ACCOUNTING IN LESS DEVELOPED COUNTRIES RETROSPECTIVELY AND PROSPECTIVELY

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Introduction

80% of the world population (more than 7 billion people) live on less than $10 a day; nearly one half on less than $2.50 a day; and more than 1.4 billion receiving less than $1.25 live in extreme poverty. 870 million people worldwide have insufficient food to eat. According to UNICEF, 22,000 children die daily due to poverty. In 1998, the UN estimated that it would cost $40 billion annually (about $58 billion today) to offer basic education, clean water and sanitation, reproductive health, and basic health and nutrition to everyone in every developing country.[1] In contrast, world military expenditure in 2012 is circa $1.756 trillion (Stockholm International Peace Research Institute Year Book, 2013). Many of these issues, especially poverty and hunger, can be alleviated by direct aid in the form of cash and provisions. This sometimes has merit. For example, a starving person cannot be more productive without greater sustenance, and immediate relief is essential for disasters whether caused by nature or humankind. However, it can only be a limited, temporary solution. If sustained it can create dependency, for example refugees refusing to return home when safe for fear that food and services may be more uncertain or lower than in camps. Longer-run development needs to be sustainable. For example capital donations such as mechanised boats for fishermen can become abandoned due to insufficient resources or expertise to maintain them. Direct aid may simply treat the symptoms rather than the causes of poverty, which vary between countries. These can include lack of natural resources and capital; unstable and/or ineffective governments; poor infrastructure such as transport and

[1] The above statistics are taken from https://www.dosomething.org/facts/11-facts-about-global-poverty, 27/05/2014. These come from secondary sources, namely Global Issues, Statistic Brain, One, and World Food Programme. Debates over estimates exist but few would query their basic tenor. They are consistent with World Bank estimates.

communications; inadequate education and expertise; corruption; barriers to trade; and dependence on foreign governments and/or businesses. Development goes beyond merely economic growth. Its benefits need to leverage up resources of the poor, not just with respect to income but also, *inter alia*, their prospects of employment, an improved quality of life, education and literacy, and participation and influence in local and national politics.

At first sight accounting may seem peripheral to achieving this, which may explain the inattention paid to it by researchers in development studies and accounting, indigenous politicians with more pressing matters on hand and, to a lesser degree, external institutions providing aid and finance. Solving poverty will not reside primarily in better accounting but it is an essential, if neglected or taken-for-granted, cog in mechanisms of development. Too often it has been seen as an unproblematic transference of essentially technical systems, regulations and concepts used in rich countries to poor ones. However, this masks a series of issues including the alleged bias of such systems to particular Northern ideologies and interests, not least those of large multi-national corporations; insufficient recognition of indigenous circumstances, needs and participation; implementation problems; inequities of power and an orientation to financial rather than development ends. Hence many accounting policies recommended and/or imposed by external institutions fail in many UDCs (Andrews, 2013).

This chapter analyses these issues further. First, it traces how development policies since the 1950s when decolonisation gained momentum (most poor/under developed countries (UDCs) are ex-colonies) have evolved. In so doing it identifies when and how accounting is integral to successive development policies, their repercussions, the actors and constituencies with (and without) influence, and the problems and potential of current policies for development and accounting.

What is a developing country and what is development?

Defining a developing country is fraught with difficulty. The WB uses Gross National Income (GNI) criteria to categorise economies along four stages of development: (a) low income ($905 or less), (b) lower middle income ($906 - $3,595), (c) upper middle income ($3,596 - $11,115) and (d) high income ($11,116 or more). This is a useful and objective measure but it has problems. Taking a mean (or a median) may disguise wide income disparities within a country, for example oil rich countries like Nigeria may have a high GNI per head but a high proportion of its populace live in poverty. Taking a snapshot of incomes per head can produce a static analysis and inadvertently bias findings towards accounting in problematic 'failing' states and thus deflect attention from more successful economies and how accounting may have aided their development. Moreover, there is a danger of 'ghettoising'

accounting research by confining development to UDCs. Income differentials in many rich countries are increasing and pockets of poverty are becoming more widespread. Too often development policies implicitly assume that UDCs should learn from practices in rich countries. However, the converse can be true, for example with respect to the role of micro-finance and enabling poor and marginalised sectors of society to be more politically engaged. Many development aims for UDCs such as further empowering women, redistributing income, and creating jobs for the poor and marginalised are, or should be, policy considerations in richer countries too. With these caveats in mind this chapter embraces income categories (a) to (b) but focusses primarily on lower income countries. Ex-communist countries in transition are excluded [see special issue of Management Accounting Research (2002, 13 (4) and Hopper and Hoque (2004)] as they are often relatively affluent, may lie within Northern political and economic systems, and have a legacy of Northern institutions under revival. Nevertheless, like rich countries, issues surrounding accounting and development in UDCs are relevant to transitional economies.

WB indices are cruder than two widely accepted United Nations (UN) indices. The human development index (HDI) measures three dimensions: life expectancy, educational attainment and adjusted real income ($ per person). The human poverty index (HPI) measures deprivation using four indices: % of people expected to die before age 40; % of illiterate adults; % of people without access to health services and safe water; and % of underweight children under five. It classifies economies into four categories: (a) less developed countries (LDCs) (50), (b) developing economies (168), (c) economies in transition (20), and (d) developed economies (42). The inequality-adjusted human development index (IHDI) adjusts the HDI to take inequality into account. The focus of this chapter is on categories (a) and (b) of the HDI but where relevant we have included data from countries in other categories for, as explained, rigid categorisation may preclude significant contributions and issues.

The UN indices recognise that development extends beyond economic growth and rising average incomes: greater prosperity may not trickle down to poorer sectors and development incorporates social and political factors not just economic ones. The HDI and HPI indices reflect the eight international Millennium Development Goals (MDGs) established after the UN Millennium Summit in 2000 involving 189 UN member states and at least 23 international organizations. All committed themselves to help achieving the MDGs by 2015. The MDGs were to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. These goals are critical to accounting research on development as they form the criteria against which

accounting policies and practices should be evaluated: stock market and economic measures that permeate so much accounting research and practice are woefully inadequate. Incorporating development criteria takes accounting into realms of civil society, ecology, politics, inequality, gender, health and education: topics neglected by conventional mainstream accounting research but not its more critical and socially oriented counterparts. Moreover, as will be discussed, universal adoption of MDG criteria, not least by the WB and its acolytes, has shifted development policies beyond market-oriented reforms to issues of governance, human rights and sustainability.

Accounting and development policies

Hopper et al (2009) in a review of management accounting research in UDCs found various factors influencing policies. Important institutions included international finance institutions (especially the WB, the IMF, and their acolytes, e.g. the African Development Bank, stock exchanges, and UN agencies). This review casts its accounting net wider to cover financial accounting and thus accounting professional bodies (indigenous and international); transnational accounting standard setters; the accounting industry, especially the 'Big 4' accounting firms; foreign donor countries; non-governmental organisations (NGO)s; businesses, especially multinational organisations (MNOs); and the local state, especially its regulatory and legal institutions, and civil service. These operate in a dynamic milieu of international and domestic politics where issues such as culture, ethnicity, political leadership, and civil society bear upon the implementation of policies emanating mainly from external institutions.

A comprehensive review of development policies emanating from academics, the various institutions involved, and individual countries lies beyond the scope of this chapter. However, most UDCs tend to be ex-colonies with a resultant colonial legacy and ties, and are aid dependant. Consequently, they must be sensitive to changing development policies emanating from the WB, the IMF and the UN. How these have changed since post World War II, when many UDCs gained independence is chronicled below.

During the 1950s and 1960s, Marxist (e.g. Frank, 1972) and liberal economists such as Rostow (1960) provided different theories of development. Marxists stressed industrialization through state central planning, public ownership of major enterprises and economic protection through tariffs and currency controls. In contrast liberal economists, drawing (arguably erroneously) from how development occurred in Northern economies, stressed free trade, markets, and capital accumulation sometimes linked to democracy. The latter tended to be pursued in large countries, often with an abundance of natural resources. This had little resonance to most African and Asian economies lacking capital and being predominately rural, traditional and agricultural. Consequently, especially after gaining

independence from colonial rule, many adopted socialist regimes, often following external pressure and advice, but also due to indigenous rulers' ideological attachments to socialism and pragmatic reasons such as shortages of private capital, under-developed product markets, and limited human and physical resources. Parliamentary democracies were instituted but often were diminished or even abolished under systems of presidential one-party rule (civilian or military) or military dictatorships. Many UDCs took advantage of the 'Cold War' and played off communist and Northern donor countries to secure aid which was often oriented more to securing allegiance of political leaders rather than poverty alleviation. However both development approaches were essentially economic, linear and modernist – local tradition and culture was perceived as an impediment and their sacrifice a necessary if painful necessity. Both stressed rational decision-making to promote economic growth albeit through different means.

Whatever the development strategy, early accounting commentators emphasised the need for timely and reliable accounting information for investment and operational decisions by the state, businesses and for national economic planning (Seidler, 1967). Financial statements should trace economic transactions; monitor the performance of state owned enterprises (SOEs) through reports to the minister concerned, parliament and potentially the public; audits should monitor and determine the accuracy of financial records and whether expenditure was sanctioned in private and public enterprises alike; internal accounting systems should provide economic data for rational decisions and monitor managers' achievements of plans; and budgeting between enterprises and planners should be the lifeblood of iterative central planning. Much of the accounting systems in place, adopted and supporting legislation stemmed from colonial times and former colonial ties continued to be influential. However, there were recommendations to improve indigenous accounting capacity and data provision, and gain greater recognition of accounting's importance by developing accounting education and professional development within a self-governed accounting profession (Seiler, 1966) and by institutions that transfer accounting technology (education bodies, international organisations, government agencies, MNOs, international accounting firms, and local companies and accounting firms) creating a sub-plan within an overall economic plan to this end (Needles, 1976). Accounting was deemed to be vital as it, 'assists development programming in determining and improving efficiency and productivity' and there were calls for an international, interdisciplinary theory that served socio-economic aims (Enthoven, 1982, p. 109). In summary, the accounting proposed derived from, reproduced, and reinforced legal rational authority and bureaucratic values to promote economic efficiency and growth through industrialisation.

Studies of successful accounting and development are sparse but drawing from work in accounting in countries that have successfully developed, e.g. South Korea, such accounting changes were made and very likely contributed to this process. However, events transpired differently from expectations in many UDCs often prone to economic, social and physical crises, political instability and regime changes. A recurring finding is that whilst basically sound accounting and accountability systems in government and state enterprises were often adopted and maintained, in actuality they often played a ceremonial role to gain legitimacy from the populace and external funders. They played little role in ministerial and parliamentary scrutiny or in decisions at both the policy and operating levels, especially in SOEs. Instead, political rather than legal rational bureaucratic or economic criteria were dominant. Thus matters like filling positions, awarding contracts, and operating decisions become subject to patronage by politicians seeking to bolster political support or to further their material interests. Officials, often poorly rewarded and trained, often responded by rule-bound behaviour or indulging in corrupt practices. A result was a failure to develop economically and recurrent fiscal crises caused, in part, by large accumulating losses of SOEs. This state of affairs has increasingly been attributed to neo-patrimonialism (discussed later), which creates market distortions harmful to long-run growth: its arbitrariness and instability is anathema to capitalist investors (Kelsall, 2011).

During the 1980s and 1990s external funders, especially the WB and IMF, began to regard many states in LDCs as too big, corrupt, and a block rather than facilitators of development. The assumption was that state bureaucracies were inflexible, uncreative, rule-bound, and corrupted by neo-patrimonial political leadership. Inspired by neo-classical economics, including agency theory, transaction cost economics, and Friedmanite 'Chicago' neo-liberalism, and following the demise of the 'Cold War', the WB, the IMF and their acolytes began to advocate and enforce market-based solutions to development. Put crudely, the state was seen as the problem not the solution. Loans to rectify fiscal imbalances of LDCs often became conditional on adopting structural adjustment programmes (SAPs) stipulating free trade, competition, attracting private capital, limited government intervention, and public sector reforms (Toye, 1994; Cook and Kirkpatrick, 1995; Hemming and Mansoor, 1988; Cook, 1986). SAPs tried to create conditions conducive for international finance capital and capital markets by eliminating subsidies, price controls and import barriers; reorganising and lessening public ownership of domestic banks; promoting private banks and domestic capital markets; privatising or closing SOEs; introducing 'new public management' (NPM) in government agencies; and introducing legislation that forced trade unions (especially public sector ones) into collective bargaining, sever party links, and curtailed labour rights, especially in export zones. Rather than the government directly delivering services it was recommended that private firms or NGOs be

contracted to do so. Consequently NGOs grew and multiplied. The aspiration was for a smaller state to play a greater supply-side role, follow legal-rational not partisan decision making, and create infrastructures conducive to market capitalism by promoting law and order, financial and commercial mobility, education and training congruent with market needs, and regulatory bodies, especially for privatised utilities where monopolies prevail; protecting property rights, and for politics to consist of parties competing to deliver such regimes.

Market-based development policies and accounting

Effective accounting is crucial to such reforms, though often neglected by the IMF and WB whose policy officers have been, until recently, predominately macroeconomists. They tended to assume that accounting was essentially a technical matter that would flow from market reforms. Where accounting reforms were undertaken, they were usually based on the advice and reports of Northern accounting consultants.

Given the emphasis on privatisation, controlling indigenous banks, cutting subsidies and price controls, encouraging foreign business investment and private sector development generally, adoption of international accounting and auditing standards were recommended, alongside company law reforms, building local professional accounting capacity and its regulation, and where possible strengthening stock exchanges and their regulations. In brief, the belief was that market-based development required Northern accounting and auditing standards and reporting for private companies. It was presumed that competitive pressures and personal ownership in privatized companies would induce more commercial accounting systems; and the dictates of more vitalised capital markets, aided by government regulators and international audit standards, would improve auditing and external financial reports and thence better lubricate capital market transactions.

However, government accounting, particularly new public sector management (NPM) (Hood, 1995) was a major focus. NPM promulgates private sector practices in government departments, especially: tendering; decentralization - often to local government; granting local managers greater discretion over means (subject to budget constraints); reconstructing civil service organizations around programmes; and appraising civil servants against ‘key performance indicators’. The belief was that seeing citizens as customers and reducing principal-agent conflicts facing civil servants through better internal auditing, tight monitoring of results and performance-related rewards would improve accountability, lessen corruption, and thus increase economic growth. Governments adopting NPM needed redesigned accounting systems that: break down costs and benefits to programs, individuals

and sections; reinforce performance evaluation systems that reward achieving ends; and provide accurate costs and valuations to formulate and appraise bids for service contracts or state assets.

Judgments of such market-based reforms are divided and their results are patchy and variable across jurisdictions. Nevertheless, they frequently experienced difficulties, e.g. exacerbating inequalities; neglect of poverty reduction, social goals and environmental issues; diminished local democracy; and failures to deliver the economic growth promised. The WB, IMF and Northern donors like USAID were accused of ignoring local resistance to privatisation; employing inadequate financial systems for equity sales; ignoring local needs; neglecting adequate regulation; and casting aside inconclusive evidence that private enterprises outperform SOEs (Commander and Killick, 1988; Cook and Kirkpatrick, 1995). Privatisations may bring more commercial controls but these can be at odds with broader development goals, for lower tax revenues, coercive controls, opaque accounting and tax evasion (Uddin and Hopper, 2003). Moreover, political intervention can continue sometimes in different guises, e.g. regulation (Wickramasinghe et al., 2004).

SAP restructuring as conditions for loans had little success: on average, the performance of debtor country economies continued to lag behind UDCs that did not take out IMF loans, while environmental degradation and poverty frequently worsened (Structural Adjustment Programs, FPIF, April 1998). Stiglitz (2002) argued that IMF 'solutions' worsen (even create) problems by unduly promoting global finance interests. Indeed, rather than stymying neo-patrimonialism the reforms could create fresh sources for it to feed from, e.g. the distribution of privatized companies, politicians' capture of regulatory mechanisms. The results were similarly disappointing for accounting. It was not evident that adopting international accounting standards had much practical effect beyond resident international firms or indigenous firms seeking foreign listings: auditing remained often ignored, weak or corrupted; increased financial transparency and information did not materialize; policies, responsibilities and delivery of services became fragmented; accounting systems and regulations adopted to appease international agencies were often ignored in practice; and civil servants often suffering reductions in pay and numbers became at worst demoralised and more often less effective.

Development policy shifts: good governance and accounting

In retrospect it was realised that downsizing the state was an error. (Chang, 2007: Stiglitz, 2002). In 1992 the WB identified that a country's governance quality: the type of political regime; how authority is exercised when managing economic and social resources for development purposes; and a governments' capacity to formulate and effectively implement policies; play a crucial role in

development. Since 1997 international financial institutions, whilst not abandoning macro-economic market-based reforms and encouraging private enterprise, have focussed on governance to address corruption, transparency, tax reform, and other domestic concerns. Attention turned to the 'Capable State' and 'Good Governance' to complement market-based policies (World Development Report, 1997)'. The agenda included strengthening the rule of law and protecting property rights; maintaining macro-economic stability; investing in human resources and infrastructure; protecting the most vulnerable, especially the poor and women; safeguarding natural resources and the environment; combatting corruption and mismanagement, and integrating UDCs into the global economy. Thus whilst macroeconomic management and market-based reforms remained important there was growing emphasis on building capacity and infrastructure to strengthen state institutions, businesses and civil society involvement.[2] Undemocratic tendencies and poor government were seen as liabilities given a more globalized economy wrought by reduced transportation and communication costs; and the erosion of artificial barriers to flows of goods, services, capital, knowledge, and, to some extent, people. To increase the capacity of states more donor funding has been directly placed into government coffers rather than to specific projects and delivery agencies; and there has been increased emphasis on improving planning and control systems including accounting ones; securing better motivated, trained and remunerated civil servants; and greater delegation of powers and resources to local government and communities, e.g. through village development committees, commune accountability boards, citizen complaint procedures.

Definitions of a capable state and good governance are often vague and varied, not least because some discretion is left with local policy-makers (United Nations, 2006). Definitions can focus on means rather than ends. They do however tend to include: more accountable public sector management responsive to other stakeholders and compliant with bureaucratic rules and regulations; free and transparent information; the rule of law; promotion of social justice and liberties; legitimate governments through free and fair elections with universal suffrage; and freedom of the press and voluntary association. Public sector reform often incorporates decentralisation to local governments and communities, specialisation according to programmes, redesigned management systems, and capacity-building and civil service reform through meritocratic recruitment and promotion, competitive pay, realistic staffing levels, and performance appraisal to develop a workforce of the right size, skills mix, motivation, and professional ethos.

[2] Civil society organizations include non-governmental organizations, professional and private sector associations, trade unions, families, churches, neighbourhood groups, social and work groups.

An example of indigenous countries formulating a 'capable' state is the Seventh African Governance Forum Report (2007). African political leaders delineated its features as (a) create, promote and sustain an enable environment of peace, security and stability to enable people to engage in creative and productive activities; (b) promote and sustain constitutionalism, the rule of law and due processes of law; accountability and transparency; ensuring better understanding of citizenship entitlements and obligations; (c) create and maintain an appropriate and continuously flexible balance between the efficiency of the market forces and the availability and delivery of the public goods and services; (d) create the enabling environment and the appropriate policies, regulatory mechanisms and processes for the promotion of the private sector; ensuring good corporate governance; avoiding cronyism, and preventing corruption; (e) empower the people to decide the form and composition of government; (f) manage diversities; (g) mobilize human and material resources; (h) promote and consolidate gender equality; (i) promote trust, understanding and the imperatives of national consensus amongst the political parties; and (j) promote democracy and good governance.

World Bank Worldwide Governance Indicators (WGI), developed for 215 economies from 1996–2012, monitor in aggregate and by country six dimensions of governance: voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption. These derive from enterprise, citizen and expert survey respondents in industrial and UDCs, and 32 individual data from survey institutes, think tanks, NGOs, international organizations, and private sector firms. Indicators can be broken down by country across topics: agriculture and rural development; aid effectiveness; climate change; economy and growth; education; health; infrastructure; energy and mining; poverty; gender; environment; the private and public sectors; external debt; financial sector; science and technology; social development; social protection and labour; trade; and urban development. Space precludes a more detailed analysis of this exercise, which is not without its critics, but it denotes how the criteria and means of accounting extend into the social and political. The perceived route to development thus lies in increased accountability and accounting (defined broadly) that combines conventional, essentially 'Northern' state and market-based accounting with concerns for greater democracy and decentralization to local levels, and on sustainability and poverty reduction monitored by non-financial indicators. Paradoxically calls by social and environmental accounting researchers have been heeded more with respect to UDCs than rich ones, though how to integrate them into accounting systems requires much work.

Critics allege that good governance policies mask donors' continued pursuit of neoliberal objectives (Rowden and Ocaya-Irama, 2004), and the WB's 'prior actions' and 'triggers' detailed in loan agreements are simply SAPs renamed to give the illusion of change (Chang, 2007:35). Donors' conception of civil society has been criticised as, an elusive concept with many definitions serving plural interests. Similar suspicions abound about the WB's commitment to human rights. Critics argue that, "from its documents … the [WB]'s notion of [human] rights is thin and somewhat incoherent, often expressed in legalistic than ethical terms" (McNeill and St. Clair, 2006:36); and its small department responsible for ethical values has a marginal role, its staff are unclear on what they can do about this, and citizen participation in politics remains elusive (Harrisona, 2004; Lynch and Crawford, 2011). Repercussions for not meeting WB targets are unclear. For example, "Tanzania, Mozambique and Uganda generally do not fare well on governance index-rankings; nevertheless, they enjoy very favourable judgements by the Bank and others as effective reformers. … [T]he generic concerns of governance can be employed to 'reward' or 'punish' African States." (Harrison, 2004b:72-73)

Thus the question is whether current changes in development policies promoted mainly but not exclusively by Northern institutions and which largely mimic Northern practices and beliefs will be effectively implemented, are they superior to previous market-based solutions, and will they not suffer the fate of previous attempts at reform?

Donors, Transnational institutions, globalised accounting and development

Much accounting change in UDCs flows from policies, advice and pressure from major transnational financial institutions amongst which the International Monetary Fund (IMF), the WB, UN, and World Trade Organisation (WTO) are prominent. They form part of a complex nexus of interlocking transnational institutions covering banking supervision, payment and settlement systems, money laundering, insurance, the International Federation of Accountants (IFAC), securities commissions and the International Accounting Standards Board (IASB). Together they promote modernism whereby localities are more connected in time and space through modern communications, and free trade and capital flows (Giddens, 2000). Thus globalised trade and transactions, capital and investment movement, migration and the dissemination of knowledge are sought (International Monetary Fund, 2000). Accounting figures prominently in this.

The WB and IMF tend to lay down practical general accounting recommendations but are not involved in technical detail. However, the World Bank's Framework International Financial Architecture (2001, 2005) seeks global standardisation through governments adopting international accounting and auditing standards, modified accounting regulations for (SMEs) enterprises, better human resources

to implement standards, and better public oversight of auditing. Saravanumthu (2004) argues that their bias towards financial measures incorporated in financial standards deflects attention from poverty reduction and environmental goals. The WB position can be contradictory - its ideology of globalisation, markets and support of MNOs may conflict with poverty reduction goals – leading to allegations that often the former is elevated above the latter, e.g. Mittel Steel's acquisitions in Algeria and Trinidad (Murphy, 2008).

The technical detail and delivery of the policies of transnational financial institutions often relies on inputs from Northern professional accounting associations, 'Big Four' accounting firms, and transnational regulation and standard setting agencies (IFAC and the IASB). Together they diffuse an Anglo-American model of universal professionalization (Poullaos and Uche, 2012). They are not promoters of development. Northern professional accounting associations seek to expand their membership in the South and the accounting industry seek more consulting and auditing within UDCs and aid organisations. The Northern accounting organisations' commercial aims can produce conflicts of interest with development. IFAC has an open membership, has emphasised the public interest and ethics, and has consciously addressed the needs of UDCs, though it is being increasingly dominated by Northern accounting associations and the 'Big 4' accounting firms (Samsonova-Taddei and Humphrey, 2014). The IASB is a private company and its membership over represents 'Big 4' firms. This raises questions of its legitimacy to set standards, the constituencies they serve, asymmetries of power, and the efficacy of standards adopted (Cobham and McNair, 2012).

The IASB has neglected issues of concern to UDCs such as intra-company trade, transfer pricing, global consolidation, cross border invoicing, tax confidentiality, not disclosing offenders, and low penalties for tax transgressions (Botzem, 2014; Hopper et al. forthcoming). For example, the IASB requirement for global consolidation obscures and obfuscates intra-company trade rather than making it transparent. Even the WB has had to ask the IASB to pay more attention to UDCs, SMEs, and financial services to the poor, and the 2009 and 2010 G20 summits recommended the IASB to pay more attention to UDCs (Fyson, 2012). Northern accounting agencies have a strong fiduciary interest in the globalisation of services sought by the WTO but this is highly political and linked to distributional issues. For example, there is persuasive evidence that whilst financial development improves asset allocation and is linked to economic growth in UDCs it is not necessarily related to poverty reduction. It may even inhibit the latter by diverting more funding to larger enterprises and those with collateral rather than smaller, poorer firms (Hossain et al. 2012).

Many donors and transnational financial institutions have adopted more sensitive development policies across a broader range of development issues but within accounting a Northern hegemony still prevails. As (Arnold, 2005) notes the lower echelons of accounting have no voice in formulating global policies. For example, OECD information sharing agreements between countries and tax havens have proven ineffective for UDCs lacking the expertise to make their case and sufficient political clout to get a response. Resolution of this is complex. It requires greater political will, especially from the accounting profession and Northern governments to legislate for and control tax havens, reduce financial secrecy by jurisdictions, reform multinational companies' accounting disclosures, and stymying illicit capital inflows. The latter often dwarf aid, e.g. in Africa they totalled US$854 billion from 1970 to 2008 - more than four times sub-Saharan country debts (Cobham and McNair, 2012); and non-arms' length cross border invoices lose tax revenue in UDCs and exceed total aid by 30%. Tax havens encourage corruption in UDCs and Northern financial centres such as London are hubs of global offshore finance. A Financial Secrecy Index from Christian Aid and Tax Justice Network finds, contrary to public opinion, that well known tax havens like those in the West Indies are not as significant as thought. Switzerland, the Cayman Islands, and Luxemburg were top but the USA was in the top five and the UK was 13th. Paradoxically cash strapped Northern governments are focussing more on this given their losses in tax revenue from such manoeuvres.

Northern accounting professions, often with considerable membership in UDCs, and the IASB especially, need to pay greater heed to UDCs' accounting needs. Positive examples include: the IFAC (2010) task force on public financial management (PFM) to help private and public sector organisations in UDCs to harmonise, spread good practice, share knowledge; professional twinning such as the Society of Certified Accountants in Kosovo with Royal Dutch Institute of Accounting; and a participative Department for International Development/Chartered Institute of Public Finance and Accountancy development of the accounting profession in Lesotho. However, many UDCs failed to build a local accounting profession post-independence: local professions are often a colonial legacy. Those that sought to develop a local accounting profession often failed due to old Northern qualified elites preserving their status, especially as MNOs preferred foreign qualified accountants and big Four audits. Local accountants' poor education and training, low professional standards, corruption, and poor expertise; and accounting professions divided by class, race, and ethnicity contributed to their poor reputation. The failure to create an effective local accounting that can articulate local needs, and the subsequent reliance on Northern professions has exacerbated the neglect of accounting policies

appropriate for UDCs, public sector and SME accounting, and challenges to an orientation to large international business over development within accounting generally.

Thus capacity needs to be built in UDCs' professional accounting institutions. However, the globalisation of services prevents this. If UDCs protect fledgling professional institutes and local accounting firms the WTO and international courts would likely dismantle this. The globalisation of financial services promotes Northern accounting as an elite profession not only amongst potential clients but also amongst Northern qualified members in UDCs wishing to protect their status and privileges, e.g. some UDCs require accounts to be audited by chartered accountants (Poullaos and Uche, 2012). Syllabuses offered by Northern accounting institutes, many of which are pursuing strategies of global expansion especially in UDCs, to candidates from the South are based on Northern practices, laws, and locales and are often not taught by local universities and technical colleges. This further inhibits the creation of accounting attuned to development and local needs, e.g. the ACCA's syllabuses and examinations are UK based allegedly to retain credibility. Regional organisations of accountants, as recommended by IFAC, like the Pan African Federation of Accountants may help raise UDC voices and encourage joint professional schemes, and encourage more attention to training at the technician level and more accounting on trade courses both of which need enhancement. Whether this is occurring to the benefit of UDCs needs more research.

Accounting Solutions: Overspecified and Oversimplified

A consequence of Northern hegemony is what Andrews (2013) labels 'overspecified but oversimplified' solutions. They are oversimplified as they commonly prescribe best accounting practices in the North as solutions to problems in the South regardless of local needs and capacity, and they are overspecified in that they contain considerable formal detail but fail to take account of different cultural norms and circumstances prevailing in many UDCs. Many accounting reforms, particularly in richer UDCs with strong institutions have achieved significant success but the results in oil-rich and the poor UDCs have been patchy and often disappointing (Andrews, 2013). Andrews examines twenty IMF and WB's Accounting and Auditing Reports of Standards and Codes in Africa since 2003. He found their emphasis on adopting international standards, and Northern laws and regulatory mechanisms neglected the cultural and practical capacity of indigenous businesses and accountants to apply these to good effect. The result is high rates of adoption of formal systems that fail or are not complied with (exceptions are foreign companies with foreign stock exchange listings and local companies with or aspiring to such listings). Nevertheless, international institutions continue

to judge accounting progress in individual countries by rates of formal adoption of Northern systems. The issue is why are failing prescriptions often persisted with?

Other commentators criticise the overuse of Northern-centric prescriptions based on Northern practices for being: not adapted to local needs, cultural differences and context; being too complex; and overly geared to capital markets and business rather than state or central planning. Their blanket recommendations prohibit UDCs choosing aspects most appropriate to them or to tailor them to local circumstances. Outside foreign experts, often flown in on short consulting contracts, tend to assume that effective regulatory mechanisms such as local security and exchange commission's (SEC) regulations and necessary legislation are in place, e.g. on transfer pricing rules; and functioning capital markets regulated by staff in Ministries or the local SEC with adequate expertise and reliable and prompt information systems exist. This is often not so, e.g. in Ghana (CIPFA, 2010). Where education and training is given it is often short-run, e.g. week long courses on specific systems rather than building skills that will ensure sustainable reforms. Often problems such as corruption, development aims, transparency, and collecting tax revenues go unresolved, being seen as intractable (Andrews, 2013).

Local accountants may not see the relevance, practicality or usefulness of global harmonised standards of auditing and International Accounting Standards (IASs)[3] for the circumstances they face. Their conceptual framework based on common rather than civil law may be alien to local auditors and their discretion to interpret standards rather than applying rules leaves many confused. The reporting and auditing standards may fail to reflect the needs of local family businesses with high ownership concentration, SMEs, or be incompatible with local cultures and business practices, e.g. *guanxi*. For example, in Bangladesh, businesses are characterised by high family ownership and ownership concentration, low audit fees - especially in the latter, weak accounting skills and competence of auditors, low incentives for public listing, weak capital markets and a lack of second order institutions and poor legal enforcement. Easy access to cheap bank credit and default options are a bigger problem than shareholders' rights (Siddiqui, 2012). Thus there may be a case for relaxing the need for audits of owner-managed firms with no agency problems rather than increasing them. The wholesale promotion of Northern systems and solutions neglectful of UDCs' needs has often resulted in UDCs formally adopting IFAC auditing standards and IFRSs for expediency, especially if they are conditions for acquiring financial assistance from transnational financial institutions, but not applying or enforcing them locally (Fyson, 2012).

[3] International Financial Reporting Standards (IFRSs) are the new name for International Accounting Standards issued after 2001.

Policy changes regarding government accounting have been marked. Current policy still emphasises growth through the private sector, especially in SMEs, and attracting foreign investors. However, the WB Framework (2010) also emphasises local self-determination of programmes by strengthening governments and educating government officials capacity to create infrastructure; implement legal and judicial systems conducive to business development; and develop robust financial systems across endeavours ranging from micro credit organisations to large corporate ventures (Graham and Annisette, 2012).

Improving PFM through transparent budgeting and accounting have become cornerstones of international policy (e.g. The Paris declaration, 2005; Accra Agenda for Action, 2008; Busan Partnership on Effective Development Participation) not only to improve the quality of decisions, local planning and control and reduce fiduciary risk, but also to monitor the effectiveness of aid against development goals and for donors to be accountable to their own constituencies, i.e. to demonstrate that aid is effective and spent for the purposes provided (Fyson, 2012). For example the Copenhagen Accord pledged US$100 billion annually to offset climate change but managing this locally requires effective and innovative monitoring, not least with respect to financial matters. Perversely, donors' previous external monitoring had weakened local development of PFM. Each institution had their own requirements which meant local officials must deal with many different, complex accounting requirements. Nevertheless, despite efforts to standardise and pool reporting to external aid givers, the pressures for aid-givers, especially donor government departments and international NGOs, to be accountable to their electorate or donors has meant that often demanding, conflicting accounting requirements remain. Many PFM systems do not directly account for aid thus donors need to maintain parallel accounting systems. Moreover, they often want quick results on specific tangible results to impress their own constituents, e.g. new schools built, whereas capacity building is long-term, less tangible, multi-faceted, and incremental. Thus the emphasis is on risk-minimisation and precluding local discretion and adaptability contrary to stated policy objectives.

The switch by many Northern donors to building state capacity and placing their money directly into state revenue (i.e. into a single ministry of finance account rather than to specific projects) has increased the pressure to develop integrated, transparent and simple PFM systems (Fyson, 2012). A penchant for privatisations, contracting out services to private firms or NGOs remains, but this has become more pragmatic and limited given the realisation that the state may be the only feasible provider of large

scale services over many sectors, e.g. health and education. Ironically previous SAPs had often brought severe cuts in the number of civil servants and reduced their pay, thereby weakening state capacity.

Within remaining government organisations NPM remains a model of reform. Accounting plays a central role. Adopting NPM–based auditing and accounting, integrated financial management information systems (IFMSs), developing a professional base of accountants and auditors, applying international government accounting and audit standards, and creating a strong legal framework to support modern accounting practices form part of broader economic reforms to eradicate corruption (Everett *et al.,* 2007, p. 520). The WB and the IMF continue to advocate NPM to encourage more focus on results not procedures; a customer orientation; innovation; quality standards and performance measurement; and using market players to deliver public services when more efficient and effective. NPM continues a shift from input and process accountability (bureaucracy, rules, regulations) to results (quantifiable outputs, measures and performance targets); devolution of management control; and improved reporting, accountability and monitoring mechanisms (Awio et al, 2007). Two of the central accounting mechanisms are medium-term expenditure frameworks (MTEFs) and IFMSs. MTEFs endeavour to link policy, planning and practice, normally over three years, to try and achieve a balanced budget and shift resources to pro-poor activities within a poverty reduction strategy. IFMSs (computerised budgeting and financial management) seek to facilitate more flexible responses to macro-economic and cash flow changes; increased accountability, efficiency and effectiveness of public programs and application of external resources, decentralisation with adequate controls, and improved data quality. However, both systems require major preconditions, e.g. an ability to forecast accurately; clear national policies; government commitment; comprehensive budgets; coding that links results to inputs; transparent, accountable and effective civil service capacity; reliable indicators; local acceptance and involvement; a realistic and incremental change process; reasonably rewarded public servants; and cheap and reliable information technology. These can often be lacking in many UDCs.

Consequently the achievements of PFM reforms can at best be patchy, e.g. in Uganda, Tanzania and Ghana (Wynne, 2005; Andrews, 2013). For example, the failure of IFMS in Ghana has been attributed to politicians believing it a technical matter foisted on them but their support waned when they realised the political implications of greater transparency and accountability. The incentives for incorporating 'best practice' can be perverse. There is little evidence that improving PFM, often introduced at the behest of

the North, brings UDCs more aid and it may prove problematic, e.g. the benefits of government accrual accounting over cash accounting are dubious; and the adoption of private sector IFMSs too complex to meet local needs and without substantial customisation can fail (Peterson, 2007). Moreover, the implicit assumption that poor public administration causes poverty, thus the need for foreign experts, may be questionable. Moreover, the indebtedness of many UDCs was often due to events beyond their control. Foreign consultants can exacerbate problems if they reduce the confidence of local managers and produce reforms not tailored to context and available resources. The inequities of experience, status and qualifications between the consultants and locals may prohibit locals from challenging and controlling consultants at the specification, tendering and implementation stages (Wynne and Lawrence, 2012) and thus inadvertently delimit developing local involvement and capacity.

Again, a frequent plea by commentators is for greater country ownership; more use of local knowledge; getting basic supporting requirements in place; better sequencing of reforms with a toleration of incremental muddling through and constant learning; building on existing and simple systems; and having realistic expectations – change is likely to be slow and spasmodic but not impossible. For example, there are numerous examples of successful donor projects directed at improving local capacity (Fyson, 2012).

Reconciling Utopia with local context: Accountability and civil society involvement

As recounted, many donors and major transnational financial institutions have come to promote good governance and broader development aims and criteria. Arguably, this is a more liberal stance to poverty and governance than in many Northern countries where income differentials and poverty are increasing, and there is growing disquiet with the accountability of politicians and public servants and the lack of local involvement in many facets of life. This is a curious state of affairs for if good governance is commendable then why do predominately Northern institutions promote it in the South where its implementation is potentially more difficult? Whatever, it raises a series of important accounting issues for accounting policy and research more generally.

Accountability has come to the fore as a prerequisite of democratic or good governance. 'Triangle Accountability' (World Development Report, 2004) claims that improved development emanates from (1) the state (politicians and policy-makers) through greater democracy and more effective internal and external controls; (2) service providers (managers and frontline workers) through market disciplines and

increased public choice; and (3) citizens and clients of services through greater transparency, media and civil society involvement, and elections. The latter is important as it has encouraged adoption of social accountability frameworks that monitor and publically report planning and results for public policies and programmes transparently; and participatory[4] and pro-poor budgeting[5] where citizens can be involved in budget formulation, implementation, monitoring and control. The aim is for civil society to participate more in government and hold officials responsible and answerable for their actions, activities and decisions. *Inter alia* the hope is that this will reduce corruption. Also capacity development involving community participation (including women) extends to other sectors, e.g. NGOs, local government, professional associations, academics, and community associations. The aspiration is to improve indigenous research and problem solving to meet local needs and priorities, and enable civil society to articulate and mobilise popular opinion, recruit and train new political leaders, disseminate information and hold governments to account.

Rights-based aid, i.e. which regards having access to water, food, shelter and education as basic human rights, is becoming more common. The recent broader WB indices reflect this and they raise a series of new accounting issues such as how to promote democratic forces and reduce corruption through transparent financial information and separated powers to provide checks and balances of power; increasing the participation of marginal poor clients; strengthening the voice and involvement of civil society organizations, political parties, the media, and external organizations such as NGOs to make public servants and politicians more accountable; ensuring sustainability across a wide spectrum of social, economic, ecological and political indicators; and strengthening the capacity of the state nationally and locally to achieve these ends. For example, increasing a poor country's tax raising capacity, especially through direct taxes, not only creates revenue but also heightens civil society scrutiny and ownership and accountability, and legitimises government (Holmes, 2012). Of course the spectrum of broader non-financial indices raise a series of how best to measure the factors under scrutiny, carry the dangers of easily measurable factors dominating vital but less tangible ones, and slavish devotion to

[4] Participatory budgeting requires a set of interrelated conditions - legal, bureaucratic, fiscal, informational, political and cultural that enables civil society organizations and other development actors to engage in budget processes in a sustained and effective manner.

[5] Pro-poor budgeting focuses on budget priority setting, allocation and implementation for achieving pro-poor objectives as in the health, education, water and sanitation sectors. It involves legislative and executive branches, civil society, businesses and the media. It can be bottom-up (when the initiative starts from the community) or top-down approach (when the initiative starts from the state).

what is measured rather than what is effective or manipulating data or actions to imperfect performance measures. Moreover, as Everett (2012) points out, indices and accounting can construct reality. For example, he argues that the widely followed Corruption Index of Transparency International suggests corruption it is not a rich but a poor country problem and ignores the inequity of power relations between the North and South and role of rich Northern interests regarding tax havens, tax avoidance by the accounting profession, defence spending, and indebtedness.

Nevertheless, the fresh approach to development is a sharp reminder to accounting researchers and practitioners generally that their remit should extend to constituencies beyond businesses and the state to civil society. This requires new means of evaluating performance that employ criteria beyond the merely financial and systems of reporting and accountability that are meaningful to poor and marginalised clients and permit their involvement in decisions. Presently, much financial accounting is too program and time specific, which inhibits considerations of sustainability, reporting of and learning from failures, and undertaking identity accountability (where members have moral commitments) and downward accountability, which describes the extent to which development organisations, such as NGOs, are accountable to those lower in the aid chain, generally intended beneficiaries (often poor, marginalised, and women) (Jacobs and Wilford, 2010). For example, illiterate, poor and marginalised sectors of society may need simple, informal, oral, and unusual accountability systems that transcend current accounting to encourage dialogue, mutual learning and promote empowerment. Research shows that the latter is weak, frequently driven out by managerial targets, and often resisted or neglected by NGOs and other aid providers. NGOs are prone to being co-opted by the very (economic logic[6]) forces that they try to change (Lehman, 2007). The dilemma faced by NGOs concerns principally the nature of work they undertake, and the problems in relation to measuring performance, 'particularly if the objective is empowerment' (Edwards and Hulme, 1996, p. 968). NGOs tend not to have any evident 'bottom line' which often makes it harder to follow any sense of direction in relation to measuring their performance (ibid., p. 968). Given the dominance of economic logic (predominantly shaped by aid providers), there can be an 'obsession' with measuring

[6] The term 'economic logic' used in development studies literature (e.g. Battilana and Dorado, 2010) connotes a framework which primarily focuses on maximising profits and fulfilling fiduciary obligations to investors and depositors, as opposed to addressing broader development concerns. A predominantly economic logic framework within development organisations such as NGOs, may lead to mission drifts from their original primary objectives.

performance, using narrow, superficial constructs such as 'size' and 'growth', which give simplistic indicators of success (ibid.).

These problems are increasing issues of concern to Northern aid providers. It is well understood that that their accountability has been essentially upward[7] through traditional accounting means, which encourages a financial orientation to the exclusion of social accountability. Conventional accounting can reproduce and reinforce the dominance of financial and tangible, short run achievements and drive out downward accountability and deflect attention from broader development goals. However, donors must measure the efficiency and effectiveness of the aid they grant to justify their actions to their own funders. Development ministries in Northern countries must convince taxpayers that aid has been spent for the purposes allocated and has brought productive development. This is particularly difficult given the growing tendency to place aid directly into the government coffers of UDCs to encourage state building and local discretion rather than allocating funds to specific development projects. NGOs have similar concerns. Those that deliver services must demonstrate that they do this better than states, and their growing shift to advocacy on behalf of civil society and especially the poor and marginalised sectors similarly requires tangible demonstration. The danger is that given the lack of proven effective systems to reflect shifts in aid policies more conventional systems of financial reporting, accountability and performance measurement will continue to be employed with detrimental consequences for current development policies.

A manifestation of this concerns the role and provision of micro-finance. Microfinance is a term which refers essentially to a range of different financial services (such as credit, savings, insurance and pensions) provided in small or micro amounts to people who form the lower-income bracket(s) of society. While the term microfinance connotes various types of financial services, it is often used interchangeably with the term 'microcredit', given that 'credit' is in greater demand, and hence in greater supply (compared with other services). Millennium development goals state that access to credit is a human right. In many circles micro-credit is seen as the prime means of promoting development. However, there are two competing versions. One is Washington led, promoted by donor agencies such as United States Agency for International Development (USAID), the WB, the United Nations Development Programme (UNDP) Micro-Start Programme, the Consultative Group to Assist the Poorest (CGAP), and the Micro Credit Summit Campaign, which orchestrate an essentially market-based system of providers/organisers be they private banks or NGOs that contract with clients. The other is the Bangladesh (Grameen) approach that emphasises empowerment, education and

[7]The term 'upward' reflects the hierarchical mode of a relationship between the NGOs and aid providers, and also the power imbalance between the two parties (Fowler, 1996).

promoting civil society political engagement via focusing on alleviating household poverty and vulnerability (Roy, 2010). However, the latter approach views household as a cooperative site, where resources are pooled and shared equally and hence fails to pay attention to intra-household inequities. However, both approaches recreate the poor as economic subjects and reduce poverty to being merely an economic issue, though the Bangladesh model does pay heed to improving the political engagement of poor clients. The danger is that both become a new money-making opportunity for 'loan sharks' to exploit the poor (Roy, 2010) regardless of civil society involvement and economic sustainability, and exploits the poor through high interest rates, shifts the costs and processes of formal control and monitoring from the lender to the borrowers, and makes the poor the financiers of poverty reduction (Jacobs et al., 2012).

'Corruption is no longer a 'taboo' word but has come to the fore in development policies (see WB Governance and Anti-corruption strategy, endorsed in 2007). Corruption and failed development initiatives are not attributable merely to the actions of external agencies but also involve local leadership. Many UDCs display outward signs of modern states including democracy (with more or less regular elections), a formal presidency and parliament, political parties, civil society organisations and a judiciary. Basically sound accounting and accountability systems are maintained but merely play a ceremonial role to gain legitimacy from the populace and external funders. They play little role in ministerial and parliamentary scrutiny or in policy and operating decisions. Instead, political rather than legal rational criteria are dominant. Thus matters like filling positions, awarding contracts, and operating decisions become subject to patronage by politicians to bolster political support or to further their material interests. Officials, often poorly rewarded and trained, either respond by rule-bound behaviour, ignoring bureaucratic violations by elites, or indulging in corrupt practices themselves. When rulers and their cronies make decisions informally through patronage networks outside formal state structures based on nepotism, clientelism, and tribal, ethnic and regional ties (Hickey, 2003; Médard, 1983) corruption is fostered and renders formal systems of accountability redundant. Reforms to redress this are likely to fail for those in power have little incentive for them to succeed. Development specialists frequently attribute this to neo-patrimonialism.

Weber (1947) saw patrimonialism as a traditional and legitimate form of authority (Pitcher et al., 2009). He did not employ patrimonialism (where the state is the domain of one or a few leaders - often chiefs, elders or the 'big man') as a pejorative term for corrupt governance or a weak state. Rather it is a form of traditional domination often found in small-scale, traditional, sometimes tribal societies where

relations between rulers and subjects are not governed by predictable economic calculations and codified laws. Rather rulers distribute symbolic and material rewards (often unevenly) to fulfil reciprocal obligations in a shared culture. Relations are direct, dyadic and personal: there is no delineation of private and public realms, and no formal mechanisms of accountability or transparency. Nevertheless, leaders are accountable within traditional collective codes (Pitcher et al., 2009).

Eisenstadt (1973), Médard (1982) and Clapham (1985) added the prefix 'neo' to distinguish contemporary patrimonialism from its traditional form. Neopatrimonialism is a hybrid post-Weberian invention - "a creative mix of two Weberian types of domination: a traditional subtype, patrimonial domination, and rational-legal bureaucratic domination" (Erdmann and Engel, 2007:104). It is widely used to explain political and underdevelopment problems in UDCs (Roth, 1968; Le Vine, 1980). Officials hold positions in bureaucratic organizations with formally defined powers which are exercised, so far as they can, not towards public service but as if they are private property" (ibid, p.48). Powerful position holders using informal means of patrimony personally distribute material resources ('rents' in modern economic terminology) to further their interests (Kelsall, 2011). The distinction between private and public spheres, at least formally, exists and is accepted, and public reference made to it but in practice the distinction is blurred. Rational-legal formal rules may define authority and responsibilities and provide legitimacy for seemingly bureaucracies but within them patronage, clientelism, corruption, nepotism, and ethnicity abound (Zolberg, 1969; Scott, 1969; Lemarchand and Legg, 1972). The exercise of power in neopatrimonial regimes is erratic and incalculable.

Neo-patrimonialism is (but not invariably) associated with corruption by rulers (i.e., the President, MPs, chiefs, party officials, government bureaucrats). As Cammack (2007, pp.601-602) comments: "it is no accident that neopatrimonial states are burdened by bureaucracies whose appointments are made according to tests of loyalty, and which *ineffectively account for public funds siphoned off* to spend on political projects." [*emphasis added*]). However, citizens, especially rural villagers, may expect patrimony from local leaders. Their scepticism of politics, politicians, and the state combined with an orientation to traditional patrimonial leadership partly explains why civil society is 'weak and silent' in many countries where "the overarching logic is to gain and retain power at all costs" (Cammack, 2007, p.600). Democracy and multi-party elections can intensify neo-patrimonial governance (e.g. voters seek bribes and special favours from candidates). Although this contributes to

poor PFM, public goods, governance and development (Kelsall, 2011) it is rational for subjects to gain favours as best they can.

Accounting reforms frequently fail due to neo-patrimonial leaders either ignoring them or using them for unintended purposes (Hopper et al, 2012). Weak government accounting and auditing facilitates corruption and renders financial planning difficult. For example, an IMF study on Anglophone Africa (Leonard, 1987) found data in accounting ledgers and monthly reports was not maintained, there were long delays in preparing and auditing the annual government accounts, and there was corrupt expenditure. Instituting sound accounting reforms clashes with neo-patrimonial governance logic. Leaders may only support reforms if they can yield project-related resources for personal/political uses. Thus recommendations for government accounting improvement are often accepted but after implementation they are not used or are vehicles for leaders to pursue their interests. For example, when anti-corruption commissions based on successful initiatives in Hong Kong and Botswana were introduced into post-Banda Malawi, its leaders used them to eliminate political rivals.

The wisdom of importing Northern accounting systems to eliminate neopatrimonialism may be questionable if leaders and subjects calculate payoffs for participating according to their cultural beliefs and self-interest. However, some progress may be possible if applying foreign political logics is avoided: otherwise accounting reforms will often fail. Rather they need to be based on knowledge of what accounting systems are effective, why and how. This requires grounded studies that link accounting to local circumstances and beliefs about legitimate governance, accountability and corruption, and the prevailing type of leadership. In states with non-developmental characteristics accounting reforms may achieve little unless the politics change. Thus political constraints must be recognized but not all forms of neopatrimonialism preclude economic development absolutely. Local projects can benefit from leadership and coordination from benign neopatrimonial leaders oriented to longer run development. Here incremental and selective accounting change may be the best option. Where state control has legitimacy and is strong then reforms may best concentrate on attributes of developmental states and societies. These include fostering strong central state authority and systems; political stability; all classes being taxable; regulated and disciplined labour; protection of the poor; a sense of nation and nationalism; and attracting domestic and foreign capital that contributes to promote national development goals. Accounting reformers must think and act politically, and develop analyses and recommendations that take into account the political context of the country, how decisions are made

and in whose interests; and where formal accounting mechanisms are weak then where do networks of power reside; what logic drives policy; how is bureaucracy maintained and used; is tradition a factor; and how are elections won? Accounting reforms that fail to consider their political and cultural feasibility and realistic means of implementation may prove useless. In so doing it is important to distinguish political leaders from public servants. A powerful, competent and insulated bureaucracy may exist or can be nurtured that is stable; has the authority to create, direct and manage development; and is sufficiently competent, professional and autonomous to resist tests of political loyalty, even in many neopatrimonial regimes.

However, the above is not an argument for maintaining the status quo; or abandoning decentralization, greater democracy and accountability; and eliminating corruption. The need for accounting systems, structures and processes that further development in its broadest sense remain. Such ventures include: giving the poor and marginalized greater voice; aiding civil society organizations that monitor and report on government spending and activities; promoting government accountability, not least by increasing the transparency and volume of financial information; reducing corruption; and encouraging an independent media. Critical accounting researchers must promote positive social change and address institutional weaknesses but within an accommodation of indigenous political rationality, the national context, and involving civil society in change rather than simply adopting Northern assumptions and practices. It is important to avoid stark dichotomies and constructing mutually exclusive solutions, e.g. the state versus markets, state centralization versus decentralization to local organizations; civil society versus the body politic. Finally, it is important to develop indigenous accounting capacity through education, training and research so that elites, the intelligentsia, civil servants, the media, and thus civil society can debate the problems and repercussions of neopatrimonialism and increase awareness of transnational governance superstructures and emerging modes of regulation. Transforming public opinion may be more productive than insisting on compliance to externally prescribed accounting practices.

Conclusion

This chapter has investigated how development policies since the 1950s have evolved, and how accounting shapes and is shaped by broader frameworks of development. While accounting is not the 'salvation of poverty', it is an essential ingredient in the development process, which warrants more attention from the various parties involved (Hopper et al., 2012). The preoccupation of development approaches, emanating from the WB, IMF and UN, based on rational decision making to promote

economic growth, and the inattention paid to accounting by actors[8] involved in development, have given accounting a predominantly economic logic. Further, underlying power asymmetries between Northern and poor countries have led to a hegemonic consensus around Northern development thought, whereby accounting 'best practices' in the North are prescribed in the South, with insufficient regard to prevailing local cultural norms and circumstances. The blanket promotion of Northern solutions as prerequisites for financial assistance results in UDCs adopting IASs neglectful of UDCs' needs and reinforce power asymmetries between the 'developed' North and the 'developing' South. Moreover, given the periodic, results-oriented and upward focus of many accounting systems of aid givers such as donor government departments and international NGOs, they often concentrate on short-term indicators of success, rather than broader, less tangible structural (social, economic, political and legal) factors, e.g., a donor organisation spending one million euros on educating female children reported on 'how many girls were educated through the project', but not less tangible factors such as 'the kind of education provided to the girls', 'their life stories', and 'the barriers the teachers face' (Unerman and O'Dwyer, 2012, p. 150)]. Practices based on economic logic stifles alternative social logics and spaces with the potential to address the structural factors that foster poverty and inequality.

Given the dominance of neopatrimonialism in many UDCs, often sprinkled with corruption, accounting reforms frequently fail, due to leaders either ignoring them, or using them for unintended purposes. As discussed, leaders may only support reforms if they can yield resources for personal/political gains. Thus, accounting reforms may be unsuccessful if local political constraints are ignored. UDCs are influenced by their historical legacy of colonialism and they are reliant on external agencies for aid, which has encouraged uncritical and widespread adoption of Northern, market-based models. However, Northern accounting, auditing, and corporate governance mechanisms need 'efficient capital markets, investor sophistication, and effective second-order institutions such as efficient regulators and judiciary' (Hopper et al., 2012, p.11). This is often not so in UDCs, where corporate governance may be characterised by high ownership concentration, weak incentives for companies to go public, poor perception of the skills of auditors, and an absence of effective monitoring and second-order institutions (ibid.). Whilst, the current WB now emphasises local self-determination of programmes by strengthening governments, and developing local capacity, its emphasis on NPM encourages a focus on results (and not process) and effectiveness and efficiency criteria that neglect broader development indicators.

[8] Such as researchers in development studies and accounting, indigenous politicians, accounting standard setting bodies and external institutions providing aid and finance to UDCs.

This chapter questions the wisdom of importing Northern accounting systems into the South, without establishing what accounting systems are effective, why and how. It stresses the importance of taking into account the social, economic, political, religious and legal contexts of specific countries; seeing accounting as a critical part of the development matrix; enabling local participation in the design process; and producing accounting and accountability systems that consider a wide range of complex factors such as the empowerment of the poor and marginalised. This requires accounting researchers to engage in collaborative dialogues with researchers in development studies, indigenous politicians, accounting standard setting bodies, and external agencies providing aid and finance, to help develop multidimensional indigenous accounting models through on-going education, training and research.

There issues need careful consideration to foster a transformation from technocratic upward to multidimensional downward accounting and accountability systems. Greater indigenous participation should redistribute power from 'experts' to lower echelons of users and designers whose voice in formulating global policies is currently minimal. This may well meet resistance from senior officials (within both Northern countries and UDCs) unwilling to accede to redistributions of power. Also supposed experts may regard the process of giving locals voice, especially the marginalised, as too time consuming and costly (Brown, 2009), thus subaltern voices become excluded. However, whilst recognising that engagement and dialogue between and within diverse groups with different power dynamics will not be without contestation and discontent, there is a need to better understand 'discursive barriers' between elites and non-elites and how power is mediated in the global socioeconomic order through expert languages such as economics and accounting (Kapoor, 2008). This chapter argues that successfully developing accounting and accountability systems relevant to UDCs must be cognisant of factors such as, 'legacies of colonialism', 'socioeconomic inequalities on democratic politics', 'participation of the subaltern' and the 'pivotal role of the state' (Kapoor, 2008, p.98). This path is fraught with challenges and requires development and accounting experts to critically reflect on and understand the difficulties of embarking on this journey. It may involve experts intentionally releasing some of their power, building safe spaces for people to foster accountings of their own voices, and 'unlearning elite prejudices', and constructing institutional forms that are 'flexible, responsive, capable of cross-cultural translation' and 'better listening' (Molisa et al., 2012, p. 306). Such processes can facilitate longer term social transformations to enable the development industry (and accounting) to become part of a world not far removed from the world in which poor people live their everyday lives (Cornwall and Brock, 2005).

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