeping and accounting services on a fee basis. Membership as an authorized accountant requires university/college accounting education and practical experience in accounting. OFAG also grants practicing licenses to authorized accountants.

The interview with Participant 1 indicates several points that clarify EPAAA's more recent status. At the time of this interview, the Association had 123 active members. This signifies a slow growth when compared with 38 members in 1975 (Kinfu *et al.*, 1981). Also, as Participant 1 states, the reason for this increase in membership is that OFAG recently put a requirement that an applicant for a license as an authorized auditor/accountant possess active membership of an indigenous professional accountancy association (i.e. including ASE and IIA).

Following the launch of ACCA-Ethiopia branch in 2002, ACCA and EPAAA made arrangements such that Ethiopian resident members of the former obtain automatic membership of the latter. Ethiopian resident ACCA students are also members of the EPAAA under this agreement, and the two Associations' emblems are affixed to the students' identification cards. Moreover, ACCA provides annual funding to the EPAAA based on ACCA student numbers in Ethiopia. Furthermore, the two Associations agreed to launch a joint examination scheme such that the ACCA would incorporate Ethiopian variants of its taxation and commercial law papers on condition that appropriate materials would be developed pertinent to Ethiopia for these papers. Participant 1 believes that "the possible contribution of this arrangement to the development of EPAAA has not been exploited because of EPAAA's limitations."

The EPAAA does not fully control the jurisdiction for professional accounting services in Ethiopia as it lacks a legislative backing (Mengesha, 2006). Participant 1

stated that, the Association's challenge remains "inadequate member commitment". Members maintain membership and pay fees voluntarily to assist the development of the profession in Ethiopia. Not many members exhibit high levels of commitment to EPAAA as membership "does not confer economic benefits". This is because membership of an international association is generally sufficient and EPAAA membership is not mandatory to obtain a practicing license in Ethiopia (Interview: Participant 1). Participant 1 commented:

Practicing members regularly pay their fees and meet all the requirements of their international associations, which provide them with economic benefit. But, understandably, that is not the case when we consider their commitment to EPAAA.

This lack of jurisdictional control caused the Association to continue mainly as "a voluntary club" rather than as a strong professional association (The World Bank, 2007). It is not a member of IFAC, which requires having a large membership base, providing professional certification, having a code of ethics and professional conduct, providing continuous professional development programs to members, undertaking practice monitoring and professional regulation, and possessing local recognition. These prerequisites cannot be achieved unless the Association obtains a monopoly on the Ethiopian market. Professionalization of a service could be achieved if a professional service is standardized through codification of the cognitive base for training and certification of professional association members (Abbott, 1988, p. 4; Seal *et al.*, 1996). By contrast, the EPAAA relies on the ACCA for education and certification of its members. In addition, the EPAAA did not work vigorously with the state to secure accountancy legislation. Participant 1 also commented:

Limitation of the Association's leadership is one factor for EPAAA's limited achievements. For instance, the EPAAA board had forums for consultation with key government officials but this initiative has not continued.

Ethiopian Association of Finance and Accounting (EAFA). The formation of Ethiopian Accounting and Finance Association in 1994 was another notable attempt to establish an indigenous accountancy body. EAFA was founded by a greater proportion of non-practicing members than was the EPAAA. (Table III shows founders' profiles.) Membership of founders comprises a president who was the then Dean of Addis Ababa Commercial College and lecturer in accounting; an ACCA qualified vice president and founder of Degefe Lemmessa & Co., Chartered Certified Accountants; and an

Founders ^a	Background, nationality	Responsibility
Kumlachew Abera	Academic, Ethiopian	President
Degefe Lemmessa	Public practice, Ethiopian	Vice president
Gebremedhin Gebrehiwot	Academic, Ethiopian	Secretary
Solomon Seyoum	Academic, Ethiopian	Editor
Paulos Basazinew	Industry, Ethiopian	Treasurer
Getachew Yitna	Industry, Ethiopian	Member
Teshome Teklehaimanot	Public practice, Ethiopian	Members

Source: Ethiopian Accounting and Finance Association, Inaugural conference proceedings, 1996.

^aThese individuals were part-time volunteers

Table III.
Executive committee
composition of Ethiopian
Association of Finance
and Accounting

accounting lecturer from Addis Ababa University as a secretary. Other members included an accounting lecturer from Addis Ababa Commercial College and two individuals from industry and practice. The mix of backgrounds of founders suggests not only the Association's more relaxed membership criteria but also (as Participant 8 stated) the Association's academic focus as an integral part of the Association's objectives. This objective is also shown in the Association's publication (*Ethiopian Journal of Finance and Accounting*) which, nonetheless, did not make it beyond the first two issues. The inclusion of the finance discipline further strengthens this notion.

This Association aimed to achieve a broader membership base than that of EPAAA. As the experience of the British accountancy profession indicates, a closure strategy that restricts professional association membership to a few elites leads to the formation of competing associations (Johnson and Cargill, 1971; Walker, 1995; Willmott, 1986). Similarly, the interviewees (Interviews: Participants 5, 8 and 9) support the notion that EPAAA's exclusive membership criteria contributed to the formation of EAFA to accommodate university and college accounting graduates. Given the more inclusionary membership criteria, membership shortage is unlikely to have been a pressing challenge for EAFA. However, the EAFA did not continue as an active Association beyond the founding executive committee's term of office. However, similar to EPAAA, membership to this Association did not confer exclusive benefits to members since it had neither the capacity to administer certification exams nor the jurisdictional power to regulate the profession.

Some participants attributed EAFA's transiency to leadership issues as it did not pursue its mission actively since the transfer of leadership to the second executive committee. For instance, Participant 9 comments:

The major challenge was to secure volunteers to work freely for the newly born EAFA. At the initial stage the founding members sacrificed a lot of their time and resources to establish the Association, conduct workshops and conferences and served two terms. However, the same commitment could not be sustained by the second executive committee elected by the members despite the help offered by the outgoing founding members.

From among the second executive committee members, Participant 5 concurs that EAFA did not achieve its goals, but he attributes the Association's failure mainly to resource constraints:

EAFA did not achieve its goals, because there were serious resource limitations. EAFA did not have proper office and support staff and its members in general and executive members in particular were busy in their daily professional work. Even if they wanted to give more time to the causes of the Association, financial resources were very scarce. There were cases where the Association was housed under Addis Ababa University but could not generate members' contributions to cover its office expenses. Members did not initiate to pay their membership contributions and collecting the membership dues required serious effort on the part of the executive committee.

In spite of this, there was one significant contribution that the Association made, which was its involvement in the study on the development of accounting and auditing profession in the country commissioned by the government in 1997. The study was completed with all the recommendation[s] both with respect to academic qualification and professional qualification. However, though there was consensus reached by the then high government officials with most of the recommendation[s] of the study, concrete measures were not taken to implement the recommendations.

Aside from the more obvious challenges the participants explained that the failure of EAFA could be linked to its member backgrounds in a subtle way. Although having relaxed membership criteria presents an opportunity, it also poses a challenge because heterogeneity of members' backgrounds undermines unity of purpose in the struggle for jurisdiction. Heterogeneity of member backgrounds and consequential diverse motivations are likely to have contained the seeds of the Association's subsequent demise. Diversity of members' motivations also means that the contemplated model of closure strategy would be blurred. Therefore, the broad goals of the Association were bound to render closure strategies inoperative. It is only natural if members became less cohesive to promote interests evidently lacking unity.

Institute of Internal Auditors (IIA) – Ethiopia. The IIA-Ethiopia was formed in 1996 as a chapter of the IIA-Global with personal initiatives of individuals engaged in accounting/audit practice and academia (Argaw, 2000a, p. 5; Interview: Participant 4). (Table IV presents executive and organizing committee members' profiles.) Prior to the formation of the IIA Chapter, Woldegiorgis completed a master's degree at City University of London with a thesis on 'Training and Education of Internal Auditors in Ethiopia'. One of Woldegiorgis's (1992) recommended courses of action for the development of internal audit in Ethiopia was establishing an IIA Chapter in the country. In 1996 the Chapter was established by a group of individuals including Woldegiorgis himself. Participant 2 commented:

We talked to the Auditor General, whose office was given the responsibility to monitor internal audit in government organizations. We also organized other people including academics. A minimum of 17 members was required to establish a chapter. In 1996, we applied to the IIA-Global for establishment of the Chapter by meeting all the criteria. Then, as the chapter had to obtain legal status to operate in Ethiopia, we had to translate the charter to Amharic [country's official language]. Then we secured legal status and started operating in 1996.

The interview with Participant 2 also indicates several points about the Institute. The Chapter developed into an Institute in January 2008. As of November 2008, it had over 15 institutional and 492 individual members. Through its exam center, IIA-Ethiopia

Founders	Background	Educational Qualification	Responsibility
<i>Executive committee members</i> *			
H.E. Mr Lemma Argaw	Auditor general	Master's degree	President
Professor Johannes Kinfu	Public practice	DBA	Vice president
Mr Woldefufael Woldegiorgis	Industry	Master's degree	Secretary
Antonio Silla			Treasurer
<i>Organizing committee members</i>			
Mr Woldefufael Woldegiorgis	Industry		
Getachew Abebe	Industry		
Teshome T. Haimanot	Public practice		
Belayneh Haile	Industry		
Demissie G. Michael	Public practice		
Getachew Yitna	Industry		
Mamo Gitto	Industry		

Source: Accounting Focus (2005). *These individuals were part-time volunteers

Table IV.
Executive and organizing
committees' composition
of IIA-Ethiopia

achieved 24 CIA (certified internal auditor) members at the time of the interview. It also organizes conferences in the country and facilitates members' attendances at international conferences of the IIA-Global.

The Institute has been receiving substantial government support. In addition to strengthening internal auditing in government ministries (Government of Ethiopia, 1996; Mihret and Yismaw, 2007; Mihret and Woldeyohannis, 2008) and SOEs (Interview: Participant 4), the Ethiopian government has been providing more direct support for the development of internal auditing by providing office space to IIA-Ethiopia. In the words of Participant 4:

The Chapter throughout its existence is mainly financed by the contribution of its individual and institutional members. It is also fortunate to get free office accommodation for the first few years of its existence from Management Institute of Ethiopia and for the last 7 years from Ministry of Finance and Economic Development. In few instances it got sponsorship from organizations and Global IIA to cover conference and training costs abroad.

Overall, the Institute is active and it has been growing at a reasonable pace. Nevertheless, exercising closure remains a continuing challenge to internal audit globally as internal auditors do not exercise a professional monopoly as yet. One of the challenges in this regard, which also applies to IIA-Ethiopia, is "[the] diverse backgrounds and educational standing of members [. . .][causing] the biggest problem to move as one force" (Participant 4).

Accounting Society of Ethiopia (ASE). The formation of Accounting Society of Ethiopia (ASE) in 2004 was yet another development in accounting professionalization in Ethiopia (Table V presents executive committee composition). The fact that ASE's executive committee membership comprises predominantly Addis Ababa University lecturers, although it also includes one member each from industry and public practice, suggests that this Association has the potential to progress along academic lines.

Founders *	Qualification/professional affiliation	Background, nationality	Responsibility
Mengistu Bogale	Master's degree	AAU** Academic, Ethiopian	President
Padakanti Laxmikantham	PhD	AAU Academic, Expatriate	Vice president
Teferi Ghebrai	Master's degree	AAU Academic, Ethiopian	Secretary general
Anteneh Mitiku	Master's degree	AAU Academic, Ethiopian	Editor-in-chief
Adugnaw Siferaw	BA, FCCA, CIA	Public practice, Ethiopian	Finance head
Ashenafi Beyene	Master's degree	AAU Academic, Ethiopian	Public relations head
Adam Gutu	BA degree	Industry, Ethiopian	Treasurer

Notes: *These individuals were part-time volunteers. **Addis Ababa University

Table V.
Executive committee
member profiles ASE

However, as explained later, the Association also intends to develop the capacity to conduct professional training and certification.

Participant 3 stated that ‘the Association aims for a broad-based membership that accepts accounting practitioners, academics, and students as members’. ASE is aimed at linking accounting practice and education. Participant 7 stated the rationale for establishing ASE as follows:

We saw that academicians have limited exposure to real world practice and practitioners are not updated with new accounting and finance theories. To fill this gap we believe and were motivated to establish ASE. Among its major objectives are to: facilitate seminars on current accounting and finance issue; facilitate academicians to do research and publish on ASE Journal; consult and comment on government accounting, finance and auditing policies, rules and regulation; and to certify members by administering a standardized exam and assessing professional experience.

Participant 3 believes that the Association is on the right track towards achieving its objectives. In the words of this participant:

The Association has brought about some attitudinal changes by starting to demonstrate the possibility of an active indigenous professional association. We have finalized the preparation to establish branches in 4 regional towns in collaboration with regional university lecturers. This will help broaden our membership base. ASE is administering accreditation examinations of accounting graduates of the Technical and Vocational Education and Training under the Ministry of Education.

Participant 3 also stated that awareness of ASE in the business community has been raised and that this awareness has helped the Association create a positive impression on members, potential members and the business community about the profession. It is noted from this interview that the challenges facing other accounting associations in Ethiopia are relevant to ASE as well. First, there were resource constraints to conduct ASE activities. The Association has been trying to curb this problem through various fund raising strategies. It has started publication of books which enable it to generate income from sales and company sponsorships of publications. Publications are also aimed to serve as part of developing the knowledge base for conducting certification exams in the future. ASE participates in administering accreditation examinations for accounting graduates of technical and vocational schools under the Ethiopian Ministry of Education, which helped the Association to generate income and also garner recognition. Second, absence of exclusive member benefits limits member commitment. As Participant 3 stated, “members receive just recommendation letters in support of applications for promotions, jobs, and licensing as authorized auditors or accountants”.

Accounting reforms and the role of International Financial Institutions (IFIs)

Economic policy reforms have been underway in Ethiopia since the early-1990s with financial and technical assistance of IFIs, i.e. the World Bank and IMF (Peterson, 2001; Tesema, 2003). Since February 2003, the nation has been making required policy reforms to gain World Trade Organization accession (World Trade Organization, 2011). IFIs funded a number of projects aimed at enhancing the private sector, fostering competition in the private sector, and developing global competitiveness of the country’s economy (The World Bank, 2010). One component of the reforms focuses on modernizing the financial infrastructure of the country. Owing to the pressure from the

World Bank, the Ethiopian's Ministry of Trade and Industry conducted a study in 2005 to develop a road map for the development of accounting and auditing standards in Ethiopia and also to establish a National Board of Accountants and Auditors (Michael, 2005). This study was funded by the World Bank with OFAG and EPAAA taking the responsibility for the study (The World Bank, 2007), which was contracted out to the ACCA as a consultant (Mengesha, 2006; Interview: Participant 1). As a separate initiative, the Ethiopian Civil Service College (ECSC) also established the Institute of Certified Accountants and Auditors (ICAA) with World Bank funding. The Institute was aimed at initially providing accounting certifications and developing reporting standards for the public sector with a mission to subsequently work for the private sector as well.

Subsequently, the IFIs undertook a study that produced Reports on the Observance of Standards and Codes, i.e. ROSC (The World Bank, 2007). The ROSC study assessed the status of financial reporting and external auditing in Ethiopia and offered some recommendations: enacting a financial accountancy law; revising the Commercial Code of Ethiopia; developing financial reporting standards in consideration of International Financial Reporting Standards (IFRS); and establishing a National Board of Accountants and Auditors in Ethiopia under which professional accounting associations with legislative backing would operate (The World Bank, 2007). Following the ROSC, all the forgoing initiatives (including ECSC's) have been coordinated into a national steering committee working within the framework of the IFIs recommendations. Membership of the committee comprises the existing indigenous professional accounting associations and other local stakeholders. The committee oversees the projects aimed at revising the Commercial Code of Ethiopia, drafting a financial accountancy law, developing national financial reporting standards (with a consideration of IFRS) and establishing a National Board of Accountants and Auditors (Interview: Participant 1). The contemporary initiatives as well as historical events outlined in this section are analyzed next.

Analysis and implications

It can be seen that, in the pre-1974 era, the development of accounting in Ethiopia was fostered by efforts aimed at modern state building and the development of state-owned enterprises. This was accompanied by entry of British capital in the early 1900s and subsequently up to the 1940s. This phenomenon not only led to the start of modern accounting with a British orientation but also resulted in entry of British public accounting firms. The simultaneous introduction of British accounting practices in Ethiopia with the inflow of British capital is similar to experiences in other developing countries (Annissette, 2010; Bakre, 2008, 2010; Sian, 2010; Uche, 2010; Yapa, 2010) and former British colonies at large (Poullaos, 2010; Richardson, 2010). These developments also highlight the imperialistic tendencies of UK accountancy observed in some countries including even some located outside the formal British empire (Perera, 1989; Sian and Poullaos, 2010).

The 1966 state initiative to enact legislation for the accounting profession, a year after the formation of the stock exchange in 1965, demonstrated the state's response to the growing private sector in Ethiopia. On the other hand, absence of occupational groups to take advantage of this initiative and claim jurisdiction by establishing a professional accountancy body is evident. Although the state creates an enabling

environment for the development of the accounting profession (Sian, 2006; Uche, 2002), occupational groups are crucial actors in professionalization projects. From both functionalist and interactionist perspectives, failure of this attempt to provide jurisdiction for an indigenous accounting profession is unsurprising. In the functionalist view, producing professionals with specialized knowledge should precede the development of a regulated profession because the crux of professionalization rests in the product rather than the process. Thus, without such a body to control key professionalization activities, i.e. training and certification of potential members, a professional body hardly succeeds in controlling a jurisdiction (Abbott, 1988, pp. 59-85; Carnegie and Napier, 1996; Walker, 2004). In addition, the draft legislation implied exclusionary strategies regarding non-qualified and part-qualified practitioners who were already in public practice.

The EPAAA's formation as a state initiative in 1973 further strengthened the notion of the state's recognition of accounting services to the economy. This state initiative exhibits a marked variation from the development of the accounting profession in the West as well as from other developing countries where accounting professionalization was linked to colonial administration. As professions are never formalized independent of jurisdictions provided by the state (Abbott, 1988, pp. 59-85), the initiative can be viewed as another major step in the accounting professionalization process in Ethiopia. However, occupational groups did not struggle adequately for jurisdictional control. Professional group mobility of EPAAA was limited at least in its early years because it had a limited number of members to exert significant influence. Closure cannot be put into practice unless a profession first forms a critical mass of members (Sian, 2006). Thus, EPAAA's closure move was rather early given that evidently it did not achieve a critical mass in the 1960s, 1970s or even later than that. The experience of Kenya shows that promoting inclusionary usurpation at the beginning is a more constructive strategy than exclusionary moves (Sian, 2006, 2007). Inclusionary strategies help to attain a critical mass of members at early stages of development of the profession (Ramirez, 2001; Sian, 2006).

In addition, successful closure requires that aspiring members define a body of knowledge that a professional association would own, control, and develop. As Carnegie and Edwards (2001, p. 303) maintain, the development of a body of knowledge is one of the key "signals of movement" towards the formation of a viable professional body as a basis for training and certification of members. Therefore, EPAAA's claim for jurisdiction is made exigent as it did not develop the capacity to train and certify its members. Consequently, EPAAA's reliance on ACCA for certifications and the resulting dual membership presents a continuing challenge of failure to produce professional accountants trained with knowledge grounded in the relevant context of Ethiopia. Dual membership also generates conflict of interest and complicates the struggle for jurisdiction (Uche, 2002). From a critical perspective, certified members qualified by a foreign accountancy body might be expected to lack the motivation to shift professional commitments to EPAAA and away from the parent accounting body to which they are members. Further, as dual membership entails additional fees, members tend to choose the parent accountancy body that is perceived as having a more established reputation (Carnegie and Parker, 1999; Uche, 2002; Wallace, 1992).

During the communist years of Ethiopia, it is evident that the accounting profession was “nationalized” and formally structured as part of the state apparatus under the ASC. This is consistent with the change in state ideology to centrally-planned economic policy whereby virtually all private enterprises were nationalized and all economic activity was made state-owned. Thus, the formation of the ASC with reporting responsibly to the Auditor General expanded the latter’s role with additional capacity provided through the former. As in other centrally-planned economies (Hao, 1999; Seal *et al.*, 1996), the Ethiopian government was able to provide professional accountancy labor to the state-owned enterprise sector through the ASC. The implication of this notion for professionalization is that occupational groups should negotiate for professional autonomy with the government, a powerful “client”, in the capacity of employed experts. As jurisdictions are determined by client choice, client power has a potential to restrain professional power (Abbott, 1988, pp. 140-2). The state, being a dominant client, defines the knowledge and skills it seeks from accounting professionals. Therefore, it can dictate the terms and conditions under which accounting services are provided. As a result of the change in the structure of the auditing profession, the EPAAA did not make progress in the pursuit of growth along the lines of independent fee-paid professionals servicing the market. Nonetheless, the communist-era must not be viewed as a total negative in terms of accounting development in Ethiopia. For example, the ascension of internal auditing as an integral unit in government organizations signifies the state’s interest in strengthening internal mechanisms as compared to nurturing a professional accounting body of independent professionals with closure intentions. Thus, EPAAA’s little progress in its closure moves during this period appears to be as a result of the change in direction of development of the profession rather than the state’s inhibition of the development of accounting as a generic activity.

A different picture appeared about accounting professionalization in Ethiopia after 1991 owing to Ethiopia’s commitment to market-oriented economic policy. The resulting new corporate governance structure in the private sector is normally expected to foster the importance of financial reporting and external auditing (Seal *et al.*, 1996). Change of government and the type of government are important influences on the development of the accounting profession. The contribution of government in the development of accounting in other sub-Saharan African countries, e.g. Nigeria (Uche, 2002) and Kenya (Sian, 2006), epitomizes such influences. Consistent with this notion, there has been some government interest in Ethiopia to enhance accounting and auditing in the country during this period, which can mainly be seen in the reactivation of EPAAA with its linkage to the ACCA; the formation of the three other professional associations; and ongoing accounting reforms championed by IFIs.

Especially during this third epoch, the involvement of the ACCA has remained a significant force impacting on the accounting professionalization project in Ethiopia through its influence not only on EPAAA but also on the state. Unlike the experiences of other countries, for example Nigeria (Uche, 2002), Kenya (Sian, 2006), and China (Hao, 1999), few state measures have been taken to protect indigenous professional associations from transnational encroachment. The ACCA’s key role as consultant to the government in matters of growing the profession, e.g. during the road map study, illustrates the Association’s high level of influence in this nation. Like the case of Trinidad and Tobago (Annisette, 2000) and Jamaica (Bakre, 2005, 2006), imported

expertise has also been encouraged by surrendering the control of training and certification to ACCA. As the experience of other developing countries (e.g. Annisette, 1999; Bakre, 2005, 2006; Briston and Kedslie, 1997) suggests, the control of the market by transnational accounting bodies makes indigenization of the profession exigent in Ethiopia. Also, the financial dependence of EPAAA on the ACCA suggests that the EPAAA cannot vociferously promote issues of indigenization without its role being circumscribed. The surrender of control of education and certification, coupled with the financial dependence, bears the potential to make EPAAA accede to the wishes of the ACCA, which pursues a well-established strategy of exporting accountancy expertise via global expansion of membership (Bakre, 2010; Briston and Kedslie, 1997; Uche, 2010). ACCA's funding of EPAAA on the basis of ACCA student numbers in Ethiopia is also suggestive of this factor at work.

On the other hand, the formal cooperation of the EPAAA with the ACCA helped the former to consolidate a partial closure by restricting external auditing services to its ACCA qualified members who dominate EPAAA's membership. Thus, the ACCA/EPAAA members closed off the external audit market against: authorized accountants, i.e. non-certified/chartered accountants who can offer only accounting services as independent fee-paid experts; CIA members of the IIA; and ASE members. Nonetheless, it can be noted that EPAAA's co-optation of the ACCA cannot guarantee further success in closure moves. As the sociology of professions perspective shows, occupational groups normally occupy vacant jurisdictions created when new types of jobs emerge, occupational groups move into other types of services, or one group dislodges another in a struggle for turf (Abbott, 1988, pp. 86-8). Therefore, the present arrangements do not allow EPAAA to occupy a jurisdiction as the jurisdictional vacancy for the accounting profession is *de facto* filled by the more well-established ACCA. Thus, ACCA has been consolidating its grip not only by virtue of using its expert power on the state and the EPAAA but also membership dominance and financial power over the EPAAA.

It is evident that UK accountancy impacted on Ethiopian professional accounting project over the last century. This provides evidence that imperialistic influences on accounting professionalization in developing countries has not been restricted to Britain's formal imperial boundaries. Nonetheless, compared to colonial imperatives that explain UK influence on accounting in developing countries within Britain's formal empire, British influence on accountancy in Ethiopia has been linked to British capital inflows to Ethiopia and the subsequent introduction of accounting and external auditing. Also, in case of the former, UK company laws and financial reporting requirements were formally legislated and UK professional bodies other than ACCA widely operated. This competition led to the type of inter-association competition that prevailed within the UK itself and also competition of transnational and national accountancy qualifications (Bakre, 2010; Sian, 2010; Susela, 2010; Yapa, 2006, 2010). It can be observed that the governments of newly independent states moderated the relationship between national accountancy bodies and transnational UK bodies in attempts to establish nationalism in place of formal imperialism (Sian, 2010; Verma, 2010). By contrast, the agenda of indigenizing accounting, similar to the ones pursued on decolonization of former colonies (Uche, 2010), did not arise with a sense of immediacy in the Ethiopian state as a result of the unique nature of the linkage between UK and Ethiopian accountancy.

Furthermore, unlike former British colonies, e.g. Jamaica (Bakre, 2005), which were at some point dominated by expatriates with UK qualifications, Ethiopian public accountancy is dominated by ACCA qualified Ethiopian nationals. This dominance makes the Ethiopian case similar to Trinidad and Tobago (Annisette, 1999, 2000; Annisette, 2003) where the ACCA controls the accountancy market via membership dominance of an indigenous association. ACCA's control of membership reduces tension of the type that arose between elite accounting groups of UK certified expatriates and indigenous certified accountants after independence of former colonies. In addition, the fact that ACCA qualified Ethiopian nationals are controlling the market, on the surface, undermines the urgency of promoting indigenization agenda. This has helped keep unchallenged the status quo of ACCA serving as a "parent" certifying body under which the EPAAA serves as an affiliated body of the former. As a consequence professional accountancy training continues not to be grounded in the relevant Ethiopian context.

The recent accounting reform projects championed by IFIs have the potential to generate another wave of dynamics in the professional project in Ethiopia. The proposed enactment of a national accountancy law would enable formation of an indigenous professional body with a legislative backing. The possible establishment of the National Board of Accountants and Auditors and the coordination of the separate strands of professionalization attempts in the national steering committee could lead to the formation of a stronger indigenous professional accounting body capable of claiming jurisdiction. The move to develop national financial reporting standards (or possible IFRS adoption) could also make the indigenous professional associations at ease to contemplate starting education and certification of members grounded in a body of knowledge relevant to the Ethiopian context.

In trying to decipher the reform projects, nonetheless, it is important to note critical perspective scholars' views that such moves of IFIs are more an attempt to ensure global mobility of transnational capital than a response to the real needs of developing nations (Annisette, 2004; Bakre, 2008; Soederberg, 2003). Consistent with this view, the start of reforms in Ethiopia in the early-1990s was attached to conditions that accompany loan agreements between Ethiopia and IFIs (Mengesha and Common, 2007). Similarly, Participant 6 comments, "... In fact, this [the ongoing accounting reform process] is mainly related to the need to meet requirements of funding agencies." When viewed in this light, the interest of IFIs has the potential to contradict the agenda of indigenization in the professional project. The rise to global hegemony of the WTO, for example, challenges national boundaries for the operation of professions (Richardson, 2010). Such initiatives are linked to American informal empire replacing that of the UK. The former focuses more on global convergence of financial reporting standards rather than nationalities of accounting professionals involved (Annisette, 2010; Richardson, 2010).

Although only time will tell the final outcome, trends suggest that the Ethiopian accountancy market will be more open for competition. The ACCA, as an international accountancy body that also originates from the same Western environment that exports transnational capital, could garner the support of IFIs in case of any competition between the ACCA and potential indigenous qualifications. Consistent with this notion, Uche (2010) argues that these IFIs-supported reforms in Nigeria tend to challenge indigenization moves of the state in regard to professional accountancy.

Similar accountancy laws in Jamaica also facilitated smooth international capital mobility instead of promoting accountancy training and certification tailored to national needs (Bakre, 2005). Thus, the outcome of reform projects in terms of localizing professional accountancy depends both on the extent to which local stakeholders promote national interest in the process and the ACCA's subsequent strategic moves.

Summary and conclusions

This paper has examined the process of accounting professionalization in Ethiopia over the last century. Accounting has been practiced in Ethiopia since the early twentieth century. Although Ethiopia has been an independent country throughout its history, inflow of British capital in the first half of the twentieth century and activities of the UK-based ACCA in recent decades have amounted to significant British influence on accounting professionalization in Ethiopia. The development of accounting in Ethiopia in line with the Western model had been continuous from 1900s to 1974. However, this development was at best in a relative state of ossification from 1974 through to 1991. Change of state ideology to communism in 1974 and back to a market-oriented economy in 1991 served as important junctures that marked the essence of accounting professionalization in Ethiopia. The moves in the direction of accounting professionalization in line with the Western model were evident in the two market-oriented economic policy periods of pre-1974 and post-1991.

EPAAA was established as a state initiative and aspired for jurisdictional control of professional accountancy in Ethiopia. However, its attempt to close off succeeded only partially. First, the state as a major employer has continued developing accounting professionals as government employed experts since the country's communist years. This implies that greater state power on professionalization undermines the Associations' power in the struggle for professional autonomy and jurisdiction. Furthermore, the Association did not develop the capacity to define, own, and control a cognitive base that could enable the exercise of closure. The EPAAA's lack of control of education and certification indicates that a key "signal of movement" (Carnegie and Edwards, 2001, p. 303) was missing on the Association's formation and continues to be missing to the present day.

Second, EPAAA's co-optation of the ACCA added to the exigency of the former's struggle for jurisdiction because jurisdictional vacancies are *de facto* occupied by the latter. Evidently, EPAAA's struggle for full jurisdictional control has been complicated because, first, members are already occupants of the jurisdiction, despite their lacking control over entry. Second, any attempt by the EPAAA to consolidate its hold on the turf by dislodging the ACCA would be self-contradictory as most EPAAA members are ACCA qualified Ethiopian nationals. Thus, EPAAA's member reproduction remains reliant on the jurisdiction expansion strategy of the ACCA as the former did not develop the capacity for training and certification. Unlike the case of former British colonies where UK company laws were also imposed as a part of enhancing imperial governance and audit of imperial businesses (Bakre, 2008, 2010; Briston, 1978; Bush, 2010), and also where expatriates certified by various UK accountancy bodies were competing, the ACCA remains a dominant accountancy body in Ethiopia controlling the accountancy market indirectly through dominant membership of EPAAA. Through its professional and financial power, ACCA made arrangements with

EPAAA and consolidated its control of Ethiopia's accountancy by dominating the latter's membership. This strategy has rendered EPAAA an affiliated body of the former, exercising only partial market closure. This conclusion suggests that developing countries' indigenous professional accounting associations' co-optation of transnational accounting associations could ultimately weaken the former's struggle for jurisdictional control and localization of an accountancy knowledge base.

The state's conduct of economic policy reforms since the early-1990s owing to IFIs' demands engendered several projects including those aimed at revising the Commercial Code of Ethiopia, enacting a national accountancy law, developing financial reporting standards in consideration of IFRS, and establishing a National Board of Accountants and Auditors under which autonomous accounting associations would be organized. These ongoing reforms could yield outcomes enabling jurisdictional control of indigenous professional accounting associations. This possibility could be exploited by existing professional accounting associations through creating some form of cooperation to beef up a capacity to control training and certification of members. As this is a critical step in any attempt to develop the profile of accounting practice in Ethiopia, it seems an urgent need for the future. Whether the proposed accountancy law and related reforms would result in indigenization of professional accountancy training and certification depends not only on the extent to which local stakeholders promote national interest in the process but also the ACCA's next strategic moves in the context of a more open competitive arena likely to be promoted through the role of IFIs.

Notes

1. Ethiopia is an East African country with a 2009 UN estimated population of 85.8 million (Source: BBC, http://news.bbc.co.uk/2/hi/africa/country_profiles/1072164.stm#facts). Ethiopia was market-oriented before pre 1974, it then adopted a centrally-planned economic policy (1974 to 1991), before returning to a market-oriented economy post 1991. The nation exports mainly coffee, gold, leather products, beeswax, canned vegetables, tea, sugar, cotton, oilseeds, and fresh flowers; it imports processed food, petroleum and related products, chemicals, machinery, civil and military aircraft, transport and industrial capital goods, agricultural machinery and equipment, and motor vehicles (Nations Encyclopedia, 2004).
2. SOEs are wholly government-owned, for-profit organizations in Ethiopia that operate as per Public Enterprise Proclamation No. 25/1992.
3. Other countries in the same category include Australia, Bahamas, Ireland, Fiji, Jamaica, New Zealand, Uganda, Singapore, South Africa, Trinidad & Tobago, and United Kingdom.
4. This university is currently in Eritrea which became an independent state in 1993.

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