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The ‘two publics’ and institutional theory – A study of public sector accounting in Tanzania

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ABSTRACT

This paper summarises, and attempts to theorise, the findings of a series of research projects investigating accounting practices across the public sector in Tanzania. Data was collected principally by interviewing participants in central and local government and in a number of NGO’s. Analysis was undertaken using grounded theory methods, alongside a theoretical framework. This framework comprised the work of the post-colonial theorist Ekeh (1975, 1992, 1994a, 1994b) and the concepts of legitimacy, loose coupling and isomorphism from institutional theory. Legitimacy and loose coupling were central concerns in all the institutions and played a significant role in understanding their accounting practices. However, there were significant differences between the settings’ responses. These can be partly explained as responses to different isomorphistic pressures. Differences between institutions can be further explained using Ekeh’s concepts of the primordial and the civic publics. Gaming and corruption were evident in central government, associated more with the civic public. Accountability and a sense of moral responsibility appeared to be stronger in NGOs, which were more closely associated with the primordial public. In contrast to the central government, which was associated more with the civic public, accounting was extremely problematic resulting in many dysfunctional practices. However gaming and corruption were most evident in local government where participants were subject to a conflict between the two publics’ moralities.

1. Introduction and background

Q4 This research investigates accounting practices and changes in different institutional settings concerned with the provision of public services in a developing country, Tanzania. Poverty reduction is a major concern in Tanzania and accounting practices have a direct effect on poverty reduction by ensuring resources are appropriately and efficaciously targeted. Appropriate accounting practices can also help to counter corruption as recognised by the World Bank, ‘growing awareness of the corrosive effects of corruption . . . has given new urgency to donors’ need to ensure that aid is not diverted to private ends or misallocated to activities not conducive to fostering growth and reducing poverty’ (Allen, Schiavo-Campo, & Garrity 2003). Good

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accounting practices are also important in legitimising organisations in the eyes of donors (Assad & Goddard, 2006). Such organisations are more likely to attract additional external funding, enabling greater poverty reduction. This research contributes to a better and deeper understanding of accounting practices across the spectrum of public services in one developing country.

Much of the literature in this area has been normative (Allen et al., 2003; Brookings Institute, 2006; DFID, 2001; Economic Commision for Africa, 2003a, 2003b; ODI, 2004, 2007; OECD, 2005), comprising the exhortation for developing countries to adopt various schema Many of these exhortations are accompanied by prescriptions of models of financial management and all emphasise the importance of accountability. However, some accounting academics have noted the lack of success of such approaches in developed countries, let alone in developing countries. They have questioned whether such models are effective at all and suggested a more cautious approach based on first obtaining a better understanding of accounting and accountability practices in the context of developing countries. A situation appears to have been reached where aid agencies are insisting on the implementation of accounting practices which are unproven in the developed world and which may not take sufficient cognisance of local contexts.

As early as 1989 Dean was warning against the crude transfer of accounting techniques from the West to developing countries (Dean, 1989). Sarker (2006) found that new public management (NPM) in general was successful in the more developed context of Singapore but achieved very little in the less developed economy of Bangladesh. He suggests the existence of a formal market economy, the rule of law, and an advanced, efficient level of administrative infrastructure are necessary precursors for NPM success. These are rarely present in poor developing countries. Uddin and Hopper (2003) researched World Bank claims that NPM initiatives such as privatisation, could improve management controls, commercial performance, and development. In fact, privatisation appeared to be a relative failure in gaining theses intended benefits. Manning (2001) suggests that the marginal nature of the impact of NPM may be due to limited public expectations and hurried implementation.

There are a number of papers which investigate public sector reform in specific developing countries. Alam and Lawrence (1994) argued that Western budgetary processes were incongruent in a Bangladeshi context. In their study of a Fiji Telecommunications company, Sharma, Lawrence, and Fowler (2012) found that the cultural conflicts and political influences led to the new public management process being resisted and modified to reduce the tension between economic and social relations. Batley and Larbi (2004) examined reforms in Africa, South and Southeast Asia, and Latin America. They conclude that reform approaches need to be sensitive to the institutional conditions of particular countries. Therkildsen (2000) investigated public sector reform in Tanzania, and argues that there was fragile domestic political support for these reforms and few service delivery improvements. Substantial external influences, fragmented domestic policy-making, weak links between policy-making and its implementation, and questionable assumptions about NPM-inspired reform measures, were identified as the causes of these shortcomings. Uddin and Tsamenyi (2005) studied the impact of World Bank sponsored reform in a state owned enterprise in Ghana. They found that budgetary practices 'remained politicised, delayed, directionless and ineffective' (p. 648). Rahaman and Lawrence (2001) go further by establishing that even where Western standards of technical accounting exist, they merely 'masked deeper deficiencies' of financial management within the socio-political context of Ghana. Awio, Lawrence, and Northcott (2007) examined the Ugandan community-led approach of an HIV/AIDS initiative. They concluded that developing countries need to import relevant and workable aspects of NPM reforms, while at the same time exploring other options for services and programme areas that apply to unique circumstances. Roberts and Andrews (2005) found that reform began in Ghana but faltered after an initial period of progress. This was due to a number of factors including reform ownership and political will, organisational integration and organisational incentives, and strategic capacity. In Malawi, Durevall and Erlandsson (2005) found that public sector finance management reform focused on improving the technical aspects of the budget system, while largely ignoring the preferences and incentives of the different actors.

Whilst acknowledging the more recent emergence of critical accounting literature on Africa, Rahaman (2010) highlights the paucity of studies in this area in the special issue of Critical Perspectives on Accounting in 2010. He also suggests that corruption in the continent is an important issue that needs some attention from the critical accounting community. A few studies have addressed the issue of corruption and accounting in developing countries. Quah (2001) noted that fighting corruption is one of targeted improvements of NPM in developing countries. However, only three Asian countries – Singapore, Hong Kong and Malaysia – have succeeded in minimising it. Tambulasi (2007) investigated the extent to which NPM-based management accounting practices have increased managerial autonomy and reduced political control in Malawi's local governance. He found that the NPM-based management accounting has led to loss of local political control, which makes politicians resort to unproductive behaviours including interference, sabotage and corruption in order to regain their lost political control. On the other hand, administrators maintain their managerial autonomy through NPM-based managerial prerogative, seeking central government intervention and colluding with councillors in corrupt activities. Iyoha and Oyerinde (2010) found that in the Nigerian public sector, though there had been some initiatives in strengthening existing institutions and creating new ones with responsibility for fraud and other controls, the issue of weak accounting infrastructure had not been addressed.

Many other contextual factors which have a significant effect on accounting practices in developing countries have been identified in the literature including cultural factors, ethnicity, political interference, nepotism, and over-bureaucracy (Hopper, Tsanenji, Uddin, & Wickramasinghe, 2009; Rahaman & Lawrence, 2001; Uddin & Hopper, 2001; Uddin & Hopper, 2003; Wickramasinghe & Hopper, 2005). However, very few of these studies were focused on central or local government accounting and this area remains severely under-researched.

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