

Addis Ababa
University
(Since 1950)



Addis Ababa University
College of Business & Economics
Department of Accounting & Finance
Graduate Program

IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications.

By:

Yitayew Mihret

March, 2016

Addis Ababa, Ethiopia

Addis Ababa University
College of Business & Economics
Department of Accounting & Finance
(Graduate Program)

IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications.

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance

By:

Yitayew Mihret

Advisor: Dr. Degefa Duressa

March, 2016

Addis Ababa, Ethiopia

Addis Ababa University
College of Business & Economics
Department of Accounting & Finance
(Graduate Program)

IFRS Adoption in Ethiopia: A Critical Analysis of the Process, Issues and Implications.

By:

Yitayew Mihret

Approved by the Board of Examiners:

_____	_____
Advisor	Signature
_____	_____
Examiner	Signature
_____	_____
Examiner	Signature

Statement of Declaration

I, the undersigned, declare that this thesis is my original work, has not been presented for award in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Declared by:

Name: Yitayew Mihret
Duressa

Signature_____

Date_____

Confirmed by:

Name: Dr. Degefa

Signature_____

Date_____

Place and date of submission: Addis Ababa University, March, 2016

Abstract

This study examines the IFRS adoption process in Ethiopia with a view to explaining how the state, i.e., the Ethiopian government, other national actors and the transnational forces interacted in establishing the Ethiopian financial regulatory landscape as antecedent to IFRS adoption and subsequent implementation. It employs a qualitative research approach based on evidence collected through semi-structured interview and review of documentary evidences produced in the process of IFRS adoption to explain the outcomes of accounting reforms in Ethiopia during the period 1991-2015. By drawing on Actor Network Theory (ANT), this study theorizes IFRS adoption as a product of a series of translations in the context of interactions between supranational and national actors to integrate Ethiopia into the global economic system through IFRS-based financial reporting. Improved financial reporting environment supported by IFRS is theorized as a key Obligatory Passage Point (OPP) for Ethiopia's access to external finance and this in turn led to the development of a streamlined national accounting regulatory system through translation of institutions into a framework suitable for IFRS-based financial reporting. The country's accounting infrastructures and regulatory environment were thoroughly evaluated and examined in a transformation process through which the globalizing forces and Ethiopian actors built an actor-network that reconstructed the Ethiopian accounting regulatory set up by issuing financial reporting law and establishing the regulatory body (AABE). Accordingly, the country has mandated officially the adoption of IFRS and designed and approved five years IFRS implementation strategic plan for which its implementation is expected to be effected in the years to come until 2019 deadline. This study illustrates that the IFRS adoption in Ethiopia is the result of the translation processes involving the actor-networks of the state, accounting, professionals, the private sector and international financial institutions while the state, i.e., the Ethiopian government, played a management and mediating role of the translation processes in the context of promoting macro-economic management rationales of enhanced financial reporting supported by IFRS. The study shows that while the Ethiopian IFRS adoption experience illustrates the macro-economic rationale driven nature of IFRS adoption, the rationales and the processes of translating the idea into Ethiopian context illustrates the socially constructed nature of IFRS adoption. This study suggests that more resources and stakeholders need to be coordinated by AABE to build the capacity of preparers in terms of IFRS reporting practices to achieve the IFRS implementation strategic objectives. It suggests that self regulated, independent and strong professional body needs to be established as soon as possible. It suggests that the concerned stakeholders need to design and incorporate IFRS education in the curriculum as soon as possible to meet the IFRS implementation strategic objectives.

Keywords: Accounting; Developing countries; Ethiopia; IFRS adoption

Acknowledgements

I would like to express my sincere gratitude to Dr. Degefa Duressa, my advisor, for his unreserved comments, advice, suggestions and guidance that he made on the paper from the inception to the completion of the study. I also would like to thank him for his support in providing me the necessary materials required for the study.

I am very much indebted to Dr. Dessalegn Getie, for his unreserved and enormous support, advice, comprehensive comments and guidance since the inception of the study to its completion. This study would not have been conducted and completed without his support in providing the necessary materials and guidance including the initiation of the study project.

I greatly acknowledge distinguished members of Deloitte Consulting for their cooperation in providing me the relevant data required for the study. I am highly indebted for their cooperation and professional support in providing me the necessary data and reflections required for the study.

My sincere thanks go to employees and higher officials of MoFED and NBE for their cooperation in providing me the necessary documents and reflections required for the study. I would like to extend my appreciation to them for their support in providing me valuable inputs that enhanced the credibility of the data sources of the study.

I would like to extend my sincere gratitude to the accounting academia and audit firm members who helped me in providing valuable reflections required for the study. I would like to give you credit to your cooperation and support for your valuable inputs.

Finally, I never forget to extend my appreciation and credit to you all whom I did not mention your names for your valuable support and contribution for this study. I am highly indebted to all of you for your support and cooperation in providing me the necessary inputs required for the study.

Table of Contents

Contents Pages

Abstract	I
Acknowledgements	II
List of Tables	V
List of Abbreviations	VI
Chapter One: Introduction	1
1.1 Background of the study.....	1
1.2 Statement of the Problem	4
1.3 Objective of the Study.....	6
1.4 Significance of the Study.....	7
1.5 Scope of the Study	8
1.6 Limitation of the Study.....	8
1.7 Motivations of IFRS adoption in Ethiopia and Study Setting	9
1.8 Structure of the Paper	11
ChapterTwo:Literature Review	12
2.1. Introduction.....	12
2.2. Overview of Internationalization of Accounting Standards	12
2.3 Historical Background of Internationalization of Accounting Standards	14
2.4 Harmonization, Convergence and Adoption of IFRS	15
2.5 Rationales and Debates of IFRS Adoption.....	16
2.6 Benefits of IFRS Adoption	19
2.7 Challenges of IFRS Adoption.....	21
2.8 Actor-Network Theory: Concepts and Analytical Frameworks	22
2.9 Empirical Evidences: Lessons Learned from Other Countries' Experience	22
2.9.1 Evidences from Case Studies.....	29
2.9.2 IFRS Adoption and Implimentation : Korean Exprience	29
2.10 Conclusion and Research Gap	32
Chapter Three:Research Design and Methodology	34
3.1 Research Design.....	34

3.2 Research Approach	34
3.3 Selection of Interview Participants	35
3.4 Sources and Methods of Data Collection	35
3.5 Data Analysis and Interpretation	39
Chapter Four:Discussions and Results	40
4.1 Introduction.....	40
4.2 Accounting Reforms and Pre-IFRS framework Issues the Basis to the Problematization for IFRS Adoption in Ethiopia.....	40
4.3 Institutionalization of the Ethiopian Accounting System with IFRS based Infrastructure.....	43
4.3.1 Problematization &Interessement:A Series of Translations leading to IFRS Adoption.....	43
4.3.2 Enrolment and Mobilization: Establishment of the Ethiopian Accounting andRegulatory Environment	50
4.3.2.1 Ethiopian Financial Reporting Proclamation and Regulation	50
4.3.2.2 Establishment of the Accountants and Auditors Board of Ethiopia(AABE).....	60
4.3.2.3 Institute of Certified Public Accountants of Ethiopia (ICPAE).....	62
4.4 Enrolment and Mobilization: Implementation of IFRS by Reporting Entities.....	64
4.5 Analysis and Discussions of the Results	73
Chapter Five:Conclusions and Implications	76
5.1 Conclusions.....	76
5.2 Implications	77
5.3 Potential Future Research Areas	79
References	80
Appendix	

List of Tables

Table 1: Translation process of the Ethiopian IFRS adoption process	32
Table 2: Interviewees profiles, roles, interview dates and duration.....	36
Table3: Actors of Ethiopian IFRS adoption process.....	56

Abbreviations

Acronym	Definitions
AABE	Accountants and Auditors Board of Ethiopia
AAU	Addis Ababa University
ACCA	Association of Chartered Certified Accountants
AEA	Association of External Auditors
AISG	Accountants International Study Group
ANT	Actor-Network Theory
ASE	Accounting Society of Ethiopia
ECSC	Ethiopian Civil Service College
ECX	Ethiopian Commodity Exchange
EPAAA	Ethiopian Professional Association of Accountants and Auditors
ERCA	Ethiopian Revenue and Customs Authority
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
G20	Group of 20 Countries
GAAP	General Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAA	Institute for Certifying Accountants and Auditors
ICPAE	Institute of Certified Public Accountants for Ethiopia
IFAC	International Federation of Accountants

IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commission
ISA	International Standards for Auditing
KASB	Korean Accounting Standards Board
MCB	Ministry of Capacity Building
MNCs	Multi-National Companies
MoFED	Ministry of Finance and Economic Development
NAADP	National Accounting and Auditing Development Program
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organization
NSC	National Steering Committee
OFAG	Office of the Federal Audit General
OPP	Obligatory Passage Point
PAFA	Pan African Federation of Accountants
ROSC	Reports on Observance of Standards and Codes
SMEs	Small and Medium Enterprises
SNI	Supranational Institutions
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WTO	World Trade Organization

Chapter One

Introduction

1.1 Background of the Study

Many countries and regions around the world have different financial reporting and accounting practices, which emanate from varying legal, culture, economic, social and political contexts (Deng, 2013). Heterogeneous financial reporting and accounting practices make it very difficult for users of accounting and financial reports to consolidate such information and make comparisons of firms that are listed in different countries (Prather-Kensey, 2006). Furthermore, in today's world with globalization, boundaries between countries and financial markets have been removed and mutual interdependence has increased. The growth of multinational company activities, economic and political integrations between developed countries increases the efforts of developing countries to be part of the global market which in turn requires quality and transparent financial information (Alp and Ustundang, 2009). Today with internationalization of economic trade and globalization of businesses, preparation of financial statements in accordance with a nation's local accounting systems may hardly meet the needs of investors, business partners, financiers and decision makers (Gyasi, 2009). Economic globalization will lead to integration of capital markets throughout the world and the process of that integration can be facilitated through technologies like a globalized financial reporting architecture. With the effect of globalization, more and more countries are to open their doors to foreign investment leading to businesses expansion across borders; both the public and private sectors are increasingly recognizing the benefits of having a commonly understood financial reporting framework supported by strong globally accepted accounting and auditing standards (Wong, 2004). Accordingly, the introduction of a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon articulated principles have been required (IASB).

International Financial Reporting Standards (IFRS) is gaining fast growing recognition around the world as countries and institutions such as capital market regulators, global

banking regulators, international development agencies, professional accountants and politicians all recognize the economic benefits embedded in the adoption of the standards (Botzem,2012; Botzem & Quack,2009: cited in Zori,2015). The adoption of these standards as a replacement for local accounting standards is a signal of the move towards global governance of private regulation around financial markets and an increasing integration of world markets, free movement of goods and services, and the flow of investment capital across national boundaries. While standardization in accounting practices is important in many respects, particularly towards increasing comparability and uniformity of financial reports for companies operating in transnational boundaries across the world, it is still debatable to consider the notion that these standards are usable in all countries around the world.

Proponents of the globalized accounting standards present numerous arguments and perceived economic benefits associated with the adoption of IFRS in to local jurisdictions. These arguments could be reasonable to countries with capital markets with a notion that IFRS is predominantly designed for capital market oriented economies (Zori, 2015).

Nevertheless, in many countries, the idea of a globalized accounting standard still seems illusive; still the notion of economic benefits claimed by single set of globalized accounting standards is subject to criticism on the grounds that the globalized financial reporting system, which is designed based on western economic structures may not be effective in the context of the developing nations' economic realities. Why debates arise about the adoption/adaption of IFRS in spite of its founding rationales, economic benefits? What motivates a country's decision to adopt the standards and what important considerations are taken into account prior to the adoption of the standards?

Following the effects of globalization and the World Bank & IMF joint study of the Ethiopian accounting system (ROSC, 2007), now Ethiopia has already embarked on adopting IFRS formally in her accounting system by issuing proclamation No.847/2014 for financial reporting and regulation No. 332/2014 "for the establishment and determination of the procedure of the accounting and auditing board of Ethiopia". As per the World Bank report (ROSC, 2007), significant gaps were indicated in the

Ethiopian accounting system and financial reporting infrastructures and legal frameworks. Strong financial infrastructures and legal frameworks in a given jurisdiction could be prerequisites or preconditions that would be required for the effectiveness of IFRS adoption and implementation.

Accordingly, the study aims to explore how the IFRS adoption agenda get materialized and translated in the non-stock market economy of Ethiopia given the gaps indicated in the Ethiopian accounting system and related legal frameworks. This study focuses on the actor-network interaction of the national and international actors for the establishment of financial reporting and regulatory set up of IFRS in Ethiopia, which suggests that the economic benefit rationales of IFRS adoption alone cannot sufficiently explain IFRS adoption in the context of Ethiopia. This study focuses on the social construction of actor-network building to explain why and how the IFRS adoption idea is originated, developed and translated in to practice in the context of establishing the financial reporting and regulatory framework and the regulatory body to the Ethiopian non-capital market economic environment. The study tries to understand the institutional arrangements that Ethiopia takes in to account when considering the adoption of IFRS. Even though economic benefits are essential to the adoption of IFRS, the actions and interests of actors in the choice of IFRS adoption practices are influenced by institutional discourses, which shape the outcome of the IFRS adoption decisions. This study shows how actors from different backgrounds negotiate their interests and present their views on the way to improve the Ethiopian financial reporting infrastructure through the institutionalization of the Ethiopian accounting system in the context of the globalized economic infrastructure (IFRS), which finally led to the issuance of the financial reporting proclamation and regulation for the establishment of the regulatory board, a milestone for IFRS adoption in Ethiopia. Accordingly, this study aims to examine the overall process of IFRS Adoption in Ethiopia, related issues and implications in the context of actor-network construction involving the interactions of supranational forces (IFIs) and Ethiopian actors while translating the Ethiopian accounting system into a new form suitable to IFRS based financial reporting.

1.2 Statement of the Problem

As part of the Ethiopian accounting system reform program various actors participated in the evaluation of the Ethiopian accounting and auditing practices, drafting of the legal and financial reporting proclamations; discussing the regulation of the accountancy and audit practices and professional body issues for the last two decades (Mihret and Bobe, 2014). In 1999, a government project was conducted by Ethiopian experts from various institutions to evaluate and validate the study report and conclusions made by Coopers and Lybrand, a UK based consultant, on the national and audit development program of Ethiopia (ENAADP, 1999). Following certain years of delay for which the reasons are not clearly known for justification; another study was conducted in 2007 by the World Bank in coordination with concerned Ethiopian stakeholders. The World Bank team evaluated the Ethiopian accounting and auditing practices and institutions underpinning the accounting and auditing practices in the corporate sector and finally came up with findings and policy recommendations. The findings of the World Bank report indicate the existing gaps in the Ethiopian accounting and auditing practices, the financial reporting infrastructures and legal frameworks. Accordingly, as part of the World's move towards financial reporting harmonization and global economic integration, and the improvement of the Ethiopian accounting and auditing practices, the World Bank provided policy recommendations to reconstruct the financial reporting and regulatory landscape in a way that is suitable to the adoption of IFRS and ISA. Specifically, the ROSC team recommended the issuance of the financial reporting proclamation and regulation as antecedents to IFRS adoption and as steps for the improvement of the Ethiopian financial reporting infrastructure and legal frameworks which would be important pillars for the adoption of IFRS in the Ethiopian economic environment whereby Ethiopia will have better financial reporting system that supports its economic activities. Accordingly, Ethiopia has embarked on adopting IFRS by issuing proclamation No.847/2014 for financial reporting and regulation No. 332/2014 “for the establishment and determination of the procedure of the accounting and auditing board of Ethiopia”. Ethiopia as a developing country is expected to have gaps in its accounting system and related underpinning institutions as this has been supported by literatures from other

countries experience and the World Bank report (ROSC, 2007). The gaps indicated in this report are in the basic antecedents or preconditions of IFRS adoption. The policy recommendations provided by the World Bank are preconditions that are required to be implemented to institutionalize the Ethiopian financial reporting infrastructures and set up the regulatory frameworks in the context of IFRS adoption to integrate Ethiopia into the global economic system.

Despite of the fact that Ethiopia has significant gaps in its financial reporting infrastructures and legal frameworks which are basic preconditions of IFRS adoption, the Ethiopian IFRS adoption agenda has come to effect with the issuance of the financial reporting proclamation and regulation and the establishment of the board which is in charge of coordinating the implementation of IFRS and regulating the financial reporting practices of the country.

Despite the fact that some organizations have been declared to have adopted IFRS under the regulations of the NBE and Ethiopian Commodity Exchange directives (Tesfu, 2012; Joshi et al. 2014), the adoption of IFRS and its effect in the Ethiopian accounting system and business environment is not yet significantly materialized. Tesfu (2012) and Joshi et al. (2014) have tried to study some of the challenges, benefits and IFRS adoption processes with reference to the institutions which were declared as IFRS adopted entities by NBE and ECX directives. However, these studies did not touch any aspects of the IFRS adoption project which led to the establishment of the Ethiopian financial reporting and regulatory set up that mandated the official adoption of IFRS at the country level. The official adoption of IFRS in Ethiopia is a very recent phenomenon which can be traced to the issuance of the financial reporting proclamation and the regulation for the establishment of the AABE, a regulating organ of the country's financial reporting system. The implementation and compliance of IFRS by reporting entities is yet to be expected from now onwards.

Currently, the IFRS adoption in Ethiopia, basically, being in its beginning stage is expected to have various issues to be studied and clarified based on international best practices and literatures. Hence, the IFRS adoption processes, rationales and debates for IFRS adoption in Ethiopia, implications and the way forward issues are some of the

untapped potential research areas that need to be clarified and articulated based on empirical evidences. Having said so far, the researcher aims to explore the overall IFRS adoption processes in Ethiopia with a particular focus on the IFRS adoption project, related issues and implications in reference to literatures, international best practices and Ethiopian contextual factors and in turn provide recommendations and insight potential research areas for further study.

1.3 Objective of the Study

The general objective of this study is to critically assess or explore the overall IFRS adoption process in Ethiopia, related issues and implications.

The following specific objectives were formulated to contribute to the achievement of the main objective:

- To highlight and articulate the Ethiopian IFRS adoption process rhetoric;
- To examine the deliberations in the IFRS adoption process in Ethiopia with a particular focus on the IFRS adoption project;
- To explore the progress of IFRS adoption process in Ethiopia;
- To identify the stakeholders involved in the Ethiopian IFRS adoption process and their roles as well as interests; and
- To identify the phases and components of IFRS adoption process in Ethiopia.

Research Question

The following research question and sub-questions guide the study:

RQ: How did the IFRS adoption agenda materialize and translate into practice in Ethiopia in the apparent absence of preconditions or antecedents of IFRS- based financial reporting?

Sub research questions:

1. What were the rationales of IFRS adoption in Ethiopia articulated in the absence of preconditions for IFRS adoption?

2. What were the deliberations surrounding debates for and against the decision for IFRS adoption in Ethiopia?
3. How progressive is the IFRS adoption project in Ethiopia (the current status of IFRS adoption in Ethiopia and its implications?)

1.4 Significance of the Study

The adoption of IFRS is a global phenomenon that Ethiopia has already embarked on to improve its financial reporting system supported by this global governance technology. Ethiopia as a developing country requires a strong financial reporting system that enhances corporate accountability and governance. As part of the initiatives taken to improve the Ethiopian financial reporting environment, the adoption of IFRS could be an important strategic choice for Ethiopia to gain international best experiences in the areas of financial reporting and related issues and in turn fulfill requirements for accession to foreign financing and attraction of FDI to the Ethiopian macro-economic environment.

Hence, this study would expect to insight potential issues relevant to the adoption of IFRS in Ethiopia and its implications. It would also insight potential research areas on the adoption of IFRS and related issues for future research that would help develop Ethiopian literature in the areas of financial reporting and related issues and in turn contribute for the development of the accounting profession and its practices in the country. Given the current Ethiopian financial infrastructure and legal frameworks, highlighting potential research areas is certainly an important contribution thereby interested and potential professional researchers will have reference point of motivation for conducting research on the effects of IFRS implementation in the Ethiopian business environments. Furthermore, this study highlights the implications, challenges and possible solutions of IFRS implementation in Ethiopia based on international best practices and literatures thereby the effective implementation of IFRS and its expected result could be materialized.

The results of this study are expected to initiate further debate and research in the Ethiopian context and other countries with similar contexts to extend theorized understanding of this new rising global financial architecture.

1.5 Scope of the Study

The study covered the process of IFRS adoption in Ethiopia conducted over two decades since the early 1990s to the present time, Dec 2015. It covered the overall IFRS adoption processes in Ethiopia with the traces of inscriptions, i.e., points of reference, relating to Ethiopian accountancy development projects that led to the IFRS adoption in Ethiopia during 2014. To explain the IFRS adoption translation processes undertaken over the years, the researcher conducted in depth interview with major participants in the IFRS adoption project and reviewed document evidences produced in the translation process that transformed the Ethiopian accounting system to a new financial reporting and regulatory framework in the context of IFRS adoption. Besides, the researcher tried to contextualize the Ethiopian IFRS adoption practices based on reviewed literatures from other countries experience.

1.6 Limitation of the Study

This study is basically limited to assess the overall IFRS adoption process in Ethiopia before its implementation. It intended to articulate how the Ethiopian IFRS adoption agenda was originated and translated into practice in the Ethiopian context. It does not show the practical effects of IFRS implementation in the Ethiopian business environment as the effects are expected to occur in the years to come upon implementation. It is partly based on the perspectives of IFRS reflected by the interview participants and the deliberations of the study subject. The study is based on qualitative interpretation of the IFRS adoption processes to Ethiopian context and the IFRS rhetoric based on literatures. Qualitative interpretation of the study by its very nature could be subject to interpretation by readers into a different context depending on one's interests and backgrounds. However, this study is conducted based on existing literatures on IFRS adoption rhetoric and deliberations. Hence, the interpretations of this study and its conclusion should be understood and interpreted by readers objectively and professionally in the context of the existing and rising IFRS rhetoric.

1.7 Motivations of IFRS Adoption in Ethiopia and Study Setting

Since the beginning of the early 1990s, the Ethiopian Government has been undertaking economic reforms (Mihret and Bobe, 2014) to induce private sector and foreign direct investment to the Ethiopian economy. In line with these reforms and the effect of globalization, Ethiopia has attracted foreign investors for the last two decades. Consistent with the founding rationale of IFRS, foreign companies operating in Ethiopia require IFRS financial reporting infrastructure to produce quality and comparable financial reports. As per the AABE draft structure and operating document dated Feb 2010, strong, transparent and understandable financial reporting by corporate entities in the public and private sectors will contribute to the development of Ethiopian economy in various ways. These include: contribution to financial sector development, availability of useful financial information for decision making in the capital market, facilitation of access to international source of financing for corporate sectors; attraction of foreign direct investment, improvement of tax revenue collections from the private sector, enhancing transparency of the decentralized financial structures of the Ethiopian Government, providing quality financial information to facilitate investment decisions and good corporate governance, assisting the Ethiopian universities and colleges and other training institutions to make their accounting audit syllabus more relevant to the public and private sectors, improving availability of reliable corporate financial information for supporting various other building blocks of the economy, reducing the risk of financial crises and corporate failures and related adverse economic impacts. These perceived rationales are articulated in the Ethiopian IFRS adoption inscriptions by the actor-networks in consistent with the global founding rationale of IFRS to produce quality financial information.

In light of the importance of strong financial reporting infrastructure to the socio-economic development of the country, a lot of efforts have been made to establish the required regulatory and institutional frameworks supporting the development and strengthening of the financial reporting systems of Ethiopia. In view of this, the World Bank ROSC team in coordination with Ethiopian stakeholders evaluated the strengths and weaknesses of the Ethiopian financial reporting infrastructure and identified the gaps

existing in the Ethiopian accounting system and related institutional and regulatory environments (ROSC,2007). Based on the gaps identified, the World Bank provided policy recommendations that would help improve the Ethiopian financial reporting cognition infrastructure and in turn facilitate the implementation of IFRS which is expected to provide quality financial information required to support the economy. According to (ROSC, 2007), Ethiopia does not have its own national accounting standards; the accounting and auditing practices are fragmented and are inconsistent among organizations. Accordingly, the adoption of IFRS was recommended as a solution for the improvement of the Ethiopian financial reporting environment coupled with implications arising from globalization for implementing single set of financial reporting system (IFRS) across the world following the expansion of transnational businesses. It is believed by Ethiopian actors that the adoption of IFRS and ISA would help Ethiopia access to foreign credit, attract FDI, establish stock market in the long term and access to World Trade Organization membership. Currently, Ethiopian financial institutions provide loans to borrowers based on collateral; hence, the adoption of IFRS is expected to provide loan arrangements to companies based on financial reporting (quality and reliability of financial reports).

Ethiopia is an ideal setting for such a study because its political-economy is largely state managed under the government's developmental state goals and revolutionary democratic principles which often contradict the approaches of liberal democratic concepts that the dominant globalizing forces advocate. Despite this variation, a new accounting regulatory landscape which is designed based on the context of institutionalizing the IFRS infrastructure has been established over the last two decades in a process that involved interactions of local and transnational actors. Ethiopia's accounting regulatory landscape was diagnosed and suitably overhauled in this translation process. Improved financial reporting environment supported by IFRS was viewed as a key Obligatory Passage Point (OPP) for Ethiopia's access to external finance and this in turn led to development of a streamlined national accounting regulatory system through translation of institutions into a framework suitable for IFRS-based financial reporting. This process generated development of a national actor-network that tapped for resources to the global actor-network through the mediating role of the Ethiopian government that promotes macro-

economic management rationales of enhanced financial reporting. The IFRS adoption project served as an origin of the agenda to assess and develop the accounting regulatory landscape in the country whereby legally sanctioned Accountants and Auditors Board of Ethiopia (AABE) was established and fragmented professional accounting associations were obligated to merge into a more authoritative Institute of Certified Public Accountants of Ethiopian (ICPAE) established by law to operate under AABE. This background enables to consider the socio-political and economic aspects of IFRS adoption process to understand how actor-networks developed and made IFRS adoption possible.

1.8 Structure of the Paper

This study is organized into five chapters. The first chapter presents the general introduction of the study. The second chapter presents the literature review which sets the theoretical foundation for the area of the study, IFRS and its adoption. The third chapter states the research methodology and design. The fourth chapter deals with the analysis and discussions of the study. The last chapter draws conclusions and implications of the study and winds up the report by highlighting potential future research areas.

Chapter Two

Literature Review

2.1. Introduction

In this chapter, a review of related literature about International Financial Reporting Standards (IFRS) and issues relating to the adoption of IFRS are presented. The literature review consists of the general overview and history of IFRS, the adoption process of IFRS from other countries experiences, rationales and debates of IFRS adoption, the perceived benefits and challenges of IFRS adoption, concepts of the analytical framework; Actor-Network Theory, the preconditions of IFRS adoption with empirical evidences from other countries experience and research gap .

2.2. Overview of Internationalization of Accounting Standards

Various attempts have been made to reduce accounting differences across countries, because of the problems associated with worldwide accounting diversity. The ultimate goal of reducing accounting diversity is to have all companies around the world follow one set of international accounting standards (Hoyle. et al., 2009, Baker et al., 2009). With growing international markets and international investment opportunities, the advantages of uniform worldwide accounting standards as a global language of financial information have become more and more apparent (Apostolos, 2010). The convergence of accounting standards in the global environment has got much attention in the academic and professional accounting literature (Prather-Kinsey, 2006). The main objective of reducing accounting diversity through convergence is to ensure that all companies across the globe follow a single set of accounting standards with the increased globalization in the international markets, international trade, cross border financial transactions and investment opportunities. This led to the adoption of IFRS as a basis for preparing, disclosing and presenting accounting reports across national boundaries. However, despite the advantages of convergence of accounting standards, there are arguments for and against the adoption of the IFRS by different scholars; some scholars argue for advantage of adopting the international accounting reporting standards while others argue

against the adoption of the standards.(Barth, 2007;cited in Baba, 2013) argued for the adoption of IFRS by reasoning out that single set of internationally accepted accounting standards is expected to reduce the cost of processing financial information and auditing to users of capital markets, increase uniformity and comparability of financial statements across companies operating in different national boundaries thereby ease investment analyses activities and facilitate easy access to foreign investments (FDI) and liberalization of capital markets. Likewise, Hail, Leuz and Wysocki(2010) pointed out that the adoption of IFRS would be relevant in reducing cost of capital, allocating capital and providing greater market liquidity. They further argued that convergence to IFRS is likely to have cost advantage in financial reporting in a way that multinational companies will not need to report by using more than one set of accounting standards for businesses operating in transnational environments .

On the contrary, the opponents of the adoption of IFRS pointed out that inconsistency in the implementation of the standards and poor enforcement mechanisms may lower financial reporting quality and lead to greater managerial discretion. They further argued that adoption of IFRS is just one of the factors among several factors such as institutional, legal and cultural that affects the quality of financial reporting across different national boundaries (Jermakowicz & Gornik-Tomaszewski, 2006). Similarly, Sunder (2007) argued that the adoption of IFRS across the globe may not adequately reflect regional variations across countries; the adoption of IFRS may not adequately accommodate the political and economic differences of countries.

In spite of the various arguments against global convergence to IFRS, definitely the adoption of IFRS will reduce the cost of doing business across different national boundaries by reducing the need for supplementary information, facilitating easy access to global capital , increasing the practice of transparency and public accountability , enhancing the understanding and the ability to generate value strategic processes and synergies and facilitating motivation and attraction of foreign investors (Baba,2013). Accordingly, convergence to IFRS will help in maintaining credibility of financial reporting and increase in efficiency in financial reporting (Obazee, 2008). Now, the adoption of IFRS is a global phenomenon with numbers of countries in Europe,

Australia, Asia, Africa and others are adopting IFRS as a means for preparing their financial reports. Accordingly, the adoption of IFRS across countries is considered as a means of increasing cross border comparability, reporting transparency, increasing capital flow, increasing capital market efficiency and minimizing information asymmetry (Ball, 2006).

2.3 Historical Background of Internationalization of Accounting Standards

The first move towards accounting standards convergence can be traced back to 1966 when the Accountants International Study Group (AISG) was proposed to be formed by the professional accountancy bodies in Canada, the United Kingdom and the United States in order to develop comparative studies of accounting and auditing practices. Subsequently, the AISG was founded in 1967. After discussions and approval by the three AISG countries and representatives of professional accountancy bodies in Australia, France, Germany, Japan, Mexico and the Netherlands, the IASC was established in 1973 with the aim of issuing a single set of high quality and globally accepted International Accounting Standards (IASs). Between the years 1973-2000, the IASC issued 41 International Accounting Standards (IASs). In 1997, Standing Interpretations Committee (SIC) was established to consider continuous accounting issues. In 2001, the International Accounting Standards Board (IASB) was established to replace IASC and subsequently to take responsibility of issuing International Financial Reporting Standards (IFRS). International Financial Reporting Standards are the key elements of economic reporting infrastructures that provide standardized format for reporting economic gains and losses. Since January 1, 2005, the European Union has mandated all listed companies in the European Union to produce their financial statements in accordance with International Financial Reporting Standards (IFRS). Subsequent to European Union regulation of the adoption of IFRS in the listed companies of the EU member countries, the global financial reporting system has been transformed significantly with unprecedented number of countries and enterprises around the world adopting international financial reporting standards as a basis for the preparation of financial statements (UNCTAD, 2008).

“The vision of global accounting standards has been publicly supported by many international organizations, including the G20, World Bank, IMF, Basel Committee, IOSCO and IFAC” (www. IFRS.ORG). In order to evaluate the progress towards the goal of global accounting standards, the IFRS Foundation has been developing profiles of application of IFRS around the world in individual jurisdictions .As per the IFRS foundation jurisdiction profile update of November 9, 2015, currently profiles are completed for about 140 jurisdictions including G20 jurisdictions regarding the application of IFRS around the world.

2.4 Harmonization, Convergence and Adoption of IFRS

The concerns of harmonization of accounting standards and convergence with IFRS are due to the globalization of capital markets. In fact, it is believed that accounting harmonization is necessary for the globalization of capital markets (Quigley, 2007). Investors now seek investment opportunities all over the world. Many business entities continue to expand their operations across national borders. Companies are seeking capital at the lowest cost anywhere. Securities markets are crossing national boundaries (and increasing cross-border capital flow).There is need for transparency in company reports so that investors, lenders and other users of financial information of companies could compare their performance from one country to another. Also there is the need to provide information that is relevant, reliable and understandable to meet the needs of investors, for easy comparability of companies’ performance and the decision to buy, hold or sell made easy through reduction or elimination of differences in accounting policies and principles between countries.

The term harmonization means “the reconciliation of different accounting and financial reporting systems by fitting them into common broad classifications, so that form becomes standard while content retains significant differences” (Mathews & Perera, 1996, P. 322). Convergence means the process of converging or bringing together international standards issued by IASB and existing standards issued by national standard setters, with the aim of illuminating alternatives in accounting for economic transactions and events. The ultimate objective of convergence is to achieve a single set of

internationally consistent, high quality global accounting standards, issued by IASB and adopted by all the national standard setters (IASB, 2003).

Convergence is the process by which standard setters across the globe discuss accounting issues drawing on their combined experiences in order to arrive at the most appropriate solution. Obaze (2007) suggests that convergence could be either by adoption (a complete replacement of national accounting standards with IASB'S standards) or by adaptation (modification of IASB's standards to suit peculiarities of local market and economy without compromising the accounting standards and disclosure requirements of the IASB's standards and basis of conclusions).

2.5 Rationales and Debates of IFRS Adoption

The rapidly growing adoption of IFRS by numerous developing and emerging economies has attracted significant research attention over the past few decades. Considerable literatures explain this process as a response to existing demand for enhanced financial reporting quality, comparability and uniformity (Ali, 2005). This functionalist explanation of IFRS adoption by countries has been predominately associated with the effect of globalization and the resulting interests to enhance the adopting countries' access to international capital markets. This rationale of IFRS adoption has a notion that harmonization of international accounting standards would substantially contribute towards facilitating the process of global economic integration by removing the barriers to the cross border movement of goods, services and capital. This perspective of IFRS adoption agenda relates to multi-national corporations with cross border stock exchange listing and companies operating with transnational boundaries. This notion of IFRS adoption agenda could be challenged as International Financial Reporting Standards are also adopted by countries dominated by firms or listed companies with no overseas stock exchange listings. While the adoption of IFRS is a manifestation of globalization associated with ensuring the financial health of global capital markets through transparent, comparable and consistent financial information, the developing nations have no choice but to embrace the realities of globalization to participate in the globalized economic wealth predominantly enjoyed by developed nations (Irvine and Lucas, 2006) even though this premise could be forfeited with a notion that the adoption of the

globalized set of accounting standards could face challenges in realizing the expected benefits in the context of the developing countries' culture and socio-economic realities.

Irvine and Lucas (2006) argued with notions that the accounting profession in developing countries is not developed to the point where it can regulate the profession and financial reporting practices effectively in a way that it supports the implementation of IFRS in those jurisdictions even though the level of accounting professionalism and its contribution to the effective implementation of IFRS could vary in developing nations depending on their level of development. Similarly, it is argued that the regulatory infrastructure of developing countries may not provide the necessary financial reporting bases, which are implicit in the IFRS adoption and implementation frameworks (Irvine and Lucas, 2006). This argument could illustrate the low level of accountancy professionalism and financial regulatory system existing in Ethiopian Economic environment referring to the requirements of the globalized financial reporting infrastructure (IFRS) as it was indicated by the World Bank report (ROSC, 2007).

Zori(2015) argues that the economic rationale of accounting standardization overemphasizes the benefits of adopting standards in contrast to the institutional perspective that considers the important institutions that must be in place to support the adoption and implementation of the standards to realize the expected economic benefits. This argument illustrates the lack of the necessary institutional arrangements in many of the African countries and presumes that the institutional arrangements like the presence of capital markets and general level of economic development play a critical role in the decision of institutionalizing and adopting IFRS in African countries. This notion expounds the complementary effect of institutional arrangements and associated roles and interests of actors which shape the outcome of the IFRS adoption decision in addition to the economic rationale of adopting the standard.

As finance providers of private firms tend not to rely of financial reporting because they are often directly involved in management of the firm (Ball and Shivakumar, 2005), developing countries' economies that are characterized by privately-held organizations, would exhibit little urgency for IFRS adoption. An alternative explanation is provided in another stream of IFRS literature that poses a critical argument that the IFRS agenda has

political-economic origins associated with the globalizing financial architecture (Perry and Nölke, 2006) originating from the financial reporting needs of multi-national companies. The need for global governance technologies such as the IFRS¹ is particularly evident given that transnational investment grew three times faster than trade between the 1980s and 1990s (Benería, 1995). Similarly, transnational corporations increased their foreign direct investment by 15% per year in the 1990s, which stood at US\$974 billion in 2005 (Manfred, 2003, p. 50).

Research on the accounting profession and its regulatory practices is important for understanding modern society more generally (Cooper & Robson, 2006, pp. 415-416). Consistent calls for research have been made on the link between the accounting profession and political-economic context (Chua and Poullaos, 1993; Ezzamel and Xiao, 2015). Nevertheless, the literature in this area remains parsing and is mainly concentrated on the developed world. Developing and emerging economics contexts are neglected in the accounting professionalization literature (Carmona and Zan, 2002) despite the continuing integration of these contexts to the emerging global financial architecture (Arnold, 2009; Humphrey et al., 2009).

Development of the global economic order over the last three decades under the leadership of supranational institutions, namely, the IMF, the World Bank and the World Trade Organization (Manfred, 2003) and the set of global regulatory technologies could be taken as a driving force behind the increasing adoption of IFRS both in market-centric and non-market-centric economies. This trend of external push for IFRS adoption in developing countries often interacts with the countries' needs for IFRS adoption as a mechanism of access to the global financial market although this possible common interest between the global forces and national actors cannot be regarded as free of tension. The state plays a key role in managing the national-transnational tension to ensure the internationalization benefits to national economies (Jessop, 1994) and it mediates the global move for IFRS adoption with actors that advocate the benefits of IFRS for the national economy while preserving national interests. The state finds its

¹ Nearly all the MNCs originate from North America, Europe or the Asian region Manfred, B.S., 2003. Globalization: A very short introduction: Oxford University Press, Oxford, New York..

active involvement in the development of transnational institutions—including IFIs—necessary because multi-national corporations (MNCs) operating within such transnational frameworks are not subject to democratic modes of accountability within the boundaries of individual jurisdictions (Jessop, 1994).

International actors advocating international harmonization of financial reporting through IFRS adoption and national actors seeking integration with the global financial architecture interact in various ways. However, this complex interaction remains to be adequately understood and theorized. By drawing on Actor Network Theory (ANT), this paper theorizes IFRS adoption as a product of a series of translations in the context of interactions between globalizing forces and Ethiopia's effort to integrate into the global economic system.

2.6 Benefits of IFRS Adoption

It is advocated that adoption of IFRS will lead to greater transparency and understandability, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduced national standard setting costs, ease of regulation of security markets , easier comparability of financial data across borders and investment opportunities , increased credibility of domestic markets to foreign capital providers and potentials to foreign merger partners. It will also facilitate easier international mobility of professional staffs across national boundaries (Odia,J.O & Ogiedu,K.O,2013).

Armstrong et al. (2007) found that investors expected net benefits to IFRS adoption in Europe associated with increases in information quality, decreases in information asymmetry, more rigorous enforcement of the standards and convergence.

Gordon (2008) listed the benefits from adaptation of IFRS in the world as: better financial information for shareholders and regulators, enhanced comparability, improved transparency of results, increased ability to secure cross border listing, better management of global operations and decreased cost of capital in the world.

According to Ball (2006), IFRS has direct and indirect benefits to investors.

The direct benefits to investors include the following:

1. IFRS provides more accurate, comprehensive and timely financial statement information for public financial reporting in most of the IFRS adopted countries when compared to the national standards they replace.
2. Improving financial reporting quality allows small investors to compete better with professionals, and hence reduces the risk they are trading with a better informed professional ('adverse selection').
3. By eliminating many of the international differences in accounting standards, IFRS eliminates many of the adjustments which have been made historically by analysts in order to make the companies' financial reports more comparable internationally. And hence, IFRS adoption could reduce the costs of financial information processing to investors.
4. Reduction in the financial information processing cost increases market efficiency.
5. Reducing international differences in accounting standards contributes to some degree in removing barriers to cross boarder acquisitions and divestures.

Generally, IFRS provides increased comparability and hence reduced information costs and information risk to investors (Ball, 2006).

The indirect benefits of IFRS adoption include the following:

According to Ball (2006), IFRSs offer several indirect advantages to investors. Since higher information quality should reduce both the risk to all investors from owning shares and the risk to less informed investors due to adverse selection, in theory it should lead to a reduction in firm's costs of equity capital. This would increase share prices and in turn makes new investments attractive to investors other factors remaining constant. Indirect IFRS advantages to investors arise from improvement in the usefulness of financial

statement information in contracting between firms and a variety of stakeholders, notably lenders and managers (Watts, 1977; Watts and Zimmerman, 1986).

According to UNCTAD, several developing countries and countries with economies in transition strive to mobilize financial resources from domestic and international sources to achieve their social and development goals. Hence, the availability of relevant information on potential investment targets has an impact on efforts to mobilize investment for financing economic and social development; such information plays an important role to make investment decisions and conduct risk assessment (UNCTAD, 2008). Companies which provide potential investors with reliable and comparable financial statements are more likely to attract domestic and international investment.

2.7 Challenges of IFRS Adoption

The adoption of IFRS is not an easy task due to the fact that several challenges could be faced in the way of its implementation. The challenges of IFRS adoption are common to countries across the world even though there some unique challenges that are specific to a particular country depending on its contexts (Robyn & Graeme, 2009; cited in Baba, 2013). The main inhibiting factors in the adoption process of IFRS in Europe, America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments, educational needs and political influences (Obazee, 2007; cited in Odia & Ogiedu, 2013). According to Baba (2013), among others, the challenges of IFRS adoption include the regulatory requirements to amend the existing tax laws of a country in line with the requirements of new standards, level of education and experience, level of awareness, inadequate technical capacity, implementation costs, weak enforcement and compliance mechanisms.

According to Rong-Ruey Duh (2006); cited in Odia & Ogiedu (2013), the challenges affecting the IFRS implementation include: the timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators and managerial incentive.

Although IFRS has the potentials to facilitate cross border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and

thereby increase the liquidity, competition and efficiency of markets (Ball 2006, Choi & Meek 2005), Armstrong et al.(2007) and Soderstrom & Sun (2007) have found that cultural, political and business differences may also continue to impose significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in business institutions and cultures.

2.8 Actor-Network Theory: Concepts and Analytical Frameworks

Actor-Network-theory (ANT), also known as enrolment theory or the sociology of translation emerged during the mid-1980s, was originally developed by Science and Technology Studies (STS) scholars Michel Callon (Callon,1986),Bruno Latour (Latour,1996),and the sociologist John Law(Law, 1992) as an attempt to understand the process and knowledge creation in science and technology .The theory is an increasingly, influential but still deeply contested in its approach to understand the humans and their interactions with inanimate objects (Cresswell, Worth et al.2010).

Actor-network theory examines the motivations and actions of actors who form elements, linked by associations, of heterogeneous networks of aligned interests (Walsham & Sahay, 1999).

While with the lens of the ANT, networks are materially heterogeneous and an actor-network contains not merely people but non-human entities such as technology and organizations, which are collectively referred to as “actors”. In such a sense, ANT is also described as a “material-semiotic” method, which maps relations that are simultaneously material (between things) and semiotic (between concepts).

Translation: Translation is a process of aligning different interests, claims, ideas and intentions of different actors. Actor-network assumes that social structure is not a noun, but a verb (Law, 1992).

Callon (1986) explains four moments of translation, namely, problematization, interessement, enrollment and mobilization outlined below:

Problematization: Problematization refers to the actors’ efforts to convince others to subscribe to their own view by showing that they have the correct solutions for the problems

which are defined (Levant.y, Berland.N, & Alcouffe.S, 2008).

The problematization answers the question of how to become indispensable. It describes a system of alliances, or associations, between entities, thereby defining the identity and what each one wants. The definition of the actors brings the most relevant stakeholders into the story. These actors cannot reach their goals by themselves due to their respective obstacles; therefore, they need to align their interests with the other actors through cooperation. The primary actor establishes itself as an Obligatory Passage Point (OPP) between the other actors and the network, which makes it indispensable. Problematization is the first moment of translation during which a focal actor defines identities and interests of other actors that are consistent with its own interests, and establishes itself as an obligatory passage point (OPP), thus “rendering itself indispensable”(callon,1986). The obligatory passage point broadly refers to a situation that has to occur in order for all the actors to satisfy the interests that have been attributed to them by the focal actor. The focal actor defines the OPP through which the other actors must pass through and by which the focal actor becomes indispensable. Problematization indicates the most important actors both human and non-human and defines the problems so that other actors recognize them as their own problems.

Interessement: Interessement corresponds to the construction of the interface between the interests of the various stakeholders and to the strengthening of links between these various interests (Levant.y, Berland.N, & Alcouffe.S, 2008).The interessement answers how the allies are locked in to place. Interessement is a series of processes by which actors seek to lock other actors in to the roles proposed for them in a certain program. It involves obtaining the actors’ interests and negotiating the terms of their involvement. It is the second moment of translation which involves a process of convincing other actors to accept definition of the focal actor (Callon, 1986). The primary actor works to convince the other actors that the roles it has defined for them are acceptable.

Enrolment: Enrolment is the creation of alliance networks, the aim of which is to build up agreement among the stakeholders concerning their interests (Levant.y, Berland.N, & Alcouffe.S, 2008 .It is the moment of translation that actors accept the interests defined by the focal actor in the context of adopting new ideas and practices. The enrolment answers the question of how to define and coordinate the roles. It is a set of strategies in which the prime

actors seek to define and interrelate the various roles which are allocated to others.

Mobilization: Mobilization refers to the monitoring of the various interests so that they remain more or less stable (Levant.y, Berland.N, & Alcouffe.S, 2008).

The mobilization of allies answers the question; “do the delegate actors in the network adequately represent the masses? Who speaks in the name of whom? Who represents whom?” These crucial questions must be answered if the project led by the researchers is to succeed (Callon, 1986). Mobilization is a set of methods used by the prime actors to ensure that supposed spokesmen for various relevant collectivities are able to represent those collectivities and not betray them. Using the notion of spokesman for all the actors involved at different stages of the process of representation does not represent any problem. To speak for others is to first silence those in terms their interests. It is certainly very difficult to silence human beings in a definitive manner but it is more difficult to speak in the name of entities that do not possess an articulated language: this supposes the need for continuous adjustments and devices of intersement that are infinitely more sophisticated (Call, 1986).

These moments constitute the different phases of a general process of translation, during which the identity of actors, the possibility of interaction, and the margins of maneuver are negotiated and delimited.

This study employs Actor-Network theory (ANT) theory to explain how a network of national (Ethiopian actors) and international actors enabled the development of the Ethiopian accounting regulatory framework, a milestone for the adoption of IFRS in the Ethiopian economic environment. This approach enables investigating the role and interactions of the state, other national actors, and the international actors in the institutionalization of the IFRS infrastructure in Ethiopia. The actor- network theory grounded on the notion that ideas and practices adopted in network building involving humans (actors) and non-humans (actants) (Ezzamel& Xiao, 2015). For this study, the non- human actors include the accounting regulations; infrastructures upon which the roles and interactions of actors are reflected to construct networks that finally led to the establishment of the financial regulatory system, a milestone for the IFRS adoption in Ethiopia. ANT concerns on networks, translations and inscriptions as central elements in

the process of building alliances on the way to adopting ideas and practices. Inscriptions (scripts, diagrams, charts etc.) are the means by which the moments of the translation process are performed, networks formalized and recorded in a way that they provide records for members of network and their target audience and provide means of forming alliances and bonding heterogeneous members together.

ANT enables understanding the process of translation that takes place upon adoption of new ideas and practices (Cooper et al., 2012; Ezzamel and Xiao, 2015). A key notion of this theory is that inherent functional characteristics of practices are not necessarily the driving force for adopting the new organizational practices and that such processes could originate for actors' interests and be influenced by social and technical factors that strengthen or weaken the actor-network (Cooper et al., 2012). ANT's key underpinning concept of translation is crucial for the understanding of this process of modification (Latour and Porter, 1996). Translation involves a "transformation" that enables "actors... to hold together the bits and pieces out of which they are composed... and prevent those pieces from following their own inclinations" (Law, 1992, p. 86) to make sure that the established network attends to the interests of actors. Thus, translation contrasts with the diffusion model of adoption, which ascribes inertia that leads to adoption of the idea in its whole. Actors shape the adoption to suit their needs and interests (Latour, 1986) in the translation process that configures actors relationally in the construction of networks (Callon et al., 1983; Mihret et al., 2014).

The ANT approach requires identification of actors involved in the process of actor-network construction and their strategies to establish networks with other actors. In the ANT approach, "social relations, including power and organization, [are treated as] network effects" (Law, 1992, p. 86). Technologies make "action at distance" possible in the management (Armstrong, 1994) of organizations by presenting distant reality in stable, movable and combinable form (Robson, 1992) such as financial reports. The presence of distance necessitates the use of technologies to make possible the taking of control action on distant sites (Latour, 1978, p. 222). Distance generates the problem of control and overcoming this problem necessitates the use of technologies of translation (Robson, 1992). Latour (1978, p. 223) argues that acting at a distance becomes possible

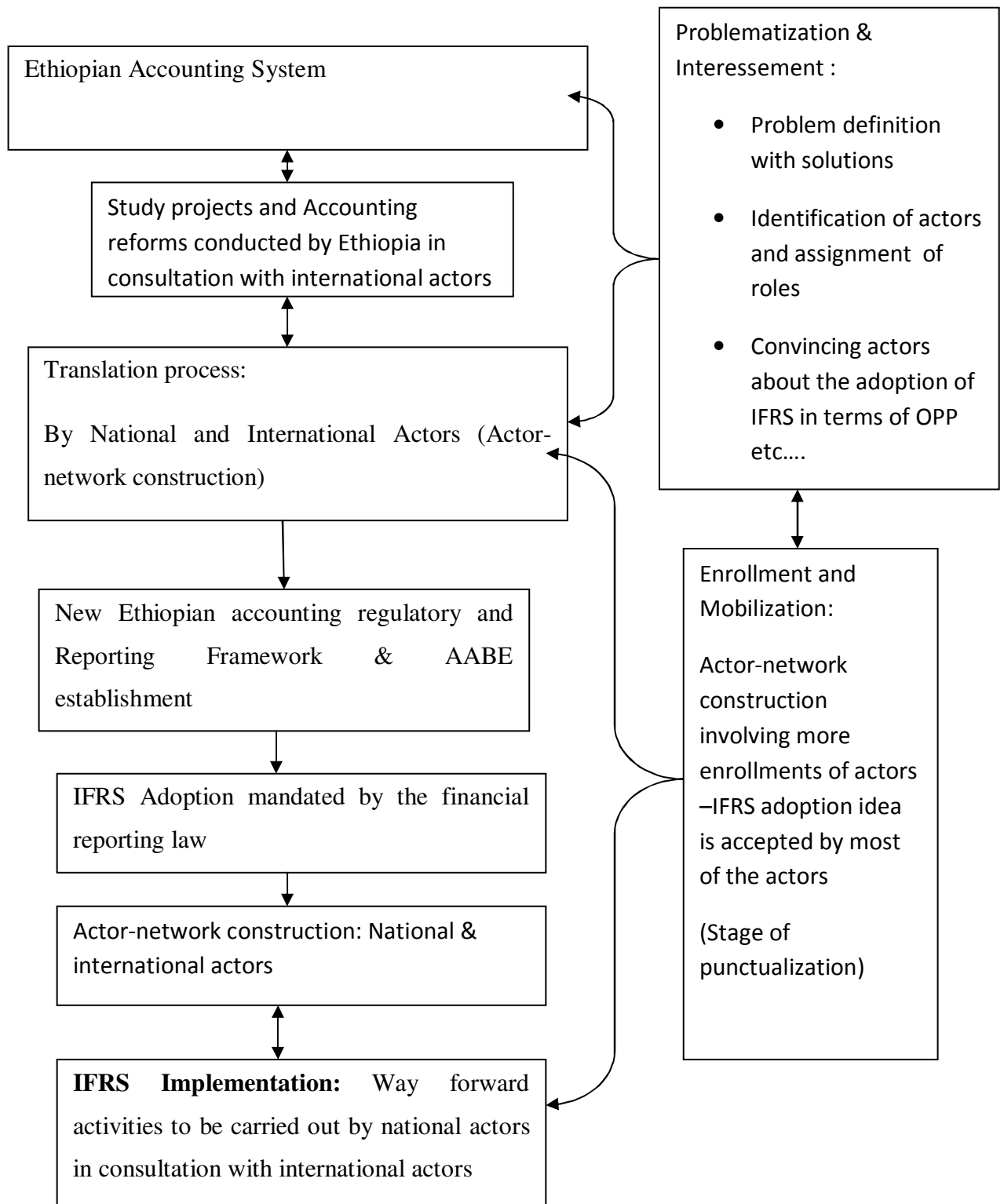
by inventing means that: (a) render [the objects of control] mobile so that they can be brought back [to the center]; (b) keep them stable so that they can be moved back and forth without additional distortion, corruption or decay; and (c) [make them] combinable so that whatever stuff they are made of, they can be cumulated, aggregated, or shuffled like a pack of cards' [emphasis added]. Through these features, technologies enable the 'center' to take action on distant sites by virtue of the knowability rendered by the use of vocabularies that technologies provide (Armstrong, 1994; Mihret et al., 2014). The use of the IFRS can enable MNCs to aggregate financial information from subsidiaries operating in different jurisdictions and monitor their performance using IFRSs as inscription to benchmark quality of financial reports (Mihret and Grant, 2015).

Callon (1986) organizes a model of analysis for the process of translation that occurs upon adoption of a new technology, which this study adopt to explain the IFRS adoption process in Ethiopia. It comprises four distinctive phases: problematisation, interessement, enrolment and mobilization. Focal actors conduct *problematization* through definition of a problem or an issue that confronts other actors in a manner that foreshadows a resolution that makes that focal actor indispensable (Ezzamel and Xiao, 2015). The proposed solution in the problematization stage involves translation, of the problem in terms of the solution and presenting actors involved in the adoption process as indispensable for the operationalization of the proposed solution (Bloomfield and Best, 1992). Since each actor reacts to the proposal for adoption of a new idea in different ways including resistance (Latour, 1996), actors employ strategies to forge alliances with other actors through negotiations that could lead to **re-definitions of the problematization** (Ezzamel and Xiao, 2015; Grint and Woolgar, 2013). In the *interessement* phase, further translation of the framing takes place through identification and assignment of roles to actors following the definition in the problematization stage (Callon, 1986), and this stage mediates between the problematization and shared interests that actors are advancing (Law, 1987). Inscriptions, such as standards, reports, "scripts, diagrams, charts, etc." serve to formalize key outcomes at various stages of the translation process by serving as a common point of reference for actors (Cooper et al., 2012; Ezzamel and Xiao, 2015; Mihret et al., 2014).

The *enrolment* stage involves establishing actors roles in the developing network (Callon, 1986) and this process could be effected through strategies such as coercion and persuasion (Singleton and Michael, 1993) including the exercise of political authority (Ezzamel and Xiao, 2015). The *mobilization* stage concerns acceptance of the new idea by a greater number of actors (Callon, 1986; Grint and Woolgar, 2013) as the network gains stability, i.e., where a state of *punctuation* is reached whereby the network operates holistically. An actor-network could comprise a subset of smaller networks in it in which case the investigation of an actor-network does not necessarily call for examining details of each sub-component of the network. Such networks can be taken as black-boxes and their roles in the actor-network considered as an individual actor (Mihret et al., 2014).

The study employs the below analytical framework to explain the IFRS adoption process in Ethiopia in the context of actor-network construction involving national and international actors while translating the Ethiopian accounting system into a new reporting environment suitable for IFRS adoption.

Table 1: Translation process of the Ethiopian IFRS adoption process: Actor-network Construction



2.9 Empirical Evidences: Lessons Learned from Other Countries'

Experience

2.9.1 Evidences from Case Studies

According to the case studies conducted by the United Nations covering Brazil, Germany, India, Jamaica, Kenya, Pakistan, South Africa and Turkey, the factors that initially contributed to the introduction of IFRS in the countries covered vary (UNCTAD, 2008). According to these case studies, in Brazil, the Central Bank's intention of adopting IFRS was to bring financial reporting in line with international best practice to facilitate the comparability of financial reports and fostering investor confidence. In Germany, a number of large companies began to prepare their financial statements in accordance with IAS in order to be able to access financial markets outside Germany. In 1998, German lawmakers gave listed companies the option of preparing their consolidated financial statements in accordance with IAS. The implementation of IFRS for the preparation of consolidated financial statements of listed companies in Germany became mandatory following the decision of the European Union to implement the IAS regulation of 2002. Since the case study of Germany illustrates, a European Union wide approach of implementing IFRS, the implementation challenges extend beyond its domestic factors (UNCTAD, 2008).

According to the case study of Kenya, the aim was to raise national financial reporting requirements to international best practices following significant collapses in the country's financial services sector in the 1980s and 1990s. The case study of Kenya also indicates the intention of the standard setting body to reallocate resources away from setting national accounting standards to strengthening other activities aimed at more effective implementation of international accounting and auditing standards (UNCTAD, 2008).

The case study of India indicated that the intention was to harmonize domestic financial reporting requirements with international standards. The study also showed another approach of converging Indian accounting standard with IAS by adapting the country's economic reality to IAS. The case study of Jamaica also indicated the intention of

harmonizing corporate reporting practices across countries in the Caribbean in accordance with international requirements (UNCTAD, 2008).

The case studies of Pakistan, South Africa and Turkey showed that the intention was to raise their financial reporting requirements to internationally recognized bench marks (UNCTAD, 2008).

According to (UNCTAD, 2008) case study reports of the countries covered, a number of practical challenges were faced by countries while implementing IFRS in their respective jurisdictions.

These issues can be grouped in to three main areas:

- A. Institutional
- B. Enforcement
- C. Technical

A. Institutional Issues: When IFRS are introduced in a given jurisdiction, they form part of the preexisting laws and regulations in the country relating to the governance of business entities. According to (UNCTAD, 2008) report, often, laws and regulations overlap or become inconsistent, with each other especially when the roles and responsibilities of different institutions are not clearly defined and coordination mechanisms are not in place. Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS.

B. Enforcement Issues: Enforcement of standards is also one of the critical elements in the implementation of IFRS. The full benefits of a global set of financial reporting standards such IFRS will be realized only when these standards are consistently enforced. The institutions responsible for enforcing IFRS need to realize that, as a result of the growing globalization of financial markets, their enforcement efforts often protect both domestic and international investors.

C. Technical Issues: Practical implementation of IFRS requires adequate technical capacity among preparers, users and regulatory authorities. Countries implementing IFRS face a variety of capacity related issues, depending on the approach they take. According to (UNCTAD, 2008) report, the case studies showed a number of challenges in the

practical implementation of IFRS; one of the main difficulties encountered in the practical implementation process was the shortage of accountants and auditors who are technically competent in implementing IFRS and ISAs.

2.9.2 IFRS Adoption and Implementation: Korean Experience

A. Need for Education and Promotion

According to the Korean country report regarding IFRS adoption and implementation (Dec 31, 2012), following IFRS adoption, there were great changes to the Korean accounting system ever since the accounting system was put in place in Korea.

The IFRS adoption necessitated two notable changes: one is the transition to a “principle based” platform and the other is the transition to disclosure and regulatory policies on a consolidation basis. In response to these extrinsic changes, constituents had to change their notion in order to follow the principle based IFRS instead of Korean GAAP which was built on a rule based structure under which specific and detailed requirements were set out. They were also required to change their minds to adjust themselves to a new disclosure and regulatory paradigm, where consolidated financial statements are regarded as the primary financial statements instead of Korean individual financial statements of past Korean GAAP.

Believing that long term education and promotion would play an extremely important role in bringing about these changes, Korea has carried out education and promotion activities via diverse methods under a long term plan since the announcement of the roadmap towards IFRS adoption in 2007. The successful implementation of IFRS in Korea is considerably attributable to the fact that Korea emphasized education and promotion of IFRS adoption.

B. Communication among Local and Foreign Constituents

The Korean practice indicated the importance of good communication among constituents for effective implementation of IFRS. The communication was especially important during the early periods of IFRS implementation. To facilitate such communication, the Korean Accounting Standards Board (KASB) launched the “IFRS

implementation committee”, where various issues raised in practice were addressed and thereby participants in the committee could arrive at a consensus through the cooperative process of seeking solutions.

Communication with foreign constituents has also become important. Korea has put more attention on communication with the IASB in the early phase of IFRS implementation. These helped Korea understand more the perspectives of IFRS and its application.

C. Support from IFRS Foundation

Korea received support from the IFRS Foundation for implementing IFRS. The IFRS foundation has contributed for the smooth progress of the IFRS implementation in Korea. The Korean experience indicates that new IFRS-adopting countries should get support from IFRS Foundation for smooth implementation of IFRS in their respective jurisdictions.

D. Sufficient Preparation Period

Korean experience indicates that countries planning IFRS adoption need to have sufficient preparation period and thorough plans preceding the IFRS implementation.

2.10 Conclusion and Research Gap

Following the rapidly growing adoption of IFRS by various jurisdictions around the world, this globally rising financial reporting architecture has attracted significant research attention for the last decades. The review of the literature shows various deliberations and perspectives about the IFRS adoption and implementation practices based on other countries’ experiences. It reflects some of the issues relating to the debates, benefits and challenges of IFRS adoption by countries with varying legal, cultural and socio-economic contexts. It highlights the preconditions of IFRS adoption to be fulfilled by adopting jurisdictions in terms of technical, institutional and enforcement issues.

Regarding the Ethiopian IFRS adoption, Tesfu (2012) and Joshi et al. (2014) have tried to study some of the IFRS adoption process in Ethiopia referring to the financial sectors and ECX member organizations which have been declared to have adopted IFRS. However,

this phenomenon is before the issuance of the Ethiopian financial reporting proclamation which mandated IFRS adoption in Ethiopia in 2014. Ethiopia has been undertaking various financial reforms and study projects to enhance its financial reporting environment in line with IFRS.

However, no studies were conducted to assess such processes that led to the adoption of IFRS in Ethiopia in 2014. Previous studies such as, Tesfu(2012) and Joshi et al.(2014) did not indicate how the Ethiopian IFRS adoption agenda was originated, translated into practice and mandated by legal framework in 2014 for official adoption. This implies that there is knowledge gap in the Ethiopian context about the IFRS adoption processes and its current status. Hence, this study aims to narrow the knowledge gap by putting point of reference in terms of assessing the overall IFRS adoption processes leading to IFRS adoption in 2014.

Chapter Three

Research Design and Methodology

3.1 Research Design

This study followed an exploratory research design in order to explore knowledge or information about the IFRS adoption process in Ethiopia which is a new and less explored research area in the context of Ethiopia. An exploratory research design was employed to use flexible strategies that could enable to develop better insights about the IFRS adoption process in Ethiopia. The major emphasis in such a design (exploratory research approach) is on the discovery of ideas and insights; it helps to apply flexible approaches and provides opportunities to consider different aspects of a problem under study (Kothari, 1990).

3.2 Research Approach

A qualitative research approach was used to explore knowledge or information about the IFRS adoption processes in Ethiopia, related issues and implications. The qualitative approach is more flexible and provides more chance to go deeper into the research questions. The researcher conducted qualitative in-depth analysis of the IFRS adoption perspectives of Ethiopia in reference to the literatures reviewed based on international best practices and the Ethiopian accounting practices in context. This study was based on national case study evidence on IFRS adoption project (processes) in Ethiopia conducted for the period 1991-2015. The IFRS adoption project was studied beginning with the traces of inscription produced by focal actors during the period from 1991 to 2015. IFRS adoption rhetoric does not necessarily conform to actual practices, the case study approach can enable us to understand practices of individual countries (Scapens, 2004). Therefore, it is appropriate to conceptualize the IFRS adoption in a defined context, which requires studying such projects holistically and contextually – for which the case study method is suitable (Yin, 1981; Yin, 1994). This approach enables extending the current understanding of the IFRS adoption with a view to contributing to the emerging theorization about the rise of IFRS as a global governance technology. The choice of this research design using ANT enables the researcher to incorporate the political, social and technical factors in the analytical framework. The qualitative approach was used to explain the IFRS adoption process in

the context of the construction of actor-networks that made IFRS adoption possible in Ethiopia. The Actor-Network-Theory (ANT) was employed to explain the roles and interactions of the national and international actors in the institutionalization of the Ethiopian accounting regulatory set up and infrastructures in a new form that is suitable to IFRS adoption to the Ethiopian economic environment.

3.3 Selection of Interview Participants

Interview participants were drawn from stakeholders who participated directly in the IFRS adoption process in Ethiopia. As per the Ministry of Finance and Economic Development report dated March 2015, 36 institutions from various sectors have participated in the Ethiopian pre-IFRS proclamation financial reform processes in various roles to come up with the Ethiopian Financial Reporting Proclamation; a milestone for IFRS adoption to the Ethiopian economic environment . Out of the actors participated, the researcher selected the academia, Ministry of Finance and Economic Development, audit firms, Accounting Professional Associations(IIA,ASE,EPAAA & AEA) ,NBE, chamber of commerce, ECX & OFAG considering their significant roles in the Ethiopian financial reform processes leading to IFRS adoption to the Ethiopian jurisdiction. Deliberate or purposive selection technique was applied to select interviewees from each of the above institutions based on their knowledge, involvement and role in the IFRS adoption process. The number of interviewees was determined based on the sufficiency and quality of data collected (data collection until saturation point; a situation at which all the possible and relevant data are considered to be collected). The target interviewees include key persons involved in IFRS Adoption project: technical committee members, members of accounting professional associations, academia, auditors, AABE and other persons who were directly or indirectly involved in the Ethiopian IFRS adoption processes including in the IFRS way forward activities.

3.4 Sources and Methods of Data Collection

The data used for this study were obtained from primary and secondary sources .The primary data were collected through discussions and semi-structured in-depth interviews with focused target interviewees whereas the secondary data were obtained from review of documents (inscriptions) produced in the translation process that created the actor-

networks enabling the establishment of the Ethiopian accounting regulatory framework within the context of IFRS based financial reporting infrastructure. The researcher chose semi-structured interview because of its flexibility and he believes that it is more appropriate to capture the ideas of the interviewee in a particular topic and it allows interviewees to go into as much depth as they feel. Furthermore, the semi-structured interview allows the interviewer to explore deeply and ask more questions that are not written down. The interview covers the national actors involved in the financial reform process(IFRS adoption process) which include interviewees such as, members of the accounting reform, members of the technical committee for establishing Professional Accounting Body and National Accounting and Auditing Board of Ethiopia(AABE), Technical Committee for Drafting Financial Reporting Law of Ethiopia, Members of the AABE staffs, Members of sub-committees for validating the draft Financial reporting law of Ethiopia, office of National Bank of Ethiopia, Ministry of Finance and Economic Development, Members of the professional associations and members of the academia. The participants' deep knowledge and involvement in the IFRS adoption project, accounting reform projects and roles in the way forward activities of IFRS implementation were used as criteria to select the interviewees. Based on the interviewees' permission, some of the interviews were audio-taped in order to preserve the originality of the data and facilitate the data analysis. The researcher took hand-written notes for the interviews which were not audio-taped. In order to conduct the interview, the researcher designed interview check lists that guide the interviewees in a way that they can explain their views to the interviewer based on their role as stakeholder of the accounting profession, familiarity and involvement in the IFRS adoption processes. Furthermore, the interviewer invited the interviewees for open explanation (briefing) regarding the IFRS adoption processes in Ethiopia and related issues rather than focusing only in the issues listed in the interview checklist. The researcher transcribed the interviews directly in the English language for which the interviews were conducted both in Amharic and English.

The interviews were conducted by the researcher from September 2015 to December 2015 in office premises of the interviewees. The interview times ranged approximately between 35 and 90minutes.

The interviewees were selected from audit firms, NBE, academia, MoFED and professional

associations. The interviewees selected are with high profiles having rich experiences in accounting academic, auditing and accounting practices and are with senior and higher positions of their respective professional roles.

Table 2: Interviewees profiles, roles, interview dates and duration

Interviewee code	Background	Role in IFRS adoption process	Interview date	Interview duration
P1	Audit Director	Stakeholder of the accounting profession and IFRS implementation	22 Sep 2015	20 minutes
P2	Senior Audit Manager	Stakeholder of the accounting profession and IFRS implementation	22 Sep 2015	40 minutes
P3	Partner	Stakeholder of the accounting profession and IFRS implementation	23 Sep 2015	60 Minutes
P4	Partner	One of the technical committee members	25 Sep 2015	100 minutes
P5	Government office /Practitioner	Main actor in the IFRS implementation process	25 Sep 2015	60 minutes
P6	practitioner	Stakeholder of the accounting profession and IFRS implementation	02 Oct 2015	90 minutes
P7	Partner	One of the technical committee members	03 Oct 2015	60 minutes
P 8	Practitioner	one of the technical committee members	19 Oct 2015	57 minutes
P 9	Accounting Academic	one of the committee members	20 Oct 2015	60 minutes
P 10	Government office/Expert	One of the committee members	27 Oct 2015	60 minutes
P11	Government office/Higher official	One of the actors in the pre-IFRS projects	28 Oct 2015	120 minutes
P 12	Manager	Stakeholder of the accounting profession and IFRS implementation	28 Oct 2015	20 minutes
P13	Accounting Academic	Main actor in the IFRS implementation process	31 Oct 2015	30 minutes
P14	Government office/Higher official	One of the technical committee members and main actor in the IFRS implementation process	22 Dec 2015	75 minutes

The secondary data include publications of the Ethiopian Accountancy, draft and final financial reporting proclamations, draft constitution bye-laws of the professional body,

draft organization structure and scope of activities of the AABE, regulation for the establishment and determination of the procedures of AABE, government policy documents and inscriptions specifically relating to the IFRS adoption project, Evaluation of National Accounting and Auditing Development Program document, AABE five years IFRS implementation strategic plan document, publications relating to financial reform projects, newspapers relating to IFRS adoption project, IFRS related conference reports, minutes of IFRS adoption related meetings etc.

The interview data were integrated with the data collected through analysis of publications of Ethiopian accountancy, government policy documents and inscriptions specifically relating to the IFRS adoption project. The key inscriptions reviewed and analysed include the following:

- The World Bank and IMF joint study (ROSC, 2007);
- Evaluation of National Accounting & Auditing Development Program (ENAADP, February, 1999);
- Minutes of the two Technical Committees;
- Terms of reference(ToR) to establish a National Accounting and Auditing Board;
- Summary discussions and decisions of the two sub-committee meetings;
- Draft AABE structure and operating bodies document(February, 2010);
- Comment reports on draft regulations of the Institute of Certified Public Accountants (November 5-6, 2011);
- Draft constitution and bye-laws of the Institute of certified Public Accountants of Ethiopia(ICPAE)(February, 2010);
- Ministry of Finance & Economic Development Report(MoFED) on the pre-financial reporting proclamation processes (March ,2014);
- Technical committee reports on the organization structure and on the scope of activities of AABE and constitution bye-laws of ICPAE;
- Technical committee reports on draft financial reporting proclamation of Ethiopia;
- Draft financial reporting proclamation of Ethiopia;

- Final financial reporting proclamation issued for IFRS adoption in the Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia(Proclamation No.847/2014, a proclamation to provide for financial reporting ;
- Council of Ministers Regulation No. 332/2014, regulation to provide for the establishment and to determine the procedure of the Accounting and Auditing Board of Ethiopia; and
- AABE five years strategic plan on IFRS implementation etc.

The interview and document evidence data were interpreted and analysed for IFRS adoption in Ethiopia as a process of actor-network building to incorporate Ethiopia into the global economic arena over the past two decades within the broader context of the globalizing institutional landscape.

3.5 Data Analysis and Interpretation

The data collected for this study were analyzed using qualitative approach. The interview and document evidence data were interpreted and analysed to explain IFRS adoption process in Ethiopia as a process of actor-network building in the context of institutionalizing the Ethiopian accounting system into a new accounting regulatory set up to incorporate Ethiopia into the global economic order. The researcher conducted a critical analysis and interpretation of the interview data and review document evidences (inscriptions) to explain the IFRS adoption process in Ethiopia for the last two decades. The interview data were integrated with document evidences; the interpretations of the interview data were cross validated with multiple data sources to explain the IFRS adoption processes, issues, debates and rationales of IFRS adoption for Ethiopia contextually and within the broader context of the globalizing economic and financial infrastructure. The reviewed literatures were integrated with interview interpretations and analysis of document evidences to analyze and explain the Ethiopian IFRS adoption processes and rationales contextually and within the broader view of the adoption of the globalized economic infrastructure (IFRS). This study employs an Actor-Network Theory approach to explain the role and interactions of the national and international actors on the way to institutionalizing the Ethiopian financial reporting system through formulating a new financial reporting regulatory system that finally materialized the issuance of the financial reporting proclamation and regulations that laid the foundation for the adoption of IFRS in Ethiopia. The study drawing on the ANT approach, bases on four basic moments of the translation process which include problematization, interessement, enrolment

and mobilization to explain the IFRS adoption process in Ethiopia in the context of actor-network construction involving the national and supranational actors.

Chapter Four

Discussions and Results

4.1 Introduction

This chapter consists of four sections. The first section presents analysis of evidence on the accounting reforms and projects conducted in the Ethiopian accounting system preceding to the problematization of the Ethiopian financial reporting environment and translation into new accounting regulatory framework suitable to IFRS based reporting. The second section presents an analysis of evidence on IFRS adoption process in Ethiopia by providing an ANT explanation of how supranational and national actors develop an actor network to institutionalize and translate the Ethiopian Accounting system into IFRS based financial reporting environment. The third sections present analysis of evidences on IFRS implementation and implications by reporting entities. The final section presents the results of analyses and discussions.

4.2 Accounting Reforms and pre-IFRS Framework Issues the Basis to the Problematization for IFRS Adoption in Ethiopia

This section presents analysis of project studies, accounting and economic reforms conducted in Ethiopia before the problematization of the Ethiopian accounting system and regulatory environment as preceding initiatives taken to improve the Ethiopian financial reporting and auditing infrastructures and in turn arrange conditions for IFRS adoption.

The actor-network development process that enabled the establishment of new accounting regulatory system leading to IFRS adoption in 2014 can be traced to the early 1990s .In line with the trends of globalization and as part of the initiatives to improve the Ethiopian Economy , the Government of Ethiopian has taken various economic policy reforms since the early 1990s (Peterson, 2001; Tesema, 2003; cited in Mihret &

Bobe,2014).The Ethiopian Government financial reform initiatives taken under civil service reform program conducted during the 1990s could be worth mentioning to articulate the Ethiopian efforts in the context of enhancing its financial systems (Peterson, 2001) and as part of the reform processes that preceded the current new Ethiopian financial reporting and regulatory set up which was mandated in 2014 with Proclamation No. 847/2014 and Regulation No. 332/2014. It was stated that the the current Ethiopian financial reporting practices are the outcomes of the Ethiopian Government civil service reform programs (**MoFED report on pre-IFRS proclamation processes dated March 2015**) initiated during the 1990s. Reforming the Ethiopian financial reporting infrastructure and regulatory environment was one of the key priorities given by the Government of Ethiopia to improve the Ethiopian financial reporting and auditing practices in consistent with the globally accepted standards whereby Ethiopia will have better financial system that ensures transparency, comparability and quality financial information for good corporate governance and economic decisions. In light of this, various projects have been conducted for the last two decades (1990s-2015) to reform the Ethiopian accounting systems and regulatory environment to enhance the Ethiopian financial reporting environment in the context of IFRS adoption. In 1997, a government project funded by the British Overseas Development Agency (ODA) was conducted by Coopers & Lybrand a UK based consultant to study ‘National Accounting and Audit Development Program’(Mihret & Bobe,2014). In 1999, experts from various stakeholders were organized to evaluate and validate the reports of this project for which the assignment was made by the office of the Prime Minister of Ethiopia (NAADP evaluation report, February 1999). Accordingly, experts from Ministry of Education, AAU, Addis Ababa Commercial College, ECSC, OFAG, EPAAA, private firms and Ministry of Finance evaluated the report of the project and recommended the establishment of a National Board of Accountants and Auditors (AABE) (NAADP report, FEB 1999, P97). Even though, the issues studied by NAADP team supplemented and strengthened the subsequent studies such as ROSC study, the recommendations were not implemented immediately as no focal actor followed the problematization of the accounting system articulated so far by this study. The country has also initiated various policy reforms championed by IFIs by providing technical and financial assistance to

meet the World Trade Organization (WTO) accession requirements (Mihret and Bobe, 2014). In another development, in view of modernizing the financial infrastructure of Ethiopia, in 2005, the Ministry of Trade and Industry commissioned a World Bank funded project to work out strategies for the development of accounting and auditing standards. This study was led by the Office of the Federal Auditor General of Ethiopia (OFAG) in collaboration with EPAAA and they contracted it out to the ACCA resulting to a report called Ethiopian Accounting and Auditing Standards Development “Road Map” (ROSC 2007; Mihret & Bobe, 2014).

A separate initiative was taken by Ethiopian Civil Service College (ECSC) to establish an Institute of Certified Accountants and Auditors (ICAA) with a World Bank funding. The ECSC under its institute (ICAA) initially aimed to develop accounting and auditing standards to the public sector and provide professional certifications to public sector accountants and auditors with a plan to be a professional institution in Ethiopia serving both the private and public sectors in certifying and regulating the accountants and auditors, and setting accounting and auditing standards. However, the ICAA did not come into existence as an institute to carry out the above mentioned tasks as its missions were integrated into the World Bank & IMF led financial reform project recommendations aimed to enhance the Ethiopian accounting system (Mihret & Bobe, 2014; ROSC, 2007).

The last and the turning point for the establishment of the current new Ethiopian financial reporting and regulatory landscape can be traced to the World Bank & IMF joint study of the Ethiopian accounting and auditing practices (ROSC, 2007). It can be articulated that this project has incorporated and promulgated the issues raised by preceding reform projects about the Ethiopian accounting and regulatory system. Most interview participants noted that the ROSC project has significant contribution for the origin of IFRS adoption agenda to enhance the Ethiopian financial reporting environment through IFRS infrastructures. As part of the global initiative to integrate the World in one single set of financial reporting framework associated with economic integration and cooperation across countries, the globalizing agents (IFIs) evaluated the Ethiopian accounting and auditing practices in 2007 and came up with findings and corresponding

policy recommendations which trigger the Ethiopian initiative to take any necessary steps to enhance the financial reporting and regulatory environment to the international standard in the context of reconciling the perceived national interests and that of the globalizing forces. In view of these rationales, the Government of Ethiopia has accepted the policy recommendations provided by the IFIs and took any necessary steps to implement the recommendations and realize the expected outcomes. Accordingly, following the ROSC 2007 study, all the foregoing initiatives have been coordinated by the Government of Ethiopia by establishing a national steering committee which is in charge of coordinating and monitoring the implementation of ROSC recommendations to construct the Ethiopian accounting and regulatory system within the framework of IFRS. This is also substantiated by most of the interview participants. The current initiatives and historical events are analyzed and substantiated by review of documents and interview data in the next sections.

4.3 Institutionalization of the Ethiopian Accounting System with IFRS based Infrastructure

4.3.1 Problematization and Interesement: A Series of Translations leading to IFRS Adoption

This section presents the analysis of the translation process that articulates the problematization of the Ethiopian accounting system and regulatory environment that laid the foundation for the IFRS adoption agenda and how the IFRS adoption rationales are articulated and shared among various actors.

The World Bank can be regarded as the focal actor that articulated the problematization of the Ethiopian accounting system and regulatory infrastructure that led to the IFRS adoption agenda in Ethiopia through the production of the ROSC report in 2007 as a key inscription (The World Bank, 2007). The ROSC study was conducted to evaluate the status of the Ethiopian accounting and auditing practices and supporting institutions and regulatory frameworks. This project was studied from September 2007 to November 2007 led by IFIs and in consultation with various national actors including: Ministry of Finance and Economic Development , Ministry of Capacity Building, Ministry of Trade

and Industry, Ministry of Justice, OFAG, Federal Inland Revenue Authority, NBE, Addis Ababa Chamber of Commerce and sectoral associations, AAU, ECSC, EPAAA, ACCA-Ethiopia, audit firms, banks, insurance companies, state-owned enterprises, NGOs, accountants, lawyers, and academia. This is one of the major steps in the translation process of IFRS adoption that reflects the interaction of IFIs, the state and other national actors by establishing actor networks led by IFIs (World Bank & IMF) while problematizing the existing Ethiopian accounting and related regulatory environment aiming to improve the quality of financial reporting in the country by reconstructing the existing accounting system to a new accounting and regulatory landscape within the framework of IFRS based financial reporting. The study came up with findings and provided policy recommendations aiming at improving the quality of financial reporting in Ethiopia through IFRS infrastructure, which can be regarded as an obligatory passage point (OPP) by which the interests of the national and international actors are mediated to strengthen the actor-networks towards integrating Ethiopia with the globalized economic infrastructure which is perceived to facilitate foreign financing and FDI to Ethiopia.

This OPP is the focal point that mediates the national actors and IFIs while building the actor-networks in the translation process of IFRS adoption to the Ethiopian business environment. In line with this rationale and by taking its authoritative responsibility, the Government of Ethiopia took the initiative to manage and coordinate the resources while building actor-networks towards the institutionalization of the Ethiopian accounting system in a new form that is suitable to the IFRS based reporting. The translation of the Western Accounting Regulation, IFRS can be regarded as a discursive field of accounting regulation as its urgency to the Ethiopian environment could be influenced by the capital market oriented founding rationales of this technology as it has been designed based on Western liberalized economic philosophies and economic infrastructures; (Arnold, 2012) narrates the harmonization of accounting standards as Western efforts to integrate the world with one international norm through an international financial infrastructure patterned on the Anglo-American model and conducive to the expansion of the western financial services industry pre-date the East Asian Crisis; to facilitate the expansion of financial markets and cross border transactions. The IFIs (WB and IMF) defined the problems existing in the Ethiopian accounting systems based on their ROSC study report

and articulated that Ethiopia did not have any national accounting and auditing standards that govern the accounting and auditing practices in the country. The ROSC 2007 report indicated that the Ethiopian accounting and auditing practices and supporting institutions and related regulatory environments were problematic that need to be overhauled with new accounting infrastructure and regulatory set up within the framework of IFRS to enhance the financial reporting environment to the international level standard. The policy recommendations were identified and communicated to the Ethiopian Government which in turn took the initiative to implement the recommendations in the context of improving the macro-economic management of the country.

In line with the obligatory passage point (quality financial reporting through IFRS infrastructure), the focal actor, the World Bank in its ROSC 2007 report articulated the need for cooperation of a wide range of stakeholders including the Government, regulators, captains of industry, academia and the accountancy profession to implement the ROSC policy recommendations championed by the Government of Ethiopia. The ROSC team recommended the establishment of National Steering Committee (NSC) which is in charge of coordinating and monitoring the accounting and auditing reforms to implement recommendations including, revising the accounting and auditing statutory framework, revising the commercial code of Ethiopia, enacting a financial reporting law, establishing a National Accountants and Auditors Board (AABE) under the administration of the Government and others in a way that resources are exploited and coordinated towards adopting IFRS through which the existing problems in the Ethiopian accounting system and related regulatory frameworks can be addressed in line with the macro-economic objectives of the Ethiopian Government.

In February 2008, the ROSC reports were presented to stakeholders chaired by Ministry of Capacity Building and OFAG to promote the IFRS adoption agenda (Participant 7); this could be considered as the start of the interestment process that concerned stakeholders are identified, convinced and involved in the translation process referring to the need for improvement of the Ethiopian financial reporting environment through IFRS infrastructure as an obligatory passage point based on which the actors' interests are aligned in a way that the gaps articulated about Ethiopian accounting system and

regulatory environment in the problematization stage (ROSC, 2007) can be addressed through adopting the globalized financial infrastructure, IFRS. Improvement of the quality of financial reporting through IFRS (OPP) to get accession to foreign financing can be regarded as the point of negotiation between national and supranational (IFIs) actors while advancing towards translating the Ethiopian accounting system into a new regulatory framework suitable to IFRS based reporting.

The World Bank & IMF joint study conducted in 2007 (ROSC ,2007) can be considered as the turning point for the Ethiopian IFRS adoption agenda; the activities conducted before the ROSC study were not as such significant steps for IFRS adoption (Participant 11).This participant commented that the ROSC study is a professional study and reflected the reality of the Ethiopian accounting system and provided knowledge and awareness among concerned stakeholders and hence, it created point of reference for IFRS adoption agenda. It was noted by participants that the fact that Ethiopia did not have its own national standards could be worth mentioning behind the drive towards the adoption of IFRS agenda which can be regarded as a medium of negotiation between Ethiopia and the IFIs in the context of enhancing the Ethiopian financial reporting environment and in turn facilitate to gain access for foreign financing and attract FDI.

It was noted that the ROSC report is an important inscription that indicated the problematization of the existing Ethiopian accounting system and supporting institutions and that Ethiopia did not have any accounting standards to follow and IFRS based reporting practice did not exist in reality in the Ethiopian accounting environment even though it was said to have been practiced in theory, especially in the Ethiopian financial sectors which are considered as public interest entities for which the full adoption of IFRS is primarily intended. It is to be recalled that banks and member organizations of the Ethiopian Commodity Exchange have been declared as IFRS adopted entities (Tesfu, 2012) with reference to the banking business proclamations of 2008 (Mihret & Dobe,2014) and ECX draft directives before the issuance of the Ethiopian Financial Reporting Proclamation No.847/2014 that mandated IFRS adoption in Ethiopia in 2014. However, the ROSC study indicates that IFRS was not practiced in reality in the banking sector (participant 11 commented; ROSC 2007); it was noted that the IFRS practice was

not well practiced in Ethiopia and the financial sectors in particular; lack of professional accountants has been noted as one of the limiting factors affecting IFRS practices.

The ROSC study document (inscription) can also be regarded as point of reference in the interestment process that created knowledge (understanding) among concerned stakeholders regarding the Ethiopian accounting system issues, whereby initiatives were taken to improve the Ethiopian financial reporting practice through the IFRS infrastructure (Participant 11). This notion could be consistent with the initiatives taken by the globalizing forces (World Bank & IMF) as part of harmonizing the globalized financial reporting infrastructure in the context of improving the quality of financial reporting for jurisdictions across transnational boundaries.

(Participant 11) noted that the IFRS adoption project stopped for some time, for about for four years when it was under the Ministry of Capacity Building, where no significant activities were done even though some awareness activities had been conducted. In the meantime, Ethiopian Civil Service College had taken separate initiative and opened office intended to provide IFRS related trainings, however, this isolated initiative was not successful to carry out the intended objectives (Participant 11).

The translation process for the adoption of IFRS in Ethiopia given the current low auditors capacity, low audit fee (auditors running for their subsistence life); subject to regulations (IFRS requirements, when IFRS is adopted) could be against the interest of auditors (audit firms). In contrast, there are counter arguments in the sense that there could be professional development and competition with subsequent professional rewards associated with the realization of improved accounting and auditing practices that enhance the quality of financial reporting in the country. On the other hand, the discussion point is that Ethiopia does not have stock markets and thus the urgency of IFRS may not be needed at this time. It was noted that IFRS is complex to adopt with existing financial reporting infrastructures and economic system with the notion that IFRS is developed based on developed countries' context especially that of UK. Low level of professionalism in the area of accountancy, weak accounting and auditing practices and associated supporting institutions were regarded as prohibiting factors against the adoption of IFRS in the sense that the realization of its perceived

benefits may not be achieved as expected. However, this notion was forfeited by counter argument that the issues could be resolved in the way forward activities upon implementation of IFRS to the Ethiopian economic environment. It was noted that the existing gaps in the Ethiopian accounting infrastructures can be addressed in the future while advancing towards IFRS adoption and implementation by translating the existing accounting system to a new accounting and regulatory environment suitable to IFRS based reporting (Participant 8 commented). Participant 1 & 2 also expressed their belief that the existing gaps can be addressed through IFRS adoption. Participant 7 strongly advocated the adoption of IFRS in Ethiopia by justifying various economic rationales for Ethiopia.

This shows the intersement of the actors in the translation process of the IFRS adoption that they seem to be convinced and interested about the integration of Ethiopia to the globalized economic system through IFRS infrastructures.

Improving the current fragmented and inconsistent auditing and accounting practices of the country was an uncontested theme. Participant 1 and 7 stated that in the absence of financial reporting standards and lack of reporting frameworks in Ethiopia, auditors use their own standards while conducting audit and preparing audit reports. This implies that the consistency and uniformity of the accounting and auditing practices among organizations has been compromised. The role of high quality financial reporting for Ethiopia's economic development was one of the key rationales presented to support arguments for IFRS adoption in the country. Overall, the adoption of IFRS is believed to contribute for the country's overall macro-economic objectives. This economic rationale of IFRS adoption deemed to convince the Ethiopian government and other national actors to strengthen their actor-network towards integrating Ethiopia to the global financial reporting and regulatory system despite of the differences in economic setting between Ethiopia, a developmental state economy and that of the transnational forces advocating the adoption of IFRS in the context of market led economy. The arguments in favor of IFRS adoption in Ethiopia foreshadow possible establishment of stock market in the long run and the role of financial reporting in that context (AABE five year strategic plan 2015/16-2020/21; participant 7; participant 8; draft organization structure and scope of

activities of AABE by technical committee for establishing AABE dated FEB 2010). This indicates how the actors in the actor-network were advocating adoption of IFRS and strengthened their network while conceptualizing the Ethiopian accounting regulatory landscape in the context of this technology and in line with the Ethiopian government shared interests with that of the globalized forces by locating the OPP as a point of negotiation in the actor-network building. Improvement of the performance evaluation systems of organizations, improvement of the tax collection systems, and attraction of FDI were some of the other rationales behind the advocacy of IFRS adoption by Ethiopian actors while conceptualizing and designing the new accounting regulatory landscape of Ethiopia. It was also stated that this infrastructure can facilitate loan arrangement based on financial reporting. This benefit is articulated with reference to the currently collateral-based lending, which is perceived to have restricted access to finance for firms. With these advocacy rationales, the actors seem to be convinced about the IFRS adoption while developing the draft regulatory set ups of the Ethiopian accounting system in the national actor-networks in which case the government played the leading role in providing the direction and guidance of the project while the professionals played their role in designing the conceptual map (regulatory framework) of IFRS adoption in consultation with the government.

This global financial reporting infrastructure is expected to improve transparency and good corporate governance. It enables to fulfill the requirements of (foreign institutions), donors' requirements. This argument is based on the possibility that the adoption of IFRS trigger the improvement of the financial reporting infrastructure. On a professional level, IFRS and the associated reporting framework encourages accountability of professionals and preparers and in turn lead to good corporate governance.

The independence of the professional associations from the regulating body (AABE) was one of the issues subjected to debate by actors during the translation process (most participants noted). Currently, it is the single institution the Accountants and Auditors Board of Ethiopia (AABE) which is in charge of both roles (regulating the profession as well as the accounting practice). There are no strong professional associations dealing with professional development, regulation and quality control activities of the profession.

It was noted that lack of commitment among professional accountants and auditors for the development of the professional associations was one of the problems; running for their personal income (lives) was one of the associated reasons worth mentioned, even though some say that now there is some progress regarding the development of the professional associations (the professional associations signed memorandum of understanding to work together or merge (Participant 8 commented). Participant 7 advocated the adoption of IFRS with justifications that the IFRS infrastructure would enhance the quality of financial reporting to safeguard the country's resources and contribute for the macro-economic development. It was advocated that adoption of the IFRS infrastructure could be a requirement for accession to World Trade Organization (WTO) and foreign financing (Participant 7). It was advocated that for a country like Ethiopia, which does not have its own national accounting standards, the adoption of IFRS is the right option to enhance the Ethiopian financial reporting environment in the context of managing the macro-economic development of the country through facilitating financial reporting based lending (currently it is collateral based lending), accession to WTO, FDI, establishment of stock exchange market etc (participant 7; Participant 8; Gizaw,S.2009).

4.3.2 Enrolment and Mobilization: Establishment of the Ethiopian Accounting and Regulatory Environment

This section presents analysis of the way forward activities (implementation of the policy recommendations) defined by the focal actor in the problematization stage (ROSC, 2007) and how actor networks played their roles in setting up of the Ethiopian financial regulatory landscape, that laid a milestone for the adoption of IFRS and subsequent implementation in the Ethiopian economic environment.

4.3.2.1 Ethiopian Financial Reporting Proclamation and Regulation

Following the policy recommendations of the joint World Bank & IMF study (ROSC, 2007), the Ethiopian Government took significant steps towards improving the Ethiopian financial reporting infrastructures and regulatory frameworks in recognition of the importance of the resultant quality and transparent financial reporting practices to the

socio-economic development of the country. In this respect, the focal actor (the World Bank ROSC 2007 team) recommendations were accepted by the Ethiopian Government in view of improving the accounting and auditing infrastructures in the country that in turn would contribute to the overall management of the macro-economy. These economic rationales are the mechanisms by which the globalizing forces (IFIs) influence the national actors to adopt the international financial reporting infrastructures. In view of these rationales, the Ethiopian Government took the initiative to manage the adoption of these globalized financial reporting standards in the context of reconciling national interests and that of the globalizing forces while institutionalizing the Ethiopian accounting environment in line with IFRS frameworks. Subsequently, the Government of Ethiopia under the leadership of the then Ministry of Capacity Building established high level steering committee in August ,2008 (MoFED report on pre-IFRS proclamation processes dated March 2015; and Interview : Participant 7) composed of various stakeholders drawn from the government, the private sector, the academia and practitioners to come up with mechanisms for the implementation of the policy recommendations provided by the World Bank ROSC study team and in turn realize the expected economic benefits that are articulated in the probelematization stage of the Ethiopian accounting system and technical committee inscriptions (Technical Committee for establishing the AABE and the professional body, Feb 2010). Participant 7 stated that the adoption of IFRS in Ethiopia is the right option to build strong financial infrastructure in a way that the country will have quality financial reporting practices for economic decisions, satisfy the requirements of foreign financing and arrange preconditions for establishing stock market in the long run.

Having discussed on the issues articulated in the ROSC study and about the way forward issues, the steering committee in turn established two technical committees in 2009: technical committee which is in charge of drafting a financial reporting law and technical committee for the establishment of the National Accountants and Audit Board & the professional body. These technical committees were set up by NSC to produce the draft financial reporting proclamation, to formulate the organization structure and scope of activities for the establishment of AABE and draft the bye-laws of the constitution of the professional body (ICPAE). The national steering committee assigned the technical

committees to produce the above mentioned inscriptions (documents) within the framework and requirements of IFRS adoption in Ethiopia. The technical committees conducted discussions about their way forward activities and agreed to work on their assigned responsibilities in line with the expectations of the National Steering Committee (NSC) to which those technical committees were reporting the status of their assigned projects (Minutes of Technical Committee for establishing professional accounting body and AABE dated March 2009 and Sep 2009).

These steps can be regarded as the translation processes whereby national actors from key institutions are enrolled and mobilized towards implementing the objectives set by the recommendations of the focal actors (IFIs) within the framework and requirements of IFRS adoption managed by the Ethiopian Government in the context of reconciling national interests and that of the globalizing forces.

Under the instruction of the National Steering Committee led by Ministry of Capacity Building , the technical committees produced documents such as draft financial reporting proclamation of Ethiopia dated March 2010, draft constitution & bye-laws for the professional body (Institute of Certified Public Accountants of Ethiopia (ICPAE) dated Feb 2010 and draft organization structure and scope of activities of AABE dated Feb 2010 as part of the measures taken to implement the policy recommendations defined in the World Bank ROSC study report.

Once the Ministry of Capacity Building dissolved, the Ministry of Finance and Economic Development took the ownership of the IFRS adoption project in 2009/2010 and established steering committee composed of about 17 stakeholders to implement the recommendations set by the World Bank ROSC study (MoFED report on pre-IFRS proclamation processes dated March 2015). This translation process indicates the expansion of the national actor-networks through enrollment of more actors while mobilizing resources towards the implementation of the recommendations defined by the globalizing forces (World Bank & IMF) to improve the Ethiopian financial reporting infrastructure in line with the framework of the globalized financial architecture. This shows how the enrollment of more national actors managed by the state strengthens the actor-networks in a way that resources are mobilized towards a predetermined goal of

institutionalizing the Ethiopian accounting and auditing practices in the context of the globalized economic infrastructure.

The above mentioned inscriptions of IFRS adoption project were presented to the steering committee for discussion and comments (participants' comments; Technical committees' letters of submission for the draft inscriptions dated Feb and Mar 2010; MoFED report on pre-IFRS proclamation March 2015). The steering committee once evaluated these draft documents, more stakeholders composed of about 20 Federal Government Organizations and Institutions were invited to further evaluate and comment on those documents. According to the MoFED report on the Pre-IFRS proclamation processes of Ethiopia dated March 2015, the draft documents were further commented and strengthened on a conference held in the presence of about 35 stakeholders (actors) composed of the government organizations and institutions, the private sector, the professional associations, the academia and the IFIs.

In this translation process, MoFED can be regarded as the main government organ which was in charge of mobilizing the national actor-networks by enrolling more actors in the actor network constructions while arranging public conferences to discuss issues and forward possible comments about the establishment the Ethiopian financial reporting regulatory set up.

Participant 11 stated that MoFED arranged conferences involving various stakeholders to discuss how the reporting infrastructures and legal frameworks are institutionalized to Ethiopian business contexts. During the conference arranged by MoFED, various stakeholders participated and discussed the issues and how those issues can be addressed in the financial reporting proclamation. A lot of issues were raised about the possibilities that should be made to institutionalize the legal framework that accommodates the Ethiopian contextual factors, legal issues; interests of regulatory bodies etc.

It is to be recalled that the financial sectors were directed to implement IFRS by NBE in 2008 (Mihret and Bobe, 2014: Participant 11; Tesfu, 2012), however, they were not provided with detailed IFRS implementation guidance. Even though, the financial institutions did not fulfill the IFRS requirements in practice, it was noted that the

initiative was good at least to bring about the IFRS reporting frame work; to create the initiative towards the globalizing reporting infrastructure, IFRS reporting framework. It was stated that the effect of globalization and the need for the improvement of the financial sectors necessitated the adoption of IFRS in the financial sectors; the IFRS initiative in the financial sectors created at least mobilization activities towards IFRS financial reporting practices. Participant 11 noted that Ethiopian transactions are not as such complex to be affected by IFRS; Ethiopian accounts are not such market sensitive, they are simple commitments, they are not market instruments, there are no derivatives in the Ethiopian market. Having these grounds, participant 11 commented that the accounts of financial sectors are not as such complex to adopt IFRS. This participant advocated and suggested that the financial sectors shall recruit professional accountants, create awareness, work on the reporting format and determine the accounts which may or may not be affected by IFRS for effective implementation.

This stage of the translation process shows how the actors involving the national actors and international actors managed by the state strengthened the actor-networks in the translation process of IFRS adoption by enrolling more actors in the actor-network construction while mobilizing resources to streamline the regulatory set up and financial reporting framework of the country in a way that is suitable to the IFRS adoption. This indicates the government's initiative to get the various stakeholders involved and participated in the translation process for which the government played a dominant role in coordinating the actor-networks towards achieving the establishment of the accounting regulatory set up for which more actors are mobilized and accepted this new idea to incorporate Ethiopia into the globalized economic infrastructure.

Subsequently, OFAG amended the draft documents based on the comments and evaluations obtained from stakeholder conferences and other written evidences for final submission.

In Oct 2011, a public hearing conference was held by various stakeholders in Debreziet Town, Management Institute to discuss and comment on the draft legal documents (Financial reporting proclamation and regulation) to further improve the quality of those documents (MoFED report on the Pre-IFRS proclamation processes of Ethiopia dated

March 2015; and interview: participant 7 and participant 10). This was also noted by other participants. During this time, the government established its own focused group committees to discuss and amend the draft reports prepared by the technical committees (participant 7 commented). At this stage of the translation process of the set up of the financial reporting legal framework, the draft financial reporting proclamation was discussed and commented by various actors for finalization and validation.

This is a stage whereby the final draft financial reporting proclamation and regulations were validated through stakeholder debates and comments.

Subsequently, one professional team composed of MoFED, Ministry of Justice, Civil Service College and OFAG was established to translate the revised draft of the proclamation and the regulation into Amharic language and prepare the final version of those documents. Accordingly, the team prepared the final version of the draft financial reporting proclamation and regulation both in Amharic and English languages.

In June 2012, the final version of the draft financial reporting proclamation after having been evaluated by the steering committee was submitted to Council of Ministers by MoFED. In OCT 2013, the document was commented by the Council of Ministers and returned to MoFED for further revision based on comments.

In Jan 2014, the proclamation was further amended based on comments provided by the Council of Ministers and re-submitted to the Council of Ministers for further comments and approval. Subsequently, in Feb 2014, the proclamation was approved by the Council of Ministers and sent to the House of Representatives and then referred to the concerned standing committees in March 2014 for further discussion and comments by the standing committees. At this stage of the translation process, the proclamation was challenged and commented by various stakeholders in a forum arranged by the concerned standing committees of the House of the Representatives.

In April 2014, the concerned standing committees of the House of Representatives further discussed on the proclamation based on the comments provided by the stakeholders.

Subsequently, with the instruction of the Budget and Finance Standing Committees of the House of Representatives, a special discussion was conducted on the proclamations by National Bank of Ethiopia (NBE) and Ethiopian Commodity Exchange.

At this phase of the translation process, the parliament directed the draft for public discussion and technical review. The NBE commented and recommended the regulatory and financial reporting aspects of the financial sectors to be incorporated in the financial reporting proclamation. Accordingly, the comments and recommendations were incorporated in the financial reporting proclamation regarding the regulatory and financial reporting aspects of the financial sectors in the context of IFRS based reporting (Participant 11 stated).

NBE can be regarded as one of the main actors representing the financial sector in the actor networks while translating the Ethiopian financial reporting system into a new IFRS based regulatory and reporting environment. Finally, in June 2014, the financial reporting proclamation was approved by the House of the Representatives of the Federal Democratic Republic of Ethiopia.

Following the approval of the House of Representatives, the Ethiopian Financial Reporting Proclamation was issued with Proclamation No.847/2014 in the Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia dated Dec 5, 2014.

This is one of the major products of the translation process conducted in the context of actor-network construction involving the interactions of the state, other national actors and international actors in the establishment of the Ethiopian financial reporting legal framework and institutionalization of the Ethiopian financial reporting and auditing infrastructure to integrate the Ethiopian accounting system in the context of the international financial reporting standards and in turn to integrate Ethiopia to the globalized economic environment.

Table 3 below indicates the actors participated in various forms and stages of translation process of the IFRS adoption that transformed the Ethiopian accounting system into a new form of financial reporting regulatory infrastructure that is supposed be suitable to IFRS based financial reporting, for which the technical committees have taken other

countries' experiences whiling designing the conceptual map of the IFRS based regulatory frameworks to Ethiopia. Table 3: Actors of Ethiopian IFRS adoption process:

Supranational actors	National actors
1. World Bank and IMF– Main actor	1. Government of Ethiopia
2. WTO	2. Ministry of Finance and Economic Development
3. Other institutions	3. National Bank of Ethiopia(NBE); other banks
	4. Ethiopian Professional Accountants and Auditors Association(EPAAA)
	5. Federal Audit General(OFAG)
	6. Ministry of Trade
	7. Ethiopian Chamber of Commerce and Sectoral Associations
	8. Institute of Internal Auditors
	9. Addis Ababa Chamber of Commerce and Sectoral Associations
	10. Addis Ababa University
	11. Ethiopian Civil Service University
	12. Ministry of Justice
	13. Ethiopian Commodity Exchange
	14. Public Enterprises
	15. Government organizations, Ministries & Agencies
	16. NGOs and others

Source: MoFED and other inscriptions

Following the issuance of the financial reporting proclamation and based on the mandate articulated herein regarding the establishment of the Board, the regulation for the establishment of the Accounting and Auditing Board of Ethiopia (AABE) was approved by the Council of Ministers in Oct 2014. Subsequently, the regulation was issued with Regulation No. 332/2014 in the Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia dated Jan 14, 2015. This document is a foundation for the

establishment of the AABE, which is the ultimate responsible organ in charge of administering and regulating the country's financial reporting practices and the accounting profession.

The issuance of the Ethiopian Financial Reporting Proclamation (Proclamation No. 847/2014) and regulation (Regulation No.332/2014) are major steps in the establishment of a new accounting regulatory frameworks and establishment of a new accounting regulatory body, which are the foundations for the institutionalization of new financial reporting, auditing and regulatory infrastructures in Ethiopia in line with the macro-economic objectives of integrating the country's financial reporting environment with the international financial reporting standards, which is perceived to facilitate foreign direct investment, foreign financing and establishment of stock markets in the long term.

These documents are the results of the actor networks involving the interactions of the state, other national actors and IFIs in the translation process of institutionalization of Ethiopian financial reporting infrastructures in the context of integrating the Ethiopian economic system with the globalized economic infrastructure.

Article 5(1) of the financial reporting proclamation No.847/2014 states that “the financial reporting standards to be used when preparing financial statements shall be”:

- (a) IFRS issued by the IASB or its successor as adopted, adapted or amended by the Board; or
- (b) IFRS for Small and Medium Size Enterprises (IFRS for SMEs) issued by IASB or its successor as adopted, adapted or amended by the Board; or
- (c) International Public Sector Accounting Standards (IPSAS) issued by the IPSAS or its successor as adopted, adapted or amended by the Board.

Article 5(2) states that “any public interest entity shall, without prejudice to the provision of sub article 1(c)”of Article 5 above, be required to comply with IFRS referred to in sub-article (1)(a) of Article 5.

Article 5(3) states that “the Board shall specify, in the financial reporting standards, the minimum requirements for recognition, measurement, presentation,

and disclosure in annual financial statements, group annual financial statements or other financial reports which every public interest entity or small or medium enterprise shall comply with , in the preparation of financial statements and reports”.

Article 12(1) of the Proclamation No.847/2014 of Federal Negarit Gazette of FDRE states that the auditing standards to be used by auditors in Ethiopia shall be the International Standards for Auditing (ISA) issued by the International Federation of Accountants (IFAC) or its successor as adopted, adapted, or amended by the Board (AABE).

According to article 5(1) of the financial reporting proclamation, the adoption, adaption and amendment options of IFRS to the Ethiopian economic environment are left to be decided by the Board upon implementation.

Accordingly, currently (at the time when this paper is drafted), the board (AABE) has already decided that Ethiopia has adopted IFRS as it is issued by the standard issuing body (IASB) or its successor (AABE five years strategic plan-2015/16-2020/21; participant 14 comment).

However, the adoption/adaption options were subjected to debate by actors during the translation process of setting up of the Ethiopian financial reporting legal framework. Participant 11 commented that the nature and level of the Ethiopian businesses may not necessarily demand the application of all the IFRS requirements, hence, IFRS shall be adopted/adapted depending on situations. Participant 7 and 8 advocate the adoption of IFRS rather than adaption; they stated that adaption can be costly to Ethiopia under the current capacity. It was also stated that establishment of national standards is costly to Ethiopia; it requires more resources when compared to IFRS adoption; it was noted that Ethiopia does not have enough qualified and authorized professionals who can set national standards. It was stated that adaption cannot be considered as IFRS compliance. Participant 4 stated that the adoption of IFRS and IFRS for SMES were favored during the debates of the translation process with justifications that establishing national standards (or adapting IFRS) would require more resources (costs) and that Ethiopia

does not have the capacity to do that at this time. In view of the perceived economic rationales, it was stated that the adoption option was advocated by professionals. Participant 7 and 8 advocated that IFRS adoption would be the right option rather than adaption in the sense that IFRS adoption would be important for investors operating in transnational borders to maintain comparability and would be a foundation for capital market establishment. In consistent with the global rationales of IFRS adoption, the adoption option was more emphasized during the debates conducted during the translation processes; with the exception of some differences, the technical committees had similar views of IFRS adoption and had worked on drafting the proclamation based on other adopting countries' experience within the context of IFRS adoption rather than customization (adaption) (Participant 8 stated). During the translation process, it was noted by the actors that public interest entities (e.g., financial institutions and micro-finance institutions) to use full IFRS adoption, and based on size IFRS for SMEs (Participant 1, 4 and 8 commented).

Participant 8 noted that the institutionalization of this global financial infrastructure is an important move to improve the financial reporting practices and would be a foundation for the establishment of capital markets and strongly argued in favor of the importance of adopting IFRS to the Ethiopian environment. This participant said that the adoption of IFRS would trigger the establishment of capital markets.

4.3.2.2 Establishment of the Accountants and Auditors Board of Ethiopia (AABE)

Establishment of AABE is one major step in the establishment of the new accounting regulatory landscape of Ethiopia (Technical Committee for Establishment of AABE and the Professional Body, 2010). The technical committees assigned by NSC as part of the IFRS translation process and actor-network construction produced draft document regarding the establishment of AABE and the professional body that finally led to the issuance of the regulation that mandated the establishment of AABE, which is now on board to mobilize and coordinate resources and activities towards the implementation of IFRS by prepares within five years from the date of the issuance of the financial reporting proclamation.

Article 4(1) of the financial reporting proclamation NO.847/2014 proposed the establishment of the Accounting and Auditing Board of Ethiopia. The powers and duties of the board were also proposed in article 4(2(a-q)) of the proclamation.

Accordingly, Article 3(1) of the Regulation No. 332/2014 issued by the Council of Ministers states that the Accounting and Auditing Board of Ethiopia (AABE) is established as an autonomous government organ having its own legal personality. Article 3(1) of the Regulation No. 332/2014 states that the board shall be accountable to the Ministry of Finance and Economic Development (Participant 14 also commented).

It is a government body established pursuant to the issuance of the financial reporting proclamation No. 847/2014 and mandated by Regulation No.332/2014. It is the ultimate regulatory organ which is in charge of regulating and guiding the overall financial reporting practices of the country.

The objectives of the board as articulated in Article 5(1-5) of the Regulation No.332/2014 include the following:

- Promote high quality reporting of financial and related information by reporting entities;
- Promote the highest professional standards among auditors and accountants;
- Promote the quality of accounting profession and auditing services;
- Ensure that the accounting profession is used in the public interest;
- Protect the professional independence of accountants and auditors.

The powers and duties of the board are articulated in the article 6(1-16) of the regulation No.332/2014 issued in the Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia.

One can see the overall scope of activities of the Board in the Regulation No.332/2014 of the Federal Negarit Gazette of the FDRE.

It is noted that the activities which are being done by AABE after the issuance of the financial reporting proclamation include: Recruiting human resource, registering certified auditors and practicing accountants, creating awareness for professionals and

preparers (public interest entities), for preparers' directors and board members (audit committees and finance heads) , for professionals auditors and authorized accountants. So far, such awareness creation training has been provided across the country (regions) (Participant 5). This participant noted that establishment of IFRS training academy is one of the strategic plans (training for the trainers) for AABE.

4.3.2.3 Institute of Certified Public Accountants of Ethiopia (ICPAE)

The initiatives of establishing professional accountancy body (ICPAE) can be traced to the separate initiative taken by Ethiopian Civil Service College (ECSC) to establish an Institute of Certified Accountants and Auditors (ICAA) with a World Bank funding (ROSC 2007). The ECSC under its institute (ICAA) initially aimed to develop accounting and auditing standards to the public sector and provide professional certifications to public sector accountants and auditors with a plan to be a professional institution in Ethiopia serving both the private and public sectors in certifying and regulating the accountants and auditors, and setting accounting and auditing standards.

Following the ROSC study and IFRS adoption initiative of Ethiopia, a draft constitution bye-laws, an inscription designed and aimed to establish the Institute of Certified Public Accountants of Ethiopia (ICPAE) was produced by the technical committees assigned by NSC(Technical Committee for Establishment of AABE and the Professional Body, 2010). This is one of the results of the translation processes of institutionalizing the Ethiopian accounting environment aimed to establish an independent and strong professional accountancy body.

The ICPAE could be a major milestone in the Ethiopian accountancy professional development endeavors had this been implemented in practice.

According to the technical committee draft constitution bye laws of ICPAE 2010, the purposes and objectives of the institute include:

- Promote and develop the science of accountancy, tax and financial management in the public and private sectors in Ethiopia;
- To conduct research into the methods of developing and applying the accountancy discipline

- Maintaining high level of professionalism in protecting the public interest through promulgating requirements for adherence to high quality professional standards
- Certifying professional competence that can entail national and international acceptance etc (For further INFO, please see the draft constitution bye-law 2010).

Had this been the case, the establishment of ICPAE as an independent professional body has been subject to debate by various national actors; there were debates among the actors in the translation process about the separation of the roles of the professional body and the regulatory body (some of the participants commented). The professionals (academia, practicing professionals) advocate the independence of the professional body from the regulatory body (Participant 4; participant 8; Participant 9 etc). It was noted that the professionals (academia, practicing accountant etc) argued for the establishment of independent professional body (say Institute of Certified Public Accountants for Ethiopia (ICPAE) which deals with the professional body (Accountancy professional body) affairs: certifying and controlling the integrity and professional development of the country; whereas the government representatives argued for the existence of one regulatory body which regulates the accounting practice (the reporting system) and the profession with grounds (justifications) that there is no capacity of establishing and handling two organizations with the current situation (with further justification of avoiding duplication of job and resource with one body); the Tanzanian experience was considered for this case. The actors seem to have reached shared understanding about the lack of capacity for the professional associations and that the professional associations are not able to regulate the profession (self-regulation) at this time. It was stated that the professional associations will take shared responsibility when they strengthen their capacity in the future (Participant 8 and 14 commented).

It was stated that the professional body shall be independent of any influence; a strong professional body with self-regulation shall be established aiming to develop the profession, its integrity and practice and in turn contribute for the public interest.

Currently, the Board (AABE) has designed the strategic plan based on shared responsibility principle and stated the need for the establishing professional body (institute) in the strategic plan of action (Participant 14 commented); the AABE five years strategic plan-2015/16-2020/21 states that local professional accountancy bodies

shall be established and developed in collaboration with local, regional (PAFA) and international bodies (IFAC) ; the strategy document states the professional bodies to be established need to obtain IFAC membership.

It was noted that the contributions of the Ethiopian accounting professional associations to the development of the accountancy profession has been limited. Lack of commitment among members (very discouraging) is one of the factors; it is volunteers (individuals) who are contributing to the profession (Participant 13).

For example, the participant said that ASE is not contributing as expected to the professional development. Let alone contribution to the professional development, even the existence of ASE as association is questionable. The following are some of the causes of the problems of ASE:

The members are not committed to attend conferences. In its current situation, the association is not in a position to provide professional development benefit schemes. ASE does not have its own internal source of financing. Hence, participant 13 suggested that the members of the accountancy professional associations need to be committed to contribute for the development of the associations and in turn to the development of the accountancy profession in the country.

Participant 12 stated that there is professional gap to provide IFRS related trainings. It is only the individuals, basically executive members of the professional associations that are contributing to the profession; members could be oriented to the membership benefits rather than contributions to the profession. Members provide only par time, voluntary (free) services.

4.4 Enrolment and Mobilization: Implementation of IFRS by Reporting Entities

The Ethiopian financial reporting regulatory landscape in the context of IFRS framework has already been founded with the establishment of the ultimate regulatory government organ (AABE) in the Council of Ministers Regulation No 332/2014 of the Negarit Gazette of the FDRE and the financial reporting framework through the issuance of the

financial reporting proclamation No 847/2014 of Nagarit Gazette of FDRE. As per the mandate given to it by the Council of Ministers in Regulation No. 332/2014, AABE is the ultimate regulatory body which is charge of regulating the accountancy profession and the financial reporting practices of the country. The financial reporting law has already been issued with Proclamation No. 847/2014 of the Negarit Gazette of the FDRE which mandated the adoption of IFRS in the Ethiopian Economic environment as part of integrating Ethiopia to the globalized economic system which in turn is expected to facilitate foreign direct investment, accession to foreign financing and establishment of stock exchange market in the long run.

Since its establishment and until this time when this paper is drafted, the AABE has been making any possible arrangements to settle the office under the umbrella of Ministry of Finance and Economic Development. Currently the Accounting and Auditing Board of Ethiopia (AABE) has already prepared five years strategic plan-2015/16-2020/21 in which the IFRS implementation road map has been clearly indicated. The five years strategic implementation plan was already approved by the board of directors of AABE (Participant 14 stated). Currently, the Board has already decided to adopt IFRS as issued by the International Accounting Standard Board (IASB) or its successor (Participant 14).

The Board has designed strategic action plan based on the current situations of the Ethiopian accounting environment and devised ways to resolve the issues and subsequently discharge its IFRS implementation responsibilities within the deadline. The role of a strong professional body for the development of the accounting profession, the accounting and auditing practices and in turn to integrate Ethiopia with IFRS framework of reporting is highly recognized. In consistent with this notion, the Board has designed strategic action plan based on shared responsibility principle between the regulating body and the professional body to enhance the country's financial reporting practices at the international level standards. In view of this, the Board has put a mission statement to establish a professional institute (Participant 14 stated).

According to the IFRS implementation road map and participant 14, Ethiopia has already decided to fully comply with IFRS reporting practices until 2019; this implementation road map is inconsistent with the time frame indicated in the financial reporting

proclamation Article 54(1). Currently, AABE can be regarded as the ultimate responsible government organ which is in charge of mobilizing the IFRS translation process for which the time frame for full compliance of IFRS implementation is defined by the proclamation Article 54(1) to be until 2019 (Participant 14 has also confirmed this fact). The Board strategic document states that fully IFRS compliance before the national mandatory requirement date shall be considered as voluntary adoption.

The Board's five years strategic plan road map to IFRS implementation states that the IFRS compliance by reporting entities will be effected in three phases:

Phase 1: Implementation of IFRS by Significant Public Interest Entities

The strategy document states that the significant public interest entities include financial institutions and public enterprises owned by federal or regional governments.

The IFRS implementation road map of the Board states that these organizations have been provided with preparation time until July 7, 2017 and to start issuing IFRS based financial statements for the year ended July 7, 2017 and subsequently to fully comply with IFRS based reporting until the 2019 deadline. According to the strategic document, July 7, 2017 shall be the mandatory date to start compliance with IFRS based reporting (This is also substantiated by participant 14).

Phase 2: Other Public Interest Entities and IPSAs for Charities and Societies

These entities include all other public interest entities (ECX member companies and reporting entities that meet the qualitative threshold for public interest entities) and Charities and Societies. These organizations have been provided with preparation time until July 7, 2018 and to start complying with IPSAs based reporting for the year ended July 7, 2018 and subsequently to fully comply with IFRS based reporting until 2019 deadline.

Phase 3: Small and Medium-sized Entities (SMEs)

The SMEs have been provided preparation time until July 7, 2019 and to start compliance with IFRS for SME based reporting.

These three phases of IFRS implementation actions can be regarded as the major translation processes that would require involvement of more stakeholders that strengthen the actor-networks to mobilize resources and actions towards the effective and efficient implementation of IFRS by reporting entities in the Ethiopian business environment. In view of this, more actors from various sectors (academia, preparers, accountancy professionals, auditors, regulatory bodies, government, foreign actors in terms of providing technical assistance etc.) need to be enrolled to mobilize the implementation of IFRS and in turn realize the expected macro-economic benefits to Ethiopia. In view of this, the strategic plan of the Board states that IFRS road map implementation task force comprising the public and private sectors which include government agencies, preparers and audit firms will be formed to support the stabilization of the IFRS adoption processes that would entail effective implementation of IFRS. According to this strategic document, there will be more involvement of actors in the IFRS implementation process in which case the interactions of more actors are expected.

The IFRS implementation road map strategic actions can be regarded as the last stages of the IFRS translation that would convert the new accounting regulatory frameworks and set up produced in terms of inscriptions to practices through IFRS based financial reporting by preparers and regulatory actions by the regulatory organ.

At this stage of the IFRS translation process, the Accountants and Auditors Board of Ethiopia will have key roles in coordinating and mobilizing efforts and resources that will lead to more actor-network constructions involving any concerned stakeholders which include the government agencies, audit firms, preparers, academia, professional associations, foreign institutions in terms of technical assistance and experience sharing etc.

Interestingly, the Ethiopian IFRS implementation strategic document implies strong actor-network interactions by enrolling more actors while mobilizing the IFRS transition process towards implementation by preparers through IFRS based financial reporting.

It was noted that banks, insurance companies and multinational companies have started reporting based on IFRS. Participant 1 noted that his employer audit clients have already

adopted IFRS and are being provided training about the methods of adoption of IFRS. It was noted that Deloitte consulting is promoting IFRS adoption training and is providing training to its clients and other organizations on demand. Currently, it provides training to banks, insurance companies and manufacturing companies. It is noted that full IFRS to be adopted for multinational companies, Insurance Companies and banks while IFRS for SMEs to be adopted for firms with smaller sizes and having no public interest.

Another evidence of mobilization enrolment that strengthened the network is that no curriculum has been designed in line with IFRS requirements in Ethiopia (or any other country national standards); the need for curriculum development in line with IFRS requirements was another concern raised by actors in the translation process of IFRS adoption (participant 2).

Investors require financial information that is useful for investment decisions; overseas loan providers require the adoption of IFRS (Participant 3). Donors require financial reports prepared in accordance with IFRS (Participant 3). There had been pressure from World Bank regarding the adoption of IFRS; the World Bank has a global initiative to recommend and initiate the improvement of the financial reporting framework and infrastructure of a country and hence the adoption of IFRS articulated through the ROSC study.

The WB initiated the IFRS adoption agenda through its ROSC study and the Chamber of Commerce was active actor in the ROSC project (Participant 4). Following the ROSC 2007 report, the Ministry of Capacity Building received the IFRS adoption project in 2009 and established a steering committee with two task forces: (a) to deal with the establishment of the National Accountants and Auditors Board of Ethiopia (AABE) and the professional accountancy body; and (b) to prepare the draft financial reporting law. The task forces were composed of practicing accountants (EPAAA), AAU, Civil Service University, Office of Audit General (OFAG) etc. After the task forces completed their respective projects and submitted to Ministry of Capacity Building, the Ministry (MCB) was dissolved and the IFRS adoption project ownership was transferred to Ministry of Finance and Economic Development. There have been debates among the steering committees whether to adapt or adopt the IFRS. However, IFRS compliance is expected

when fully implemented as it is indicated by the issuing body (IASB). It was indicated that the adoption of IFRS and IFRS for SMES were favored during the debates with justifications that establishing national standards (or adapting IFRS) would require more resources (costs) and that Ethiopia does not have the capacity to do that at this time. Once the task forces submitted their draft reports to Ministry of Finance & Economic Development, the task forces were dissolved and the Ministry of Finance & Economic Development assigned World Bank consultants for further assistance for the project (AABE).

There were debates between and among the different stakeholders regarding the separation of the roles of regulatory body and professional body. Professionals (academia, practicing accountants, auditors, audit firms etc.) advocated and argued for the establishment of independent professional accounting body, which deals with the professional matters: licensing, certifying and monitoring professional integrity and professional development of the country. On the other hand, government representatives argued for the existence of one legitimate body (now it is defined to be AABE) reporting administratively to the government body and is in charge both for the regulation of the accounting and auditing practices (accounting system) and the accountancy body (the profession) on the grounds that there is no capacity of establishing and handling two organizations with the current situation (with further justification of avoiding duplication of job and resource with one body). The Tanzanian experience was considered for this case (Participants commented). Furthermore, it was noted that the government representatives justified the necessity of only one body with the grounds that professional associations could share the roles when they develop their capacity. The professional associations on their part argued that there could be role mix up with one body handling the regulation role and licensing and certifying the profession; the independence of the profession and the regulation roles could be compromised. According to participant 4, the academia and the practicing professionals were advocating the IFRS adoption project whereas from the government side (ERCA, Ministry of Finance & Economic Development) there seemed to be doubts about the importance of IFRS to Ethiopia and the importance of the financial reporting laws during the translation process. It was indicated that there had been lack of appreciation of the importance of the accounting

profession and reporting system to the country's economy. The IFRS agenda was promoted to major stakeholders through conferences, discussion forums which helped to develop a shared understanding about the necessity of adopting IFRSs. The ACCA office in Ethiopia played an important role in the IFRS adoption project through lobbying and arranging discussion forums regarding IFRS adoption in collaboration with the academia to create awareness though it did not have a direct role (played an indirect role). Participant 4 noted that audit firms have played role in the IFRS adoption project through their representative (EPAAA); which was represented in the technical committees. It was noted that there had been no direct role of IFAC and IASB for IFRS adoption project in Ethiopia, but indirectly though providing the standards. Now the financial reporting law has been already issued and the AABE has been established and is on board to carry out the way forward IFRS adoption (implementation) activities. The board is carrying forward the licensing activities which have been done by OFAG. According to this participant, had there been an independent professional body, there could have been a strong possibility and opportunity for enhancing the professional capability and its contribution for the effective and efficient implementation of IFRS in Ethiopia.

It was argued that full IFRS adoption would be too complex for the needs of the prevalent Ethiopian business environment given that IFRSs are formulated based on the assumption of an advanced market-based economy (Participant 6). The other alternative for Ethiopia is to adapt or amend depending on the Ethiopian business contexts. It was noted that the adoption option would be a huge challenge as the accounting graduates are not aware of the IFRS reporting system. Participant 6 raised the concern that the audit firms could face challenges while the IFRS is being implemented given their limited capacities to cope up with the changes. He noted that the audit fees are low. He recommended that the auditing and accounting practices shall be regulated by the board in a way that they enhance their capacities and contribute more to the professional development, accounting and auditing practices and to the IFRS adoption. He noted his concern about the accounting skills of the preparers that the reports are being prepared with limited qualities.

Following the ROSC project, the Auditor General (OFAG) then Ministry of Capacity building firstly took the ownership of the IFRS adoption project then after the Ministry of

Finance took the ownership of the project (participant 7). The IFRS adoption debates started in 2002. Participant 7 noted the notion that the adoption of IFRS would be required to enhance the Ethiopian financial reporting environment for stock market establishment in the long term; a stock market requires strong financial infrastructure. He reflected the role of Globalization pressure; the requirement of multinational companies-consistency, comparability and quality financial information needs for economic decisions as some of the factors driving the adoption and expansion of this global financial architecture. Adoption of IFRS was the right option according to this participant in view of the cost considerations as the resources required to establish national standards would be prohibitive given the current capacities that Ethiopia have. According to this participant, the IFRS adoption processes in Ethiopia can be classified in the following phases: Phase 1: before 2000, Phase 2: 2000-2007, Phase 3: 2007-2014 and Phase 4: 2014/2015 onwards.

The accounting practices were traditional and fragmented and were governed by GAAP which was not clearly defined. The auditing practices were based on the fragmented accounting practices. He said, in 2000, the pre-2000 accounting and auditing practices were questioned by some of the professionals. Despite a general reference to GAAP, this concept lacked clarity because there was no any accounting framework accepted by Ethiopia (there were fragmented and traditional accounting practices). The audit reports were questioned as they were prepared based on fragmented accounting practices (with no accounting frameworks).

After 2000, following the EU initiatives, the IFRS enters the market and some of the audit firms by their initiatives started to apply IFRS partially as the professionals were ACCA qualified auditors. However, there were debates among some professionals against and for IFRS application. Participant 7 noted that he advocated for application of IFRS, whereas others argued that IFRS would not be necessary for Ethiopia. During 2007, there were debates for and against for ISA and IFRS adoption. It was noted that HST was in favor of ISA and IFRS, whereas others were against, they even wrote petition against the application of those standards. It was noted that chamber of

commerce prepared (workshop, conference) during 2007 as part of the initiatives taken in IFRS adoption processes.

In 2007, Federal Audit General (OFAG) initiated the ROSC study to be conducted by the World Bank. He noted that, in Feb 2008, the ROSC report was submitted and presented to stakeholders chaired by the two key stakeholders (Ministry of Capacity Building and Auditor General) basically ministry of capacity building. Then, national steering committee was established in 2008 under the Ministry of Capacity Building with committee members from key institutions and in 2009, two national technical committees were established with about 7-8 members each. These committees include:

1. Professional structure and governance committee- Committee established to work on the draft for the establishment of the professional body and organization structure of the regulating body
2. Legal framework committee- Committee established to work on the draft of the financial reporting proclamation

Legal framework committee

During this stage of the translation process, there were debates for and against IFRS adoption. The deliberations were also regarding the lack of standards in Ethiopia. The main debates were conducted in May 2009 (no details). After completing their tasks, the technical committees arranged a work shop (Participant 7 noted). After Ministry of Capacity Building, the Ministry of Finance & Economic Development took the ownership of the IFRS project. Initially, the government representatives did not accept reports delivered by the technical committees; the legal frameworks were subject to criticism. The technical committees' stand was that the regulating body for accounting and auditing practices and the professional associations (ICPAE) should be separate independent, and the technical committees framed the legal framework based on this assumption of separation of the professional body and regulating body. However, representatives from the government side wanted the existence of only one body which is responsible to regulate the profession and the accounting and auditing practices of the country. Under this arrangement, the professional associations are to be accountable for the single body (AABE). The professionals accepted the view that the professional body shall be accountable for the single body, the AABE for some periods of time taking into account the lack of commitment and capacity from the professional's side. He told me

that, in 2011, the government established its own focus group committees for which this participant was a member to discuss and amend the draft reports prepared by the technical committees. Conference was held to discuss the issues involving participants from different stakeholders.

Participant 11 stated that lack of knowledge of the IFRS practice could be worth noting challenge that could be faced in the phase of IFRS implementation; this participant noted that professionals need to have exposure to international practices.

4.5 Analysis and Discussions of the Results

This study has examined the process of IFRS adoption project and its implications in the implementation phase in Ethiopia by locating this process in the context of the interplay of the state, the accounting professionals, the business community and supranational institutions (SNIs). The study shows how the state power in the institutionalization of IFRS in an economy where the state sector is predominant in the economy played significant role in mediating the actor-networks involving the national actors and the globalizing forces while managing the process in the context of promoting macroeconomic rationales of enhanced financial reporting supported by IFRS. Assemblages of actors were involved in the IFRS adoption process in which indigenous powers were not necessarily passive recipients of IFRS. Rather, the Ethiopian state has led the adoption process actively and articulated the explicit ration of the project via negotiations with SNIs.

This paper argues that this process has been neither an importation of standards through plain diffusion nor an imposition by international agencies. Instead, the process involves a complex process of actor-network construction that creates conditions of possibility for IFRS adoption. It is argued that the interrelation between accounting, state and supranational institutions in developing countries is necessary to understand IFRS adoption especially in non-market based economies. This paper analyses IFRS adoption in Ethiopia as part of integrating the country into the global economic arena, in which case the translation of the country's accounting regulatory landscape into a framework that is suitable to IFRS based reporting is required. The political economic factors could drive changes in accounting (Cooper and Sherer, 1984). The processes take in various

arenas of society (Burchell et al., 1985) such as national economic management imperatives articulated through government policy. As purported functional roles of accounting tools and their practical roles might differ (Burchell et al., 1985), the study of IFRS adoption needs to take this view into account. These states of affairs were in existence as non-market centric nature of the economy and lack of distributed ownership of companies did not presuppose high quality, standardize external reporting. While this domestic context and the absence of overseas listed Ethiopian companies did not transpire the urgent need for IFRS adoption, Ethiopia has been part of the global move for international integration of the global economy and the associated reforms including IFRS adoption (Mihret and Bobe, 2014).

Participant 6 suggested his view that full adoption of IFRS would be very difficult for Ethiopia under the current situations and capacities; he justified his views that even the USA with big capabilities did not fully adopt IFRS even though it is under the convergence process. He said that IFRS is formulated based on the developed countries' context; it is a UK based reporting system and is capital market oriented ; it is worth noting that Ethiopia does not have capital market at this time. He said that due to the complexity of IFRS and the nature of Ethiopian business environment, the full adoption would not be advisable for Ethiopia at this time; rather Ethiopia shall adapt or amend accordingly depending on the Ethiopian business contexts. In contrast, participant 7 and 8 advocate the adoption option rather than adaption with the notion that adaption of IFRS could be too costly to Ethiopia at this time. Participant 10 on his part stated that IFRS is developed based on other countries' context; hence, Ethiopia can adapt this technology based on its context.

It was noted that the accounting graduates are not aware of the IFRS reporting system, let alone IFRS even the basic accounting skills are also being compromised in this cotemporary period. It was remarked that the AABE under its current situation being in its beginning stage has limited capacity and hence cannot be able to discharge its responsibilities. Hence, it was suggested that AABE needs to have enough human resources both in number and qualifications to discharge its responsibilities.

It was noted that the Board needs to be staffed with persons having accounting professional qualifications and related disciplines with sufficient numbers and experiences in the accounting and auditing practices. In order to follow up and update changes made in IFRS by IASB, the board shall have sufficient personnel with the necessary qualifications, experiences and number. The board shall get experiences from other countries' best practices and experiences. It was emphasized that the board shall enhance its capacity in terms of logistics, human resources and administration in order to effectively implement IFRS in Ethiopia. In order to ensure the implementation (compliance of IFRS) in Ethiopia, the board shall have sufficient human resources with experiences in accounting and auditing practices and professional qualifications. In addition, it was noted that there is concern that the audit firms could face challenges while the IFRS is implemented given their limited capacities to cope up with the changes (changes from the unregulated auditing practice to regulated practice having legal consequences upon non-compliance of the regulation set in the accounting law).It was noted that the audit fees are low and hence, it was recommended that the auditing and accounting practices shall be regulated by the board in a way that they enhance their capacities and contribute more to the professional development , accounting and auditing practices and to the IFRS implementation. It was stated by most participants that the accounting skills of the preparers are low and that the reports are being prepared with limited qualities. Participant 6 noted that the professional auditors are not committed to strengthen the professional associations like EPAAA and Association of External Auditors due to their engagement in their day today activities for subsistence.

Chapter Five

Conclusions and Implications

5.1 Conclusions

This study has examined the IFRS adoption process starting from the traces of inscriptions relating to accounting reforms that preceded the adoption of this technology and its implications for the implementation phase by locating the process in the interplay of national and transnational forces in the context of integrating Ethiopia into the global economic arena. By drawing on Actor Network Theory (ANT), the study theorizes IFRS adoption as a product of the translation processes conducted in the last two decades and the Ethiopian efforts to integrate the country into the global economic arena through IFRS infrastructure that served as an origin of the agenda to examine and suitably reconstruct the accounting regulatory landscape in the country. The interpretations of this study illustrate that improved financial reporting environment supported by IFRS was viewed as a key Obligatory Passage Point (OPP) for Ethiopia's access to external source of finance. It can be concluded that while IFRS adoption is explained by the global move of this technology as a global governance mechanism (Chua and Taylor, 2008), institutionalization of this technology as an inscription occurs as a construction of actor-networks involving actors such as the state, accounting, professionals and international financial institutions.

This study illustrates that the IFRS adoption in the Ethiopian context is the result of the translation processes involving the actor-networks of the state, accounting, professionals, the private sector and international financial institutions while the state, i.e., the Ethiopian government, played a management and mediating role of the translation processes in the context of promoting macro-economic management rationales of enhanced financial reporting supported by IFRS.

The study shows that while the Ethiopian IFRS adoption experience illustrates the macro-economic rationale driven nature of IFRS adoption, the rationales and the processes of

translating the idea into Ethiopian context illustrates the socially constructed nature of IFRS adoption.

These economic imperatives led to the development of actor-networks involving the Ethiopian actors and IFIs to develop streamlined accounting regulatory landscape that is suitable for IFRS based financial reporting. Accordingly, Ethiopia has established new financial reporting regulatory environment by issuing financial reporting proclamation and establishing regulatory body.

In view of this, Ethiopia has officially mandated IFRS adoption in 2014 and subsequently established the AABE, which has taken its office as a new accounting regulatory organ of the country under the umbrella of the MoFED. The board has already designed and approved five years IFRS implementation strategic plan for which the effects are expected to be realized within the years to come and that the reporting entities are expected to be compliant with IFRS based financial reporting until 2019 deadline.

5.2 Implications

This study tried to examine the Ethiopian IFRS adoption process from the traces of inscriptions beginning from the early 1990s to the present time, 2015 in the context of actor-network construction involving the national and international actors while advancing towards the establishment of the Ethiopian accounting regulatory and reporting framework that is suitable to IFRS based reporting. Currently, the Ethiopian IFRS adoption has already been officially mandated by financial reporting proclamation No.847/2014 and Regulation No.332/2014 for the establishment of the regulatory body (AABE), which has already established its offices and started its activities. While this regulatory landscape is an outcome of the IFRS adoption processes conducted so far, they serve as precursor to the IFRS implementation in the future by reporting entities. They are not ends by themselves but the means to an end that is IFRS implementation and its effects in the Ethiopian business environment. The study shows that the Ethiopian IFRS implementation activities need to have more enrollments of national actors involving all the concerned stakeholders of the accounting profession, academia, private sectors, government, public enterprises and organizations, etc. and international actors in terms of

experience sharing and technical assistance in coordinated manner to achieve the IFRS implementation strategic objectives.

This study argues that the role of the accounting profession in the country's macro-economic management and IFRS implementation in particular would be very significant. Hence, the AABE needs to coordinate all concerned stakeholders to establish a strong and independent accountancy professional body with self-regulation which will contribute to the development of the profession and in turn to the enhancement of the financial reporting environment in the country.

The study shows that there is little commitment and low capacity among accounting professionals to contribute to the development of the profession and the practice as well. Hence, this study suggests that the accountancy professional associations and members, members of the accounting profession and others who are involved in the accounting and auditing practices need to have more commitment to organize and coordinate resources in collaboration with all concerned stakeholders to contribute their level best to the development of the profession and in turn to the accounting and auditing practices in the country.

This study suggests that more efforts need to be coordinated to build the capacity of preparers in terms of financial reporting knowledge within the framework of the IFRS before enforcing the financial reporting law in the case of non-compliance with IFRS by preparers. This implies that the Accountants and Auditors Board of Ethiopia needs to ensure that all concerned reporting entities are trained and well acquainted with IFRS based reporting practices. In order to discharge its national responsibilities at the best of achieving enhanced financial reporting practice in the country, the AABE needs to work in coordination with all concerned stakeholders such as: the audit firms and professional associations, preparers, government, academia, international institutions and with other countries having the experience of implementing this infrastructure.

Regarding the academia, concerned curriculum developers need to incorporate the IFRS education in the business curriculums as soon as possible to enhance the IFRS based financial reporting knowledge among accounting graduates.

5.3 Potential Future Research Areas

This study indicates that Ethiopia has already mandated officially the adoption of IFRS in 2014. However, the implementation and its effects are yet to be realized in the future as described by the AABE five years IFRS implementation strategic plan. In view of this, this paper examined the IFRS adoption processes with the traces of inscriptions since the early 1990s till the current time, December, 2015. Various literatures from other countries experience show that there are a lot of research areas to be studied in the phase of IFRS implementation by reporting entities.

The researcher would like to highlight the following potential research areas for future research during the IFRS implementation phase by reporting entities:

- Evaluation of the IFRS implementation status by reporting entities: Challenges and problems.
- The effect of IFRS implementation on the development of the Ethiopian Economy
- The effect of IFRS implementation on corporate governance
- The assessment of the overall consequences (effects) of IFRS implementation and regulation in the Ethiopian Economic environment.
- The effect of IFRS implementation on the accountancy profession, accounting and auditing practices: achievements on the development of the profession and its practices

References

- Accountants and Auditors Board of Ethiopia (AABE) five years strategic plan 2015/16-2020/21. (n.d.).
- Ali, M. J. (2005). A synthesis of empirical research on international accounting harmonization and compliance with international financial reporting standards. *Journal of Accounting Literature* 24:1 .
- Alp and Ustundang. (2009). Financial Reporting Transformation: The Experience of Turkey. *Critical Perspectives on Accounting* , 680-699.
- Apostolos, Ballas, Skoutela, D., & A.Tzovas, C. (2010). The Relevance of IFRS to an Emerging Market: Evidence from Greece. *Managerial Finance* , 36 (11), 931-948.
- Armstrong, C., Barth, M., Jagolizer, A., & Riedl, E. (2007). Market Reaction to the IFRS Adoption in Europe. [HTTP://SSRN.COM](http://SSRN.COM).
- Armstrong, P. (1994). The influence of Michel Foucault on accounting research. *Critical Perspectives on Accounting* 5 (1):25-55 .
- Arnold, P. J. (2009). Global financial crisis: The challenge to accounting research. *Accounting, Organizations and Society* 34 (6):803-809 .
- Baba, U. (2013). Assessing Nigeria's Journey towards IFRS Adoption. *Information Management and Business Review*, Vol.5, No.10, PP.505-513, Oct 2013 (ISSN 2220-3796) .
- Ball, R. a. (2005). Earnings quality in UK private firms: comparative loss recognition timeliness. *Journal of Accounting and Economics* , 39 (1):83-128.
- Ball, R. (2006). International Financial Reporting Standards (IFRS): Pros and Cons for Investors . *Accounting and Business Research* ,36: , Sup1,5-27.
- Benería, L. (1995). Response: The Dynamics of Globalization. *International Labor and Working-Class History* (47):45-52.
- Bloomfield, B. P. (1992). Management consultants: systems development, power and the translation of problems. *The Sociological Review* , 40 (3):533-560.
- Burchell, S. C., & Hopwood., A. G. (1985). Accounting in its social context: Towards a history of value added in the United Kingdom . *Accounting, Organizations and Society* , 10 (4):381-413.

- Callon, M. (1986). Some elements of a sociology of translation. "Domestication of the scallops and the fishermen of St. Brieuc Bay." *I Technoscience. The politics of intervention*, redigert av Kristin Asdal, Ingunn Brenna, og Ingunn Moser:57-78 .
- Callon, M., Courtial, J.-P., Turner, W. A., & Bauin, S. (1983). From translations to problematic networks: An introduction to co-word analysis. *Social Science Information* , 2 (22):191-235.
- Carmona, S., & Zan., L. (2002). Special Section: Mapping variety in the history of accounting and management practices. *European Accounting Review* 11 , (2):291-304.
- Chua, W. F., & Poullaos, C. (1993). Rethinking the profession-state dynamic: the case of the Victorian charter attempt, 1885–1906. *Accounting, Organizations and Society* , 18 (7):691-728.
- Chua, W. F., & Taylor, S. L. (2008). The rise and rise of IFRS: An examination of IFRS diffusion. *Journal of Accounting and Public Policy* , 27 (6):462-473.
- Cooper, D. J., & Sherer, M. J. (1984). The value of corporate accounting reports: Arguments for a political economy of accounting. *Accounting, Organizations and Society* , 9 (3–4):207-232.
- Cooper, D. J., Ezzamel, M., & Qu., S. (2012). Popularizing a management accounting idea: The case of the balanced scorecard. *University of Alberta School of Business Research Paper (2013-03)* .
- Cox, R. W. (1987). *Production, Power, and World Order*. edited by R. W. Cox. Vol. 1. New York: Columbia University Press.
- Cresswell, K., & A.Worth, e. a. (2010). "Actor-Network Theory and its role in understanding the implimenation of information technology development in healthcare." *BMC Medical Informatics and Decision Making*. .
- Deng. (2013). *The EU's Adoption of IFRS and the Implication for China:In the Perspective of Accounting Quality and Information Comparability*,MA thesis.
- Draft Constitution bye-laws of Institute of Certified Public Accountants of Ethiopia, Technical Committee for establishing the Professional body, 2010. (n.d.).
- Draft Financial Reporting Law of Ethiopia ,Technical Committee for Drafting Financial Reporting Law of Ethiopia 2010. (n.d.).

- Draft Organization Structure and Scope of Activities of the National Accounting and Auditing Board of Ethiopia, Technical Committee for establishing AABE and the Professional Body 2010. (n.d.).
- Evaluation of National Accounting and Auditing Development Program (ENAADP Feb 1999). (n.d.).
- Ezzamel, M., & Xiao, J. Z. (2015). The development of accounting regulations for foreign invested firms in China: The role of Chinese characteristics. *Accounting, Organizations and Society* , 44:60-84.
- Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia, Council of Ministers Regulation for the establishment and determination of Accounting and Auditing Board of Ethiopia(AABE), Regulation No.332/2014, Addis Ababa 14th January, 2015. (n.d.).
- Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia, Financial Reporting Proclamation No. 847/2014, Addis Ababa 5th December,2014. (n.d.).
- Feyissa, D. (2011). Aid negotiation: The uneasy “partnership” between EPRDF and the donors. *Journal of Eastern African Studies* , 5 (4):788-817.
- Gill, S. R., & Law, D. (1989). Global Hegemony and the Structural Power of Capital. *International Studies Quartely* , 33 (4):475-499.
- Gizaw, S. (2009). Global pendulum for local financial reporting . Addis Fortune, May 2009,Addis Ababa.
- Grint, K., & Woolgar, S. (2013). *The machine at work: Technology, work and organization*: John Wiley & Sons.
- Gyasi, A. (2009). *Adoption of IFRS in Developing Countries: The case of Ghana* ,MA thesis.
- Hail, L., Leuz, C., & Wysocki, P. (2010). Global Accounting Convergence and the Potential Adoption of IFRS by the United States: An Analysis of Economic and Policy Factors.Working paper. Available at [HTTP://SSRN.COM/abstract=13573315](http://SSRN.COM/abstract=13573315).
- Hoyle, Schaefer, & Douppnik. (2009). *Advanced Accountingc* (9th ed.). McGraw-Hill.

- Humphrey, C., Loft, A., & Woods, M. (2009). The global audit profession and the international financial architecture: Understanding regulatory relationships at a time of financial crisis. *Accounting, Organizations and Society* , 34 (6):810-825.
- IFRS Adoption and Implimentation in Korea and Lessons Learned . IFRS Korean Country Report. (2012).
- Ivrine, H., & Lucas, N. (2006). The Rationale and Impact of the Adoption of International Financial Reporting Standards on Developing Nations :The case of United Arab Emirates. In proceedings 18th Asian Pacific Conference on International Accounting Issues, (pp. 1-22). Maui,Hawii.
- Jermakowicz, E., & Gornik-Tomaszewski, S. (2006). Implimenting IFRS from the Perspective of EU PubliclyTraded Companies . *Journal of International Accounting ,Auditing and Taxation* , 15(2),170-196.
- Jessop, B. (1994). PostFordism and the state. *Post-Fordism: a reader*:251-279.
- Joshi, et al. (2014). *International Journal of Research in Commerce, IT & Management* , 4 (4).
- Karampinis, N. I., & Hevas, D. L. (2011). Mandating IFRS in an unfavorable environment: The Greek experience . *The International Journal of Accounting* , 46 (3):304-332.
- Kothari, C. (1990). *Research Methodlogy,Methods and Techniques* (2th ed.). New Age International (P) Ltd.,Publishers,India.
- Latour. (1996). On actor-network theory: a few clarifications. *Soziale welt*:369-381. .
- Latour, B. (1978). *Scinece and Action*. Milton Keynes: Open University Press.
- Latour, B. (1986). The powers of association. *Sociological Review monograph* , :264-280.
- Law. (1992). Notes on the theory of the actor-network: Ordering, strategy, and heterogeneity. *Systems practice* , 5 (4):379-393.
- Law, J. (1987). Technology and heterogeneous engineering: the case of Portuguese expansion. . *The social construction of technological systems: New directions in the sociology and history of technology* , 1:1-134.

- Levant,y, Berland.N, & Alcouffe.S. (2008). Actor-Networks and the difussion of management accounting innovations : A comparative study. *Manangement Accounting Research* , 19:1-17.
- Manfred, B. S. (2003). *Globalization: A very short introduction*: Oxford University Press, Oxford, New York.
- Mathews, & Perera. (1996). *Accounting Theory and Development* (3th ed.). Melbourne: Thomas Nelson Australia.
- Mihret, D.G., Alshareef, M., Ayman, B., 2014. Accounting professionalization and the state: the case of Saudi Arabia, paper Presented Accounting Research Seminar,December 2014, Melbourne Deakin University, Australia.
- Mihret, D. G., & Bobe, B. J. (2014). Multiple informal imperial connections and the transfer of accountancy to Ethiopia (1905 to 2011). *Accounting history*, 19 (3):309-331.
- Mihret, D. G., James, K., & Mula, J. M. (2012). Accounting professionalization amidst alternating state ideology in Ethiopia. *Accounting, Auditing & Accountability Journal* , 25 (7):1206-1233.
- Mihret, D.G., Grant, B., 2015. The role of internal auditing in corporate governance: a Foucauldian analysis" *Accounting, Auditing and Accountability Journal*, Forthcoming.
- Obazee. (2007). *Current Convergence Efforts in Accounting Standard Setting and Financial Reporting*: Los,Nigerian Accounting Standard Board,January 31.
- Obazee, J. (2008). *Towards Actualizing the Reliability of Financial Reporting in Nigeria: The Role of the Nigerian Accounting Standards Board* . *The Nigerian Accountant*,41(4),19-21 .
- Odia, J., & Ogiedu, K. (2013). IFRS Adoption : Issues,Challenges and Lessons for Nigeria and other adopters. *Mediterranean Journal of Social Sciences* , 4 (3).
- Perry, J., & Nölke, A. (2006). The political economy of international accounting standard. *Review of international political economy* , 13 (4):559-586.
- Peterson, S. B. (2001). *Financial Reform in a devolved African Country: Lessons from Ethiopia*. *Public Administration and Development* , 21 (2):131-148.

- Prather-Kensey, J. (2006). Developing Countries converging with developed country accounting standards: Evidence from South Africa and Mexico. . *The International Journal of Accounting* , 41(1),141-162.
- Quigley, J. (2007). Delotte & Touche World Meeting, Berlin Germany.
- Reports on Observance of Standards and Codes on Ethiopia(World Bank , 2007).
- Robson, K. (1992). Accounting numbers as “inscription”: action at a distance and the development of accounting. *Accounting, Organizations and Society* , 17 (7):685-708.
- Rong-Ruey. (2006). Convergence of Taiwan's Financial Accounting Standards with International Financial Reporting Standards:Past,present and outlook,Accounting Research and Developement Foundation,Twaiwan.
- Scapens, R. W. (2004). Doing Case Study Research In The Real Life Guide to Accounting Research: A Behind-the-Scenes View of Using Qualitative Research Methods, edited by C. Humphrey and B. Lee. Oxford, UK: Elsevier, 257-279.
- Singleton, V., & Michael, M. (1993). Actor-networks and ambivalence: General practitioners in the UK cervical screening programme. *Social studies of science* , 23 (2):227-264.
- Sunder, S. (2007). Adverse Effects of Accounting Uniformity on Practice,Education and Research Working Paper. Available at [HTTP://SSRN.COM/abstract=1028517](http://SSRN.COM/abstract=1028517).
- Tesfu. (2012). The Adoption of IFRS in Ethiopia: Benefits and Key Challeges.
- United Nations Conference on Trade and Development: Country case Studies on IFRS.August, 2008.
- Walsham, G., & S.Sahay. (1999). GIS for District Level Administrationin India: Problems and Opportunities . *MIS quarterly* 23(1):39-65.
- Watts, R. (1977). Corporate Financial Statments: A Product of the Market and Political Processes. *Journal of Management* , 52-75.
- Watts, R., & Zimmerman, J. (1986). *Positive Accounting Theory*,Englewood Cliffs,NJ;Prentice-Hall.
- Whittington, G. (2005). The adoption of International Accounting Standards in the European Union. *European Accounting Review* , 14:1,127-153.

- Wong, P. (2004). Challenges and Success in Implementing International Standards: Achieving Convergence to IFRS and IASs (New York: IFAC).
- Yin. (1994). Case study research: Design and methods. London: Sage Publications Inc.
- Yin, R. K. (1981). The Case Study Crisis: Some Answers. *Administrative Sciences Quarterly*, 26 (1):58-65.
- Zori, S. (2015). The Transnational Adoption of International Financial Reporting Standards in Africa, MSC thesis.

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance
Interview Check list on IFRS adoption processes in Ethiopia

Dear Participants,

The purpose of this interview checklist is to collect data for research work (thesis) on IFRS adoption process in Ethiopia as a requirement for partial fulfillment of MSC degree in Accounting and Finance at Addis Ababa University. The study aimed at assessing the overall IFRS adoption process in Ethiopia, related issues and implications to reflect the Ethiopian experience and put point of reference for Ethiopian IFRS adoption practices and recommend ways for implementation.

I would like to kindly request you to review the stated interview points indicated below for your analysis and readiness for the face-to face interview at your good office and convenient time. Your opinions, ideas and expectations as member of the accounting profession and as per your roles in the Ethiopian IFRS adoption processes would be very important inputs to conduct this study and in turn will have important implications for Ethiopian accountancy practices and IFRS implementation in particular. Your objective and genuine responses are very valuable for the successful completion of this study.

I would like to assure you that the information you provide will be presented in this study with high level of responsibility and professionalism and will be used exclusively for academic purposes.

I thank you very much in advance for your cooperation and sacrificing your valuable time!!!

With Kind Regards,

YitayewMihret

IFRS Adoption Process: the Ethiopian Experience

A. Interviewee's Profile

Date of interview: _____ Location: _____

Time started: _____ Time completed: _____

Interviewee profile:

Employer: _____

Role in the IFRS adoption project:

B. General questions about IFRS

1. How did the accounting reforms relate to other components in the Ethiopia's overall private and public sector reform agenda?
2. What is the current status of the IFRS adoption projects? Are companies now reporting based on IFRS?
3. What were the overall processes of IFRS adoption in Ethiopia (starting from initiation of the IFRS adoption project till the current status)? The following issues shall be discussed:

(Project initiation, stakeholders involved, debates and rationales for IFRS adoption, challenges faced and their solutions, Conceptual design and map of the IFRS adoption, regulatory bodies and institutional arrangements, financial reporting infrastructure reform and development , amendments made for laws and proclamations , education & training(professionalism) , possibly the way forward issues can also be discussed etc).

C. Detail Interview Check list

Phase 1: Exploring limitations and issues of pre-IFRS framework and rationale for IFRS adoption

1. Who were the main actors/stakeholders in the IFRS adoption process? What were their roles and influences? List of actors(stakeholders)
2. How did the IFRS adoption agenda originate and get promoted to major stakeholders? Did the idea originate from within Ethiopia or were there some pressures from the globalising external world? Who initiated the IFRS adoption project and who advocated the project? When? How? Why?
3. How were the rationales for IFRS adoption articulated? What were the identified problems/issues in the Ethiopian financial reporting framework that were supposed to be addressed through IFRS adoption? What were the debates?
4. What were the implications of IFRS adoption to each actor (or groups of actors)? How were actors/stakeholder's views reconciled, if there were differing view?
5. What were the challenges/problems encountered at this phase of the IFRS adoption process and how were the challenges resolved? How were key actors/stakeholders persuaded?

Phase 2: Development of conceptual design of the IFRS for Ethiopia

6. What were the processes for designing conceptual map of the legal and regulatory framework necessary for IFRS-based financial reporting? (Laws, regulatory agencies, educational/training, financial reporting infrastructure, etc.)
7. What adaptations or modifications to the IFRS considered and made? Did the various groups of actors/stakeholders hold divergent views on this issue?
8. What other issues/concerns were raised by each group of actors during this phase and how were the issues settled?

Phase 3: Proclamation and implementation of IFRS by reporting entities

9. What were the amendments to the legal framework (e.g., issuance of the financial reporting proclamation) associated with IFRS adoption? How difficult was it to get those amendments?
10. Did any issues surface after implementation? (The implications and way forward issues can also be discussed.

D. Supplementary Interview Questions

1. What were the major components (phases) of the IFRS Adoption project (process) in Ethiopia?
2. What challenges were faced in the IFRS adoption project (processes) and how were those challenges addressed and resolved?
3. What were the factors affecting the IFRS adoption process in Ethiopia?
4. What measures are taken and to be taken for effective implementation of IFRS in Ethiopia?
5. What are the achievements materialized so far of the IFRS adoption process in Ethiopia? (Progresses, phases etc).
6. What are the implications of IFRS adoption process in Ethiopia?
7. What are the expected activities to be performed?(Public awareness creation, education and training, professionalism and professional body, institutional and regulatory issues, etc)
8. What is the planned and expected deadline of IFRS full adoption in Ethiopia?
9. What are the expected outcomes (benefits) of IFRS adoption when fully materialized?
10. Were there any expected professional supports from international experience? If so, what are they?
11. Is there any preparation period set before the full and effective implementation of IFRS in the Ethiopian business environment?
12. Are there any established regulatory organs which are in charge of monitoring enforcement issues, compliance and consistency of IFRS adoption in Ethiopia?
13. What is your role in the IFRS adoption and implementation processes?

14. What is your opinion on the timeliness of IFRS adoption in Ethiopia?
15. What is your option on the challenges that Ethiopia may face on the way to IFRS implementation?
16. What is the IFRS implementation plan?
17. To what degree have the companies adopted IFRS?
18. What is the role of professional associations for the professional development and IFRS implementation?
19. What is the state of accounting professionalization in Ethiopia (Curriculum relating to IFRS) and its impact on IFRS implementation?

Note: the interviewees are not expected to limit themselves only to the issues and questions listed in the above check lists; they are also kindly requested to provide the interviewer with information (data) which they consider are relevant and related to IFRS Adoption process in Ethiopia(Just briefing the overall IFRS adoption processes).

Thank you!!!