

The role of the professional public sector accountancy body in effective public administration

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AT THE HEART OF
PUBLIC SERVICES



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CIPFA has a unique focus on and interest in good governance and good financial management within the public services. We are committed to enhancing the skills and knowledge of public finance practitioners around the world in both developed and developing countries.

CIPFA has a Strategic Grant Agreement (SGA) with the UK's Department for International Development (DFID) which commits DFID & CIPFA to raising awareness of international development issues, particularly the campaign to eradicate poverty in the developing world and the role that finance professionals and sound financial governance can play in meeting this aim.

The agreement has enabled CIPFA to enhance its capability to assist institutional capacity building and the enhancement of the knowledge of public finance practitioners globally.

Capacity building is a defining theme of this paper. It examines the link between economic growth in developing countries and the role of effective public administration. It details the benefits of establishing and developing accounting professional bodies and the provision of training and support. It demonstrates how sound financial management is at the heart of good governance.

The paper draws on a case study of these principles based on work by CIPFA in Ethiopia in 2005. We would like to acknowledge and thank the support of the World Bank and DFID who provided seed funding for the initial scoping visit.

It is timely for this paper to be launched at the "Africa Region Learning Workshop: the role of the accounting profession in economic development" to be held in Nairobi, Kenya 28-29 September 2006. It builds on the issues being discussed at this important event. We hope that delegates find it a helpful contribution to their discussions and useful guidance for their own countries.

Steve Freer
Chief Executive
Chartered Institute of Public Finance and Accountancy.

Reducing poverty is at the top of the global development agenda, having been placed there fairly and squarely in 2000 when the UN published its *Millennium Development Goals* (MDG). For major development agencies like the UK's *Department for International Development* the MDGs are now the centre piece of their international efforts. There are no easy answers to the challenges implicit in the MDGs, and the recent cautionary announcements by the World Bank and others regarding the likelihood of some of the key targets being achieved in the timescale proposed ought to be evidence enough of that. *G8 or Live 8*, eliminating poverty on a global scale will require more than simply increasing the totality of funds provided.

Our Common Interest, the Commission for Africa report published in March 2005, took, perhaps understandably, a bullish and highly positive view of the art of the possible. Whilst recognising that the rich world was "falling behind on its pledges to the poor", and that nowhere more so than in Africa, the report confidently asserted that "2005 is also the year in which it is becoming clear to the outside world that things are changing on the continent" and that "Africa, at last, looks set to deliver". Despite being one-third of the way towards the target date of 2015 for halving world poverty, and with many countries showing signs of going backwards rather than forwards, the report claimed to present a "coherent package for Africa" that offered the prospect of turning "the vision of a strong and prosperous Africa into a reality".

There are doubtless many conditions that will have to be met if Africa is to become "strong and prosperous", certainly within the kind of time scale envisaged in the MDGs. With around one in

five people living on incomes of less than \$1 a day the prospect of raising them out of the dire conditions that such low incomes imply is daunting to say the least. Improving access to education, reducing health inequalities, securing access to safe and reliable sources of clean drinking water, achieving sustainable environmental development, and ending conflict count amongst some of the greatest challenges. Yet even if all of these problems could be solved overnight, there would still remain one key issue: how to establish good governance and through that move away from the very low rates of economic growth (even declining economic activity) displayed by these low income countries. Despite some improvement in recent years, "getting systems right"—strengthening governance and increasing capacity—was given a high priority by the CFA report. There now seems to be a consensus that implementing successful policies for securing continued good governance and through that uninterrupted economic growth lies at the heart of any lasting solution to the serious problems that are associated with such low incomes.

"Without progress in governance, all other reforms will have limited impact"

Our Common Interest

Of course, and as the CFA report recognised, building capacity takes both time and commitment. Many areas need to be addressed: there needs to be enough staff, properly trained, operating the right kind of systems, producing good information. Neglect any one of these variables, and the benefits from the others can often be almost entirely negated. Donors can do

a lot to help here, although only if they show a greater ability to “join up the dots” than has been the case up until now. Despite the often very well founded concerns about the way in which donor funds have been properly targeted, few commentators are seriously suggesting that donors cut back on their aid budgets. “Getting systems right”, for all that it may sound simple, even simplistic to some, is absolutely central to solving the problems of countries in Africa and elsewhere.

Systems, of course, exist within an environment, and, as is certainly the case with the social systems that are referred to here, communicate with that environment. A toxic environment will cause even the best designed system to fail. Corruption, mismanagement, fraud and incompetence are all too common examples of the kind of toxic elements that have prevailed in many African countries in the past. When these symptoms are displayed in the machinery of government then the result is all too familiar to the observer of recent times. “Getting the systems right” means getting the government right too.

“To increase absorptive capacity further...public financial management [must improve]”

Our Common Interest

Experience around the world has shown that there is a crucial need for the establishment of a disciplined approach to the management of government, including the targeting of scarce resources on achieving key objectives. Only through the existence of a well managed and

stable government sector can the conditions be established for sustained economic growth to be realised. Central to a well managed and stable government sector is the establishment of effective monetary and fiscal policy, supported by sound budgeting and tight control over budget execution. In achieving these conditions, the role of professional financial management (a role which either does not exist in many developing countries or is widely misunderstood) needs to be developed.

Professional financial management and its role in good governance

Good financial management depends upon the achievement of a number of objectives:

- Giving a reliable account of the money spent and the income received.
- Ensuring that there is probity and sound financial administration, including proper stewardship of public resources and compliance with regulatory standards.
- Ensuring the achievement of value for money, that is economy, efficiency, effectiveness and equity in how funds are used.
- Identifying, evaluating and managing risk.
- Supporting good decision making and assisting managers to properly assess the financial consequences of policy and other choices.
- Enabling the organisation to plan for the future and to align its resource allocation with its policy objectives.
- Maximising income sources.
- Making it possible, from a financial management point of view for organisational change to occur, to meet new circumstances.

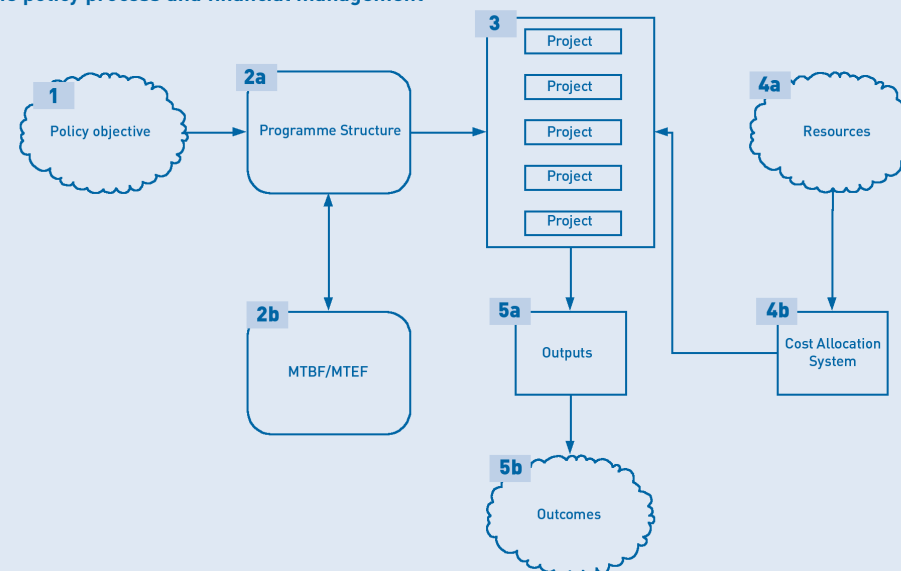
Governance, the people, systems and structures that are designed to ensure that organisations set realistic and achievable objectives, and that they monitor and manage the achievement of those objectives, is clearly wider in its scope than financial management. However it ought to be equally clear that, without sound financial management, there can be no good governance. Effective systems of financial management are therefore a necessary condition for the existence of good governance.

Any system of financial management must exist to serve some larger objective within the governance framework. For the public sector, this must be set within the context of the policy making process: governments are elected to power on the basis of policies, and, arguably, all activity should be planned and managed within

the context of the achievement of explicit policy objectives. A simplified model of the role that financial management plays in this wider system of policy making and implementation is shown in Figure 1. In essence this model asserts that:

- Policy objectives are known, and are translated into a programme structure that effectively defines the broad areas of activity by which these objectives will be realised (Steps 1 and 2a);
- The programme structure may be mediated by reference to a Medium Term Budgeting Framework or Medium Term Expenditure Framework, where one exists (Step 2b). This sets the context within which programmes may be formulated;
- Programmes are implemented through a series of projects (Step 3);

Figure 1: The policy process and financial management



- These projects consume resources (Step 4a) the cost of which (budgeted and actual) must be attributed to them by a cost allocation system (Step 4b);
- Project result in outputs (Step 5a) and outcomes (Step 5b). Ideally these are directly aligned with policy makers' intentions: in practice there may be some divergence between what is achieved and what was intended, for a variety of reasons.

Effective financial management, when practised in an environment of the kind just described, requires a wide range of complex knowledge, skills and behaviours, including:

- Technical skills e.g. to determine the optimum method for tracing costs from resources to projects;
- Analytical skills e.g. to determine the break down of projects so that costs may be attributed at the most appropriate level;
- Knowledge of administrative systems, to enable the technical skills to be practiced in context;
- Change management skills, to help ensure the production of effective budgets in a dynamic environment;
- Acceptance of accountability, so that individuals will be willing to give an account of their actions in a non-defensive manner;
- Communication skills, to support the transmission of complex data to managers and other consumers in a way that allows them to assimilate the data quickly and easily;

Individuals displaying these skills, knowledge and behaviour do not often emerge naturally

from the organisational undergrowth: they must be trained.

The need for financial management training in the public sector

Accepting that public sector financial management training is needed, the issue then is how can this best be provided? The alternatives are limited. Public sector financial management is different from economic management and it is different again from budget administration. It is about supporting stewardship but it is also about supporting performance and enabling governments to adapt to new and evolving circumstances. So it is also about transformation. Public sector financial management is therefore a dynamic activity with its roots lying in the establishment of effective systems to provide financial information and in ensuring that that information is robust, not corrupted by error, distortion or worse, fraud and corruption.

In the private sector the existence of these conditions is central to the survival of companies. That sector relies heavily on the accountancy profession to train the skilled accountants that are needed. The public sector faces the same conditions, and therefore should be no different. Yet traditionally it has had little or no relationship with the accountancy profession and so there has been no attempt at professionalising financial management. To establish good governance therefore requires change. The accountancy profession ought to become involved: indeed, arguably should take the lead. But in many poorer countries either such a profession does not exist, or it has no interest in the public sector.

In many of these countries attempts have been made to solve the problem of the lack of professional financial management by importing trained accountants from the private sector, or by making available to public sector staff training in private sector qualifications. Such efforts have, more often than not, exacerbated the problem however, because those who are trained by the public sector, or equipped by the public sector with an essentially private sector qualification, may (and very often do) leave to earn the higher incomes that are generally available in the private sector. In developing countries in particular this problem is acute: the very nature of a growing economy offers opportunities for those with scarce skills to earn financial rewards through private sector activity, on a scale that quite simply cannot be afforded by the public sector. Whilst importing trained accountants from the private sector, or offering training in private sector accounting to public sector staff, may therefore seem to offer a quick solution to the problem, a longer lasting solution lies in the establishment of a truly public sector accountancy profession, and through this the creation of a cadre of properly trained and disciplined professional public sector financial managers.

The need for a cadre of properly trained and disciplined professional public sector financial managers

The development of a cadre of properly trained and disciplined professional public sector financial managers (including within this term accountants, auditors (both internal and external), and budget managers) is an essential concomitant to the achievement of effective

financial management. This is because effective financial management depends upon:

- The technical ability to develop and manage financial and management information systems.
- The capacity to evaluate the information produced by those systems.
- The ability to communicate this information to managers and other stakeholders to enable them to make informed decisions.
- The technical knowledge to prepare robust and informative financial reports applying appropriate standards as part of the process of promoting transparency and accountability.

The implementation, by such a cadre of financial managers, of the processes of financial management, depends on the application in a practical context of up to date and relevant knowledge, skills and techniques. These can only be acquired through an appropriate programme of education and workplace based training. Such a programme is essential for both the initial acquisition of the knowledge, skills and techniques and in maintaining and updating them throughout the working life of the individuals concerned. For, whilst the practice of financial management is essentially a practical discipline, it must be based on sound principles. Such principles not only provide a proper underpinning for the practice, endowing them with a justification that extends beyond simple pragmatism, they also provide the basis for the practitioner to continue to operate effectively in a changing environment. The practical skills acquired by the financial manager allow her to operate effectively. The conceptual underpinning, the knowledge base, equips her to cope with changes in the environment within which her

skills are exercised. The knowledge component of an education and training scheme therefore both supports and complements the practical component, and forms the basis of future personal and professional development.

This knowledge base is, in a sense, independent of the environment within which financial management is practiced. The principles of good financial management must be expressed in such a way as to ensure that, whilst they reflect practical realities, they are not constrained or distorted by it. If this were the case then it would be open to individual governments or public bodies to devise their own system of financial management, based on their own version of the conceptual underpinning and the knowledge base. There would be clear risks here of that knowledge base being compromised in order to legitimise some undesirable local practice or process. It is therefore essential that the task of developing and maintaining that knowledge base and conceptual underpinning is assumed by some body that is independent of government, although it must clearly be respected by it and recognised as having the specialist expertise necessary to undertake its task.

An effective programme of education and training, of the kind that is described here, ought to ensure that it addresses the needs of the full range of staff engaged in accountancy, auditing (internal and external) and financial management in the public sector. Such staff are typically organised in a way that results in two distinct but related groups:

- Staff engaged in the business of “doing” accounting, auditing and financial management: and

- Those who, whilst grounded in the business of “doing”, play a more technical and managerial role. Such staff typically require more advanced technical education and training (so that they may, for example, guide others in the way in which their jobs are designed and carried out) and also education and training in the managerial aspects of their roles.

Staff in the first of these groupings may, of course, in time aspire to develop into the second role, whilst the second group may well be more effective in their role to the extent that they have “come through the ranks” of their profession. A programme of the kind envisaged would therefore naturally seek to meet the needs of staff in a progressive way. This would mean beginning with the practical accounting, auditing and financial management knowledge and skills required by the more technically orientated staff operating at the front line of the finance function, and then building on this later in the programme, to deal with the needs of the more senior staff e.g. team leaders and unit financial managers.

It is important to recognise that acquisition of the relevant knowledge and skills is but a first step on the path towards becoming an effective financial manager. The public sector around the world is changing, perhaps more rapidly now than it has ever done before. The financial manager must therefore continue to adapt his/her skills, and acquire new ones, if he/she is to continue to be effective. To the initial professional development of the public sector financial manager must therefore be added a second obligation: to maintain and develop that knowledge and skill throughout a planned and

purposeful programme of continuing professional development.

The need for a professional institute

The point has already been made that developing and maintaining a professional cadre of financial managers carries with it a need for some form of professional organisation, independent of government although working closely with it, to educate, support, set ethical standards and, where appropriate, discipline those who fail to meet the standards. Such an organisation would also develop an appropriate body of knowledge, a conceptual base, to act as the underpinning for skills development. In many countries this is the role of a professional accountancy body whose basic standards would be those promulgated by the International Federation of Accountants (IFAC), the international representative body of the profession). Such bodies could be governed by a constitution approved by the government or some other institution and would be subject to regulation to ensure that appropriate standards were maintained.

By working closely with government, whilst remaining independent of it, a professional accountancy body would help to serve the public interest in ensuring proper accountability for the use of public funds, and therefore ultimately securing good governance. Through the process of setting and maintaining standards, both technical and ethical, a professional body of the kind described here would be able to demonstrate an appropriate degree of independence from government whilst at the same time claiming full understanding of the issues facing government in securing good governance.

The role of the professional public sector body in the accountancy profession more widely

A professional public sector accountancy body of the kind described in this paper would, of course, have a part to play in the accountancy profession more widely in its appropriate country and internationally. There are many financial management issues on which the public and the private sectors ought to take a common view, and therefore there would be a natural reason for the public sector body to seek to collaborate with its private sector counterpart. At the same time the public sector is not simply the private sector in public ownership: there are a number of fundamental differences between the two that ought to reflect directly on the practice of financial management. These differences include:

- The fundamental aims and objectives of bodies operating in the public and private sectors. Whilst it may be simplistic to say that private sector bodies’ sole aim is to maximise returns to shareholders, such an aim must at the very least be primary, and arguably must override any others where it is not possible to meet any wider group of aims. Bodies operating in the public sector have more complex primary aims: they must seek to meet the needs of citizens and consumers of services within a political and social context that simply does not exist in the private sector. This difference in the nature of the fundamental purpose of public sector bodies from their private sector counterparts bears directly on the nature of accountability and the constituencies of interest who may legitimately claim the right to be involved in the reporting processes.

- The nature of the exchange between public bodies and citizens and consumers of services. For many public goods, it is not possible, or it is not politically desirable, to levy a price or fee that reflects the value of the goods or services consumed. Therefore, for bodies providing such goods and services, there is no mechanism for consumers and citizens to signal the price at which they are prepared or not to consume. Private sector bodies, on the other hand, operate in markets where, despite imperfections, price signals are taken to reflect consumer satisfaction or otherwise with the goods and services that they provide. Given these differences, public sector bodies must seek other mechanisms for gathering information from consumers and citizens relating to their satisfaction with the nature and extent of services provided. This once again bears directly on the nature of accountability: private sector bodies may respond to consumer signals by varying prices. For private sector bodies the signals coming back cannot be interpreted as in any sense satisfying the accountability requirement, since the price itself is imperfect as a signalling mechanism.
 - Many public bodies can distinguish at least two classes of customers: consumers of their services, and citizens, who derive some benefit from the services provided but do not directly consume them. Education is a case in point: children and their parents consume this public service, but many others who do not consume it derive benefit from it. Public bodies must therefore seek to account for their actions in different ways according to these different classes of consumers.
 - Public bodies often are required to provide services to consumers who may be judged to be, to some degree at least, unwilling consumers. Prisons are a case in point: there are few inmates who would voluntarily consume this service, indeed most spend a great deal of time and effort in avoiding such consumption! Being accountable to a prison population is therefore rather different from being accountable to a willing consumer, and affects both the mechanism and the content of accountability transactions between supplier and consumer.
- These few examples ought to suffice to demonstrate the central point: that whilst all

Figure 2:

ID	Task Name	2006				2007				2008				2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Project inception & initial capacity building	[Gantt bar: Q1 2006]																			
2	Scheme development and student enrolment	[Gantt bar: Q1-Q2 2006]																			
3	Certificate stage operation	[Gantt bar: Q3 2006 - Q4 2010]																			
4	Diploma stage operation	[Gantt bar: Q3 2007 - Q4 2010]																			
5	Building capacity	[Gantt bar: Q3 2006 - Q4 2010]																			
6	Creating sustainability	[Gantt bar: Q3 2009 - Q4 2010]																			

organisations may ultimately be judged to be accountable to the consumers of their services and other stakeholders, the situation in the public sector is different from that in the private sector. Therefore the means by which accountability is ensured, and the form and content of such accountability, must reflect those differences. Given the centrality of financial management in ensuring accountability, and therefore its importance in securing good governance, this argues for a proper recognition of the status of the professional public sector accountancy body alongside its private sector counterpart, in setting and maintaining appropriate technical and ethical standards, in providing appropriate schemes of education and training for its members, and in seeking to ensure the continuing professional development of its members throughout their working lives.

Making the changes in practice

The introduction of professional public sector accountancy training, and the establishment of a professional institute, requires some careful preparation and groundwork. In many of the countries where these needs exist, and therefore where the benefit would most keenly be felt, there is no tradition of professional accounting in the public sector. The changes required are therefore cultural as well as organisational and systemic. At the same time it must be recognised that there are very low levels of existing capacity, and that this needs to be developed *in situ*. From its experience in Africa, Eastern Europe and elsewhere CIPFA has developed a methodology that seeks to strike a careful balance between providing the advisory and other support necessary to help establish the scheme of education and training, and the

professional body, and working with the beneficiary country to develop the capacity locally that will be essential if the scheme is to be sustainable in the long term. Implementing change of this nature and scale is a long term process, and this is reflected in the five year time scale that CIPFA advocates for projects of this kind. Figure 2 shows a “typical” implementation schedule, although this often has to be tailored to reflect local circumstances.

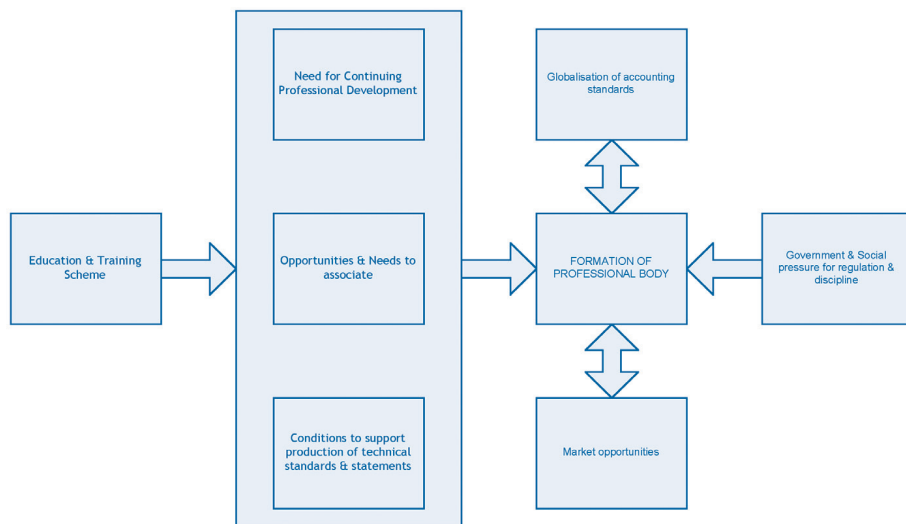
From Education & Training to a professional body

The development of a properly trained cadre of professional public sector accountants, auditors and financial managers depends crucially on the existence of an appropriate scheme of education and training. But that of itself is not enough: the professional body is unlikely to come into existence without some additional factors, that are set out in the following diagram (Figure 3).

An education and training scheme, once established and producing qualified finance staff, is likely to produce three direct effects:

- The conditions, in the trained and qualified staff who have graduated from the scheme, to support the production of technical statements and standards relating to public sector accounting, auditing and financial management;
- Opportunities for those staff, and needs felt by them, to associate, to share opinions and views on topical issues, to problem solve and to collaborate on tasks of common interest;
- A need – because the environment in which these staff will be operating is likely to change significantly and rapidly – to keep

Figure 3:



technical and professional knowledge up to date.

Alongside these emerging conditions are likely to arise a number of others, that are similarly conducive to the establishment of a professional body, and that may well exist in some latent form in the social infrastructure. There is likely to be some form of government and wider social pressure for the regulation and discipline of the accountancy profession generally, and therefore of the public sector branch of that profession in particular. To the extent that government is reluctant to legislate directly – and it may well be that this is the route that is chosen, particularly in the absence of a professional body that is prepared to undertake the regulatory and disciplinary role – then this creates a form of vacuum, that may be filled by a professional body. Secondly, there has been in recent times at least a marked trend towards globalisation of

accounting standards, in part caused by the globalisation of business, leading to a requirement for common standards and practice throughout the world. There needs to be some mechanism for interaction between the national and international levels, and this is most naturally produced through national professional bodies working together, through institutions like the International Federation of Accountants and others, to harmonise standards. Finally, there is likely to emerge needs in the general market place for products and services relating to public sector accounting, auditing and financial management. Finance is not only the preserve of the professional, and it is arguable that there is more finance “done” in line and service departments than is done in the main (and usually central) Finance function. The existence of trained professionals forms the supply side of what is then likely to become a developing market in products and services.

Therefore, the establishment of an Education & Training scheme, whilst initially intended to produce trained accountants, auditors and financial managers, in fact is likely to prove to be a catalyst in the establishment of a professional public sector accounting and auditing body, where one did not previously exist.

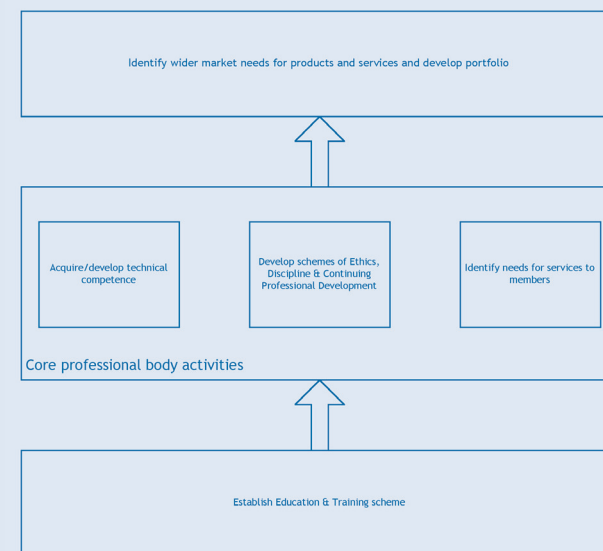
Establishing the body: a roadmap

Experience of attempting to solve problems in developing and transition economy countries ought to make one naturally sceptical of any “one size fits all” solution. However, CIPFA’s experience of working in such countries leads us to make some general remarks about how one might go about the “problem” of establishing a professional body to represent the accounting and auditing profession in the public sector. The key stages involved are shown in the following diagram (Figure 4).

The starting point is, almost inevitably, the establishment of the Education & Training scheme. This is the foundation stone of the professional body, since it is instrumental in producing its life blood – properly trained accountants and auditors. With that in place, the next step is to put in the place a number of fundamental activities that will become the operations of the professional body. These are:

- The acquisition of technical competence i.e. the ability to make statements about public sector accounting and auditing in an authoritative and informative manner;
- The development of schemes of ethics, discipline and continuing professional development. Ethics, because all professions must be built on a core of behaviour and standards that is designed to guide the actions of its members in an environment where there is no detailed rule book, and

Figure 4:



where circumstances are likely to change. Discipline, because all professional bodies must have a mechanism to deal effectively with members whose standards of behaviour do not match those expected by society at large. And continuing professional development because no scheme of education and training can hope to generate all of the knowledge and skills that an individual will require during her/his life time. Members of a profession must therefore acquire the “meta skill” of learning how to learn;

- The creation of products and services for the members of the profession. The nature of these may vary from time to time, but experience shows that members will (in many cases very vocally) demand something in return for their annual subscription.

Once these core professional body activities are under way, it is likely that two things will happen:

- The professional body will become acutely aware of the gap that exists between the revenue that it is able to raise from its members, and the revenue that it needs to undertake the range of functions that are expected of it, both by members and by society at large; and
- The body will begin to identify market opportunities to provide products and services that it alone is able to supply, and that can be used to generate additional revenue, and to close the financing gap.

It is probably true of most professional bodies that members’ and society’s expectations of what it ought to provide are usually some way

removed from the financial resources that stakeholders are prepared and able to make available for that provision. This is no place to explore the implications of that condition – although they are interesting, in that they strike at the very heart of the viability of a professional body – suffice to say that it is now a well observed phenomenon, that most professional bodies must find opportunities to generate additional revenue in the market place. Whilst some of this undoubtedly arises because of the genuine need that exists in the market for the products and services that the body is able to provide, historically the main motivating factor appears to have been the need to generate more revenue than members are prepared to make available through the annual subscription.

Ethiopia – a case in point

With a population close to 66 million as of July 2002, Ethiopia is the third most populous country in Africa. The country has long-standing history, diverse cultural heritage, and reasonably good resource potential for development. It is the only African country never to have been colonised (this notwithstanding a short period of invasion by Italy during WWII). Yet the majority of the population lives in poverty, with average annual incomes of less than \$100 a year. Perhaps best (most infamously?) known for provoking the 1985 *Live Aid* concert, with the heartbreaking pictures of the consequences of the widespread drought in the country, Ethiopia, in most years, ironically, can count on some five months of rain during the year.

Recent history tells a familiar story. By the turn of the 1990s, economic policies and management under the command economic

system, protracted civil war and recurring drought had left the economy in deep crisis which manifested itself, among others things, in: a weak economy where growth plunged most of the years and was accompanied by loss of productive capacity, competitiveness, and increased food insecurity; severe macroeconomic imbalance; and social crisis involving millions of displaced persons, refugees, demobilized soldiers, homelessness and unemployed people.

Despite the scale of the difficulties facing it, Ethiopia has embarked on an impressive reform and decentralisation program, and has made progress in terms of human development, although much still remains to be done. Imaginative packages, such as the DFID and other aid agencies-sponsored *Productive Safety Net Programme*, that provides work alongside credits to buy goats, sheep and other agricultural products, are beginning to break the cycle of dependency on foreign food aid. Families in the poorest parts of the country are slowly acquiring the resources that will enable them to earn their own living and therefore to contribute to the economic growth that the country needs so much.

One important component of the reform programmes that have been put in place has been civil service reform. Formulated as a sub-programme of the *Public Sector Capacity Building Program*, this aims to promote the development of an efficient, effective, transparent, accountable, ethical, and performance-oriented civil service. Improving the quality of public sector financial management is seen by the government as making an important contribution to this overall

aim, and, in the early part of 2005, representatives of FGE came to London to discuss with CIPFA the contribution that it could make to this task. As a direct result of those initial discussions CIPFA was invited to visit Ethiopia, to assess for itself the nature and extent of support that might be offered. The terms of reference for the mission included determining the feasibility of adapting CIPFA’s *International Certificate and Diploma in Public Sector Accounting and Auditing* (the ICD) to make it relevant to the circumstances in Ethiopia. The brief also included investigating the establishment of a professional public sector accountancy body in Ethiopia, where the accountancy professional generally is rather fragmented and unstructured. Parallel discussions with the World Bank (WB) and with DFID had also revealed support for the broad concept. Arrangements were therefore made for the visit to take place, which was very generously supported financially by WB and DFID.

In assessing the conditions for the implementation of the ICD in a country like Ethiopia, it is necessary to consider a number of dimensions, including:

- The extent to which there exists capacity locally to undertake the technical and developmental work necessary to establish a local version of the ICD scheme;
- How any initiative would be seen by existing key stakeholders, including members of the accountancy profession and others with an interest in public sector financial management;
- The infrastructure that is in place to support a programme of this kind, including what in other environments might be seen as very

basic facilities such as teaching rooms and telecommunications services;

- The support expressed by those who would be instrumental in providing students to enrol on the scheme. Without this support then it is likely that there would be considerable difficulty in getting a scheme of this nature established, and in maintaining it;
- The nature and extent of political support, to ensure that the initiative has the right kind of “friends in high places”;
- The determination to support the scheme over a relatively long period of time. Establishing a professional public sector accountancy body, even one that is initially supported by a body like CIPFA, is a long term project. A time scale of five years is probably the minimum commitment that would need to be made, and to achieve international recognition, through membership of *IFAC* could easily take ten years.
- The financial resources that are required to implement a project of this nature, most often provided through donor funds.

When CIPFA arrived in Addis Ababa, it gradually became apparent that there was a very favourable environment for the a project of the kind envisaged. The Ethiopian Civil Service College was quickly revealed as a natural focal point for the technical work that would be necessary to develop the local version of the ICD courseware. In fact two members of staff from the College had already been identified as the nucleus of the project team, and were eager and enthusiastic to get started on the work. The College itself had a well established physical infrastructure, and had recently completed the development of a facility to allow it to participate

in the World Bank’s *Global Development and Learning Network* (GDLN). This information and communications technology network allows students and course delegates to take part in virtual classes, by linking in to similar institutions around the world. Other key stakeholders were universally enthusiastic about the idea of establishing a local public sector body, with heads of department in government counting prominently in the supporters of the idea.

Alongside the widespread support for the overall concept of establishing a professional body, and leveraging CIPFA’s ICD, there was also a very encouragingly realistic recognition that there would have to be significant investment in capacity building, particularly with regard to the staff likely to be involved in the development of the scheme and the establishment of the new professional body. Ethiopia has a number of well established universities, including the internationally recognised *University of Addis Ababa*. For those who are able to attend university there is the opportunity to study for a degree in accounting, although, like many of its counterparts in the developed world, the University’s degree is highly conceptual in nature, and generally avoids the practice of accounting in favour of the theory. Given the “green field” nature of the project, this need for capacity building was hardly surprising, although it did add a layer of additional complexity to the situation.

As a result of its mission to Ethiopia, CIPFA was able to conclude that the key preconditions for success of the project did exist, and that the key aim of establishing a local public sector professional body was feasible. Shortly after

returning to the UK therefore CIPFA submitted a report to the government that set out a blueprint for this to happen.

The government of Ethiopia accepted CIPFA’s recommendations, and announced its intention to enter into an agreement with CIPFA to establish the professional body, based initially on CIPFA’s ICD. There then followed a period of detailed discussion and planning, that led to the production of a high level work plan for the project. At time of writing this article it is too early to say whether the project will be a success or not. However it is clear that African countries like Ethiopia recognise the importance of creating a properly trained cadre of professional public sector accountants, financial managers and auditors, and that some at least are prepared to begin the process of doing so. Whilst, properly, considerable aid and attention continues to be given to establishing fundamentals, like the ability to earn a living and to put in place the building blocks of economic growth, countries like Ethiopia are also starting to ensure that the kind of independent professional body infrastructure that will be essential to secure and maintain the investor confidence that will be so important in ensuring that these initial green shoots of economic growth continue to flourish

CIPFA International

CIPFA encourages an international membership, but unlike private sector oriented accountancy bodies, it recognises that each public sector is unique and therefore common approaches to professional education are more difficult to achieve. This is why CIPFA has developed a specialist education and training programme capable of adaptation to local circumstances.

The Institute is the only specialist public sector accountancy body which is a member of the International Federation of Accountants. CIPFA therefore would be pleased to provide support, through twinning or other arrangements, to organisations in other countries which have similar interests to CIPFA and which might either wish to join IFAC or would like to develop their own public sector specialist interests.

CIPFA has worked in the UK and abroad with public service officials from the following countries:

Africa

Botswana
Eritrea
Ethiopia
Kenya
Lesotho
Malawi
Mauritius
Nigeria
South Africa
Tanzania
Uganda
Zambia

Middle East

Bahrain
Kuwait
Palestine
Yemen

Central and Eastern Europe

Bosnia and Herzegovina
Bulgaria
Czech Republic
Croatia
Estonia
Hungary
Latvia
Lithuania
Macedonia
Poland
Republic of Srpska
Russian Federation
Serbia
Slovakia
Turkey
Ukraine

Asia

Bangladesh
Cambodia
Hong Kong
Indonesia
Pakistan
Papua/New Guinea
Sri Lanka
Vietnam
West Indies
South Pacific Islands

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A number of resources highlighting CIPFA's international work are available on our website
<http://www.cipfa.org/international>

For further information about CIPFA's International Development work or for a free downloadable PDF version of this paper check our website <http://www.org.uk/international/development.cfm>

DFID has made a contribution toward the development and publication of this paper, but the views expressed in it do not necessarily reflect DFID official policy.