The 'Two Publics' and Institutional theory– A Study of Public Sector Accounting in Tanzania

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Abstract

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

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1. Introduction and Background

This research investigates accounting practices and changes in different institutional settings concerned with the provision of public services in a developing country, Tanzania. Poverty reduction is a major concern in Tanzania and accounting practices have a direct effect on poverty reduction by ensuring resources are appropriately and efficaciously targeted. Appropriate accounting practices can also help to counter corruption as recognised by the World Bank, 'growing awareness of the corrosive effects of corruption…has given new urgency to donors' need to ensure that aid is not diverted to private ends or misallocated to activities not conducive to fostering growth and reducing poverty' (Allen, Schiavo-Campo and Garrity 2003). Good accounting practices are also important in legitimising organisations in the eyes of donors (Assad and Goddard 2006). Such organisations are more likely to attract additional external funding, enabling greater poverty reduction. This research contributes to a better and deeper understanding of accounting practices across the spectrum of public services in one developing country.

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

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

There are a number of papers which investigate public sector reform in specific developing countries. Alam and Lawrence (1994) argued that Western budgetary processes were incongruent in a Bangladeshi context. In their study of a Fiji Telecommunications company, Sharma, Lawrence, and Fowler (2012) found that the cultural conflicts and political influences led to the new public management process being resisted and modified to reduce the tension between economic and social relations. Batley and Larbi (2004) examined reforms in Africa, South and Southeast Asia, and Latin America. They conclude that reform approaches need to be sensitive to the institutional conditions of particular countries. Therkildsen (2000) investigated public sector reform in Tanzania, and argues that there was fragile domestic political support for these reforms and few service delivery improvements. Substantial external influences, fragmented domestic policy-making, weak links between policy-making and its implementation, and questionable assumptions about NPM-inspired reform measures, were identified as the causes of these shortcomings. Uddin and Tsamenyi (2005) studied the impact of World Bank sponsored reform in a state owned enterprise in Ghana. They found that budgetary practices 'remained politicised, delayed, directionless and ineffective' (p 648). Rahaman and Lawrence (2001) go further by establishing that even where Western standards of technical accounting exist, they merely 'masked deeper deficiencies' of financial management within the socio- political context of Ghana.

Furthermore, Awio, Lawrence, and Northcott (2007) examined the Ugandan community-led approach of an HIV/AIDS initiative. They concluded that developing countries need to import relevant and workable aspects of NPM reforms, while at the same time exploring other options for services and programme areas that apply to unique circumstances. Roberts and Andrews (2005) found that reform began in Ghana but faltered after an initial period of progress. This was due to a number of factors including reform ownership and political will, organisational integration and organisational incentives, and strategic capacity. In Malawi, Durevall and Erlandsson (2005) found that public sector finance management reform focused on improving the technical aspects of the budget system, while largely ignoring the preferences and incentives of the different actors.

Whilst acknowledging the more recent emergence of critical accounting literature on Africa, Rahaman (2010) highlights the paucity of studies in this area in the special issue of Critical Perspectives on Accounting in 2010. He also suggests that corruption in the continent is an important issue that needs some attention from the critical accounting community. A few studies have addressed the issue of corruption and accounting in developing countries. Quah (2001) noted that fighting corruption is one of targeted improvements of NPM in developing countries. However, only three Asian countries – Singapore, Hong Kong and Malaysia – have succeeded in minimising it. Tambulasi (2007) investigated the extent to which NPM-based management accounting practices have increased managerial autonomy and reduced political control in Malawi's local governance. He found that the NPM-based management accounting has led to loss of local political control, which makes politicians resort to unproductive behaviours including interference, sabotage and corruption in order to regain their lost political control. On the other hand, administrators maintain their managerial autonomy through NPM- based managerial prerogative, seeking central government intervention and colluding with councillors in corrupt activities. Iyoha and Oyerinde (2010) found that in the Nigerian public

sector, though there had been some initiatives in strengthening existing institutions and creating new ones with responsibility for fraud and other controls, the issue of weak accounting infrastructure had not been addressed.

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

Abdul-Rahaman et al (1997) suggest that research into public sector accounting in developing countries is overly Eurocentric and exhort a more balanced approach to such research which steers a path between excessive relativism and crude ethnocentrism. They exhort more empirical and interpretive work within the socio-political contexts of particular developing countries. Rahaman and Lawrence (2001) note the urgent need for local critiques of public sector accounting, adopting a deeper, qualitative approach, to aid understanding of developing countries financial management. Olson, Humphries and Guthrie (2001) note that not only are there very few empirical studies of public sector accounting in developing countries but also very few seek to construct appropriate theories. The research presented here addresses these lacunae.

The purpose of this paper is to investigate the perceptions and practices emanating from the introduction on NPM inspired reforms in the public sectors of developing countries within a post-colonial setting. The research was concerned with the comparative contribution of accounting in the three different institutional settings of central government, local government and NGOs. The empirics were obtained from grounded theory studies in these settings and are analysed through the lens of Ekeh's concepts of 'two publics', supported by the concepts of legitimacy, isomorphism and loose coupling from Institutional Theory. The research also explores the relationship between Ekeh's concepts and institutional theory.

Tanzania is an ideal country for researching accounting practices in developing countries as it is attempting to implement many NPM oriented accounting reforms. This includes regulatory initiatives such as the Public Financial Management Reform Programme (PFMRP), the Medium Term Expenditure Framework (MTEF) and the Public Service Reform Programme (PSRP) in central government and the Local Government Reform Programme (LGRP). This enabled a broader understanding of the range of institutional settings providing public services. Research undertaken by Research on Poverty Alleviation (REPOA) into implementation of the LG framework reports some success but suggests there is still a long way to go. The recently published Country Self Assessment Report (CSAR 2009) for Tanzania, which is part of the African Peer Review Mechanism (APRM) noted low levels of accountability in the Tanzanian public sector, leading to corruption.

This research was predicated on the belief that a sound appreciation of the role and potential impact of accounting can only be developed by reference to the particular setting in which it is embedded. The paper is structured as follows. It commences with an explanation of the theoretical framework used in the paper, particularly concepts

taken from Ekeh (1975, 1992, 1994a, 1994b) but enhanced by Institutional Theory, to more fully understand the African context. The methods used to undertake the empirical work are then outlined. The empirical findings are next presented taking each institutional setting (CG, LG, NGO) in turn and are discussed in relation to the theoretical framework. A further discussion comparing the institutional setting is undertaken before concluding with an outline of the contributions Ekeh and IT make to understanding NPM implementation in developing countries.

2. Theoretical framework and Prior research

2.1 The 'two publics'

Ekeh (1975) develops his theory from an analysis of colonial and post colonial states in Africa. The colonial state was distant from African society which was based on kinship. It did not engage with the values of indigenous societies on the grounds that these were primitive and needed reshaping. African society 'regarded the colonial state with ambivalence...and had grave misgivings about its morality, preferring the communal values engendered by Africa's kinship systems to what they regarded as self centred European morality. There were indeed no moral linkages between the colonial state and African societies' and ' the individual had no room for political and cultural activities within the civil colonial apparatus of the colonial state (the civic public)' (Ekeh 1994, p240). Under these circumstances the primordial public emerged, under which an individual could be a 'worthy citizen....morally bound to his society defined in terms of broadened kinship groups' (p241). Individuals, and particularly those working in the public sector, 'have to operate in both publics, switching from moral actions in the primordial public to amoral postures in the civic public'. Ekeh (1994) further asserts that these two publics still dominate public affairs in post colonial Africa and that the post colonial state resembles the colonial state, maintaining its distance from African society. Osaghae (2003) and Afolayan (2012) suggest that the theory of the two publics has become even more relevant and timeless since Ekeh first developed the concepts.

The existence of the two publics has further consequences for the public sector. First, state determined taxation was regarded as an alien imposition and a punishment rather than as a citizen's duty which also qualified the payee to receive social benefits. In contrast community and ethnic taxes emerging from the primordial public were accepted. This, in turn, means that state taxes are not considered a collective good and misuse and corrupt practices associated with such funds are not resented to such an extent as they would be in the West. Ekeh (1994) identifies two forms of corruption in Africa. The first is 'the conventional problem...involving the abuse of public office for personal and private gain', which could be overcome using conventional means. However the second form is more intractable 'in which the resources and funds of the inclusive civic public are diverted for the use of the more restricted primordial public by officials' and is widely accepted as legitimate. The two forms are intertwined leading to a difficulty in overcoming the former. Public officials who enrich their primordial grouping to the detriment of the civic public are hailed as heroic. However those who 'uphold the norms of conduct in the civic public are by their impartiality condemned in their primordial public'. This places those operating in the public sector in an almost impossible position.

The two publics also have their own sectoral institutions. The primordial public's main institutions are ethnic, communal and hometown development associations which evolved to fill the gaps created by colonialism to provide public services the state failed to deliver. Such institutions include most NGOs. The distinguishing characteristics of the primordial institutions are a strong sense of ownership and a resistance to state intrusion and a strong moral purpose including a moral responsibility on the part of individuals to ensure collective well being. The civic public is closely related to the state and related institutions include central government institutions such as the civil service, police, military and other state agencies. However, it is broader than just the state and is meant to capture the totality of the non-native public whose institutions are governed by legal-rational rules. Moreover, 'an 'us' versus 'they' differentiation characterises relations between the people and the civic public which is amoral and lacks the moral imperatives of the primordial public. Osaghae (2006) argues that this amorality is conducive to the opportunistic, lawless and corrupt tendencies that have come to characterise the public sector. Individuals working in this sector feel no moral urge to reciprocate the benefits they receive leading to morally reprehensible behaviour such as embezzlement. This behaviour is tolerated as long as it benefits the primordial public.

It seems reasonable to suggest that the perceptions and practices of accounting for funds in institutions provided by public services in the two publics will therefore be different. CG places emphasis on legal/rational rules which is contrary to the cultural values of most of the participants (particularly those lower down the hierarchy) who are rooted in the primordial public. Moreover, the civic state is not only by its nature amoral but has participants in influential positions who are expected to employ state resources to further private and communal interest. Accounting is likely to be far less problematic in NGOs rooted in the primordial public. Participants do not face the same tensions as those in central government as the institutions in which they operate are conducive to their primordial roots and values and a stronger sense of moral responsibility might exist. Corruption might also be expected to be less of an issue other than a desire to subvert resources from the civic public wherever possible. Accounting in local government might be expected to be particularly problematic as it comprises strong elements of both publics and officials are likely to be caught by the conflict between the two.

There is no prior research using Ekeh's concepts to study accounting. However, there are several papers concerned with corruption and accounting in developing countries. Some, such as Iyoha and Oyerinde (2010), take a traditional approach to corruption where it is assumed organisational and accounting practices can be used to enhance accountability and reduce corruption. Others such as Pillay and Kluvers (2014) take a broader view incorporating organisational culture. However Everett (2012) and Everett, Neu, and Rahaman (2007) note the importance of taking a more comprehensive view of corruption than the narrow self-interest approach normally adopted by accountants.

> 'A private interest view (of corruption) has accountants focusing their attention on efficiency….This view is rooted in competition and personal gain…Missing from this perspective however, is a concern for the 'bigger picture' of corruption, specifically the role that colonial relations have played in developing countries…'
>
> Everett (2012, p. 237)

Such an approach accepts that corruption is to a large extent, socially defined. However there are very few studies of the nature of this 'bigger picture' and how it interrelates with organisational and accounting practices. Within the development literature Doig and Mclvor (1999) also note the importance of studies of corruption in practice and the:

> 'need to examine the practical effect of broad macro-reforms and understand that corruption is not only an inherent aspect of political life but also an invariable negative aspect, if not in the short term then in the longer term.'

It has been suggested that Tanzanian attitudes towards such issues as politics, transparency, corruption and accountability are different to those found in the West. For example, Lawson and Rakner (2005, p. 19) found that 'a (Tanzanian) leader who acts as a patriarch, providing material benefits to the community, may enjoy a great deal of legitimacy, even if the benefits he or she distributes are corruptly acquired. Conversely, leaders who struggle to uphold the ideals of transparency and good governance, but do not materially provide, may be rejected by their community and regarded as unaccountable'. While conducting a survey on Tanzania citizens' attitudes on political and economic reforms, Chaligha et al. (2002, p. vi) also found that 'widespread perceptions of corruption coexisted with even more widespread expressions of trust in public institutions'.

Use of Ekeh's concepts allow a far broader and deeper understanding of corruption which is seen to be complex and at least partly rooted in post colonial societal phenomena.

2.2 Institutional theory

However, Ekeh has little to say about organisational practices. In recent years, Institutional Theory (IT) has been used extensively in studies in public sector accounting (Van Helden 2005, Jacobs 2012). IT is a powerful theory when it comes to explaining the adoption of innovations by "institutionalized organizations". In a classic IT study, Modell (2001) used IT to study performance measurement reforms in the Norwegian healthcare sector. He drew upon Oliver's (1991) conceptual framework of managerial responses to organisational changes. Others (Hoque 2005, Gomes et al., 2008, (Modell et al., 2006,2007, Ezzamel et al.'s 2007, Nor-Aziah and Scapens 2007, Hopper and Major, 2007) have since undertaken IT informed studies in various settings in the public sector but very few in developing countries and none have compared reform implementation using IT across different public sector settings. In many ways legitimacy is at the heart of IT. Organizational actors adopt and implement innovations because of legitimacy and efficiency (Powell 1985; Covaleski and Dirsmith 1988; Oliver 1991; Powell 1991; Tsamenyi, Cullen et al. 2006). Scott views legitimacy as essentially, 'a symbolic value to be displayed in a manner such that it is visible to outsiders' (Scott 1998 p 211). He further indentifies three 'pillars' (or ways of understanding) institutions and legitimacy. The first has a regulatory emphasis on conformity to rules, the second normative pillar stresses a deeper, moral base for assessing legitimacy, where controls are internalised. Finally there is a cognitive-cultural pillar which stresses the legitimacy which comes from adopting a common frame of reference (Scott 2001). As early as 1994, Bealing (1994) and

Lapsley (1994) identified the importance of legitimacy in the US Security and Exchange Commission and in the UK NHS respectively. More recently, Hoque (2005) investigated the relationship between legitimacy and efficiency following NPM inspired accounting reforms in Australian local government.

Another useful IT concept is that of loose-coupling. This occurs when the established rules are not coupled to the actual practices, often due to power conflicts and self-interests (Covaleski and Dirsmith 1988; Burns and Scapens 2000, Collier 2001; Tsamenyi, Cullen et al. 2006). Loose coupling refers to the separation of symbolic display for external, legitimacy-seeking purposes from operating-level practices and actions in organization and organizations tend to respond to institutional pressures by 'ceremonial conformity' (Meyer and Rowan, 1977). Bromley and Powell (2012), suggest that new policies are often adopted yet the follow-up implementation, evaluation and monitoring process are simply absent or are ceremonial acts that they can hardly affect the operational routines. There have been several papers reporting loose coupling in the public sector. Some suggest that loose coupling is inherent in all organisations (Carruthers, 1995; Johnsen *et al.*, 2001; Cavalluzzo and Ittner, 2004; Kasperskaya, 2008; Johnsson and Siverbo, 2009). Others suggest it depends on the organizational context and can be triggered by power struggles (Modell, 2003), operating-level resistance (Siti Nabiha and Scapens, 2005) or coercive pressure from stakeholders (Chang, 2006).

One of the principle tenets of IT (Meyer and Rowan, 1977; Powell and DiMaggio, 1991) is that of isomorphism which refers to the tendency for organisations in similar fields to adopt similar forms and procedures in order to obtain legitimacy. This results in organisations being subjected to isomorphic pressure to adopt such forms. Isomorphism may be coercive, when an organization adopts certain norms because of pressures exerted by other organizations and by society in general; mimetic when organizations intentionally imitate and copy one another in response to uncertainty or normative isomorphism, when organizations indirectly adopt the norms and values of other organizations as a result of professionalisation. Isomorphism is useful in understanding the relationship between external factors and organizational practices such of accounting and accountability. Traditionally IT posited that accountability is enforced on organisations by external factors such as professional associations and the state. Organisations absorb these pressures and once they can demonstrate that they have rational accountability mechanisms they are deemed to be legitimate, ensuring their longevity. However, this absorption by organisations may be superficial and leave the values, beliefs and practices of actors unchanged (DiMaggio 1988).

Frumkin and Galaskiewicz (2004) found that public sector organizations in the US, when compared with organizations in the business sectors are more vulnerable to all three types of institutional isomorphistic forces. Ashworth, Boyne and Delbridge (2007) found that substantial evidence of compliance but more limited support for convergence when studying isomporhism with respect to an NPM reform in English local government. Ramanath (2008), in a study of Indian NGOs, found that despite an emerging isomorphism in structures and processes, a closer look at specific organizational interventions suggested a less uniform pattern of organizational adaptation. Gomes et al (2008) noted the importance of coercive isomorphism and the consequent institutionalization of accounting practices in Portuguese central government.

Recently, Jacobs (2012) has noted the interest is using IT alongside other theoretical approaches to study organisations. Nor-Aziah and Scapens (2007) use the concept of loose coupling together with actor-network theory, while Hopper and Major (2007) combine institutional theory with economics, labour process and actor network theories. However, almost all the above studies and certainly those focused on accounting in the public sector have been researched in developed economies. The cultural, political and social environments of developing countries are very different and need to be taken into account when researching institutions in such contexts. One obvious difference is the post colonial context of many developing countries. Within an African post-colonial context Ekeh's (1975) theory of two publics is relevant to this research and can enhance the insights obtained from IT.

2.3 Combining the two theoretical approaches

It is clear from the above overview that morality and cultural values are central to both Ekeh's concept of 'two publics' and IT concepts of legitimacy. However, the focus of the two sets of concepts is different. Ekeh is concerned with a very broad post-colonial setting which impinges on individuals' sense of morality and cultural values. IT is self-evidently more focused on institutions and their relationship with their societal setting. Dowling and Pfeffer (1975, p. 122) defined organisational legitimacy as follows:

> 'Organizations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behavior in the larger social system of which they are a part. Insofar as these two value systems are congruent we can speak of organizational legitimacy. When an actual or potential disparity exists between the two value systems, there will exist a threat to organizational legitimacy.'

Ekeh's analysis allows a more thorough understanding of the social values and the norms of acceptable behaviour which constitute legitimacy found in this complex, post colonial setting. It may also throw light on potential disparities, for instance where the mortalities of the two public are in opposition. The reason that the perceptions and practices of accounting for funds in institutions provided by public services in the three settings studied may be underpinned by the different conceptions of legitimacy emanating from the two publics and the conflicts between these conceptions and that associated with NPM. The different moral and cultural values of the 'two publics' may also assist a better understanding of loose coupling and isomorphism. Loose coupling is likely to be more dominant where tensions exist within institutions where the conflict between the two publics is most evident, as in local government. Isomorphism is likely to be most evident where concepts of legitimacy between institutions and NPM are shared as in central government. It should also be noted that, Dowling and Pfeffer's definition of legitimacy omits the importance of the institution's external funders, who have yet another set of values and norms emanating from the global NPM movement.

It is clear that more empirical knowledge and understanding of accounting practices is needed which incorporates the importance of the moral, cultural, political, economic and social context. Moreover, prior studies have been undertaken in just one part of the public sector and no study has compared reform implementation across different

public sector settings. Such research needs an appropriate methodology which enables a deeper knowledge and understanding of accounting practices in their contexts to emerge, together with that of participants' perceptions of these practices. Adoption of Ekeh's insights, together with IT, particularly the concepts of legitimacy, isomorphism and loose coupling, enabled the researchers to understand and evaluate the impact of new accounting practices at both the surface and deeper levels in each organisational setting. It also allowed the post colonial context of accounting and accountability to be better understood.

3. Research Programme and Methodology

3.1 Case study setting

Tanzania became a multi-party democracy in 1992, after about thirty years of single political party dominance. The introduction of multi-party system appeared to change the Tanzanian political landscape for the better, but the dominance of one political party rule has continued to date (Nyirabu, 2002; Whitehead, 2009). The historical trajectory of the Tanzania governance system and public institutional traditions has very much been influenced by the Westminster model, which was adopted after gaining independence from her last colonial master (i.e. United Kingdom) in 1961 (Lienert, 2007). Tanzania has a parliament, a written constitution and a relatively powerful presidential system with cabinet ministers making the central government. The president is both the head of state and head of government. Overall, in matters of country policies and public administration, Tanzanian Constitution delegates more power to the president and cabinet ministers than, for example, the parliament, local government authorities (LGAs) and the judiciary (Tanzania, 1997; 2013). Furthermore, key executive position holders are appointed, mainly based on political affiliation with the ruling party.

LGAs were established in 1961, abolished in 1972, and reinstated in 1982. In 1984, constitutional ammendments were made to reinstate power to the people which established city, municipal, town and district councils, and devolved political, financial and administrative powers to these LGAs (Tanzania, 1997, Articles 8, 145 and 146). Currently, LGAs are responsible for public services like the provision of primary school education, maintenance and construction of infrastructure, livestock and agricultural services, health services, water supply services, waste and environment management, and economic empowerment through training and provision of soft loans and premises for small-scale traders.

Tanzanian development policies are guided by the 'Tanzania Development Vision 2025', which is a development policy document formulated and adopted in 1995. This document aims to guide Tanzania to achieve a certain level of development by 2025. Despite opening the economy to the private sector during the 1990s and the GDP growth of about 5% to 7% per annum, Tanzanian economy remains weak. This could be argued as one of the main reasons for the continued dependency on foreign sources of finance for the Tanzanian government budget. For example, it is documented that Tanzania receives foreign official development assistance from more than 40 development partners (World Bank, 2011), and is the second largest recipient of aid in Sub-Saharan Africa (Tripp, 2012).

3.2 Methodology

A core aspect of the research reported here was to study accounting practices within a variety of public service contexts. The paper investigates these practices and discourses in three institutional settings of central government, local government and NGOs in Tanzania. The research entailed an in depth, empirical study of practicing stakeholders. Three independent grounded theory studies were undertaken, one in each institutional setting. Interviews were undertaken with managers and politicians/Board members who were involved with any aspect of accounting. Data was collected in central functions such as Treasury/Finance and senior civil servants/Chief Executives and from service departments where appropriate. In total 70 interviews were undertaken in central government, 71 in local government and 48 in NGO's. A description of accounting and accountability practices in each organisation was obtained, together with participants' perceptions of these phenomena and practices. Triangulation was undertaken by a document search of relevant publications and committee minutes including budget, financial and audit reports and accounting system reports. Whenever possible, observation was also undertaken, including non participant observation and attendance at significant meetings.

The data was analysed using the series of coding procedures suggested by Strauss and Corbin (1998) comprising three different stages of coding. The first stage of open coding produced a set of codes which played a role in the case organisation's life with respect to accounting and accountability. The second stage of axial coding concentrated on the relationships between codes to produce a set of main categories. Reducing the number of categories at this stage allowed for a higher level of abstraction to be reached. Categories were derived from the data (in vivo codes) or by the researchers' knowledge of relevant Institutional Theory (theoretical codes). A final stage of selective coding identified the core category or phenomenon around which all other categories operated. It provided the core to understanding what was going on in the organisation. Selective coding also identified the strategies used by the organisation participants to manage the core phenomenon.

4. Findings

The analysis revealed different approaches to accounting in each of the settings. The findings commence with an outline of each sector's context and the isomorphistic pressures faced. Next, a summarised version of the grounded theory which emerged from each setting is presented. This comprises the core phenomenon found in each institutional setting, together with the strategies adopted by participants to manage these phenomena. Perceptions of legitimacy loose coupling are also discussed and an analysis of each sector using Ekeh's theory is undertaken.

4.1 Central government

In central government the research focused on three NPM inspired reforms of budgeting practices; performance budgeting (PB), cash budgeting (CB), and a Medium Term Expenditure Framework (MTEF). Three main ministries were investigated: the Ministry of Finance and Economic Affairs (MoFEA), the Ministry of Education and Vocational Training (MoEVT) and the Ministry of Health and Social Welfare (MoHSW). CB was adopted as the result of coercive pressure from the IMF.

PB and MTEF were adopted later. PB was introduced by the World Bank after a Public Expenditure Review (PER). Implementation of PB and MTEF was an extension of the Civil Service Reform Programme (CSRP). Donors were the overseers of reform implementation and their willingness to continue financing depended upon the Government's successful adoption and implementation of the reforms. In return for funding, international organizations and DPs expected satisfactory progress in the reforms implementation, as indicated in one of the Memoranda of Understanding (MoU) between the Government and the DPs:

> […] To sustain external support DPs expect the Government to demonstrate continued progress in its core public service reforms. This includes the public service, financial management, legal sector, local government, good governance and anti corruption reform programmes and strengthening of expenditure and accountability systems […] (Government and DPs MoU on the JAST, 2006 p.5).

> [..] The problem is…..we may implement what they (donors) want. If they will say "this particular issue is important" then you have to do it. However, you may have different opinions. Because you need funds, you are forced to do it […] (Official, MoFEA).

The detailed findings of this study have been published elsewhere (Goddard and Mkasiwa, forthcoming) and only the relevant main aspects are reported here. The central phenomenon which emerged to understand the affect of the reforms on accounting practices was one of 'struggling for conformance'. 'Struggling for conformance' was the process by which organizational actors' were determined to implement the budgetary reforms and comply with donors' requirements despite encountering enormous difficulties. It is illustrated by the following quote:

> […] We agree with them (DPs) about specific indicators…..we are struggling our best to make sure that we are meeting our Performance Assessment Framework (PAF) indicators. […] (Official, MoEVT).

Difficulties were observed in three areas: focusing on the medium term period, linking inputs with results and measuring output and outcome. Despite these difficulties, participants continued to implement the reforms to enhance their legitimacy in the eyes of the donors and hence ensure funding and also to enhance legitimacy by appearing to be like other countries as a result of perceptions on globalization. There was also evidence that organizational actors did believe in the reforms to improve internal efficiency:

> […]MTEF…..if it would have been prepared and implemented carefully, would have given us the best results […] (Official, MoFEA).

The core phenomenon refers to 'struggling' as organisational actors were committed to the reforms through necessity and struggled to implement them, rather than more overtly resisting them as found by prior research (Broadbent and Laughlin 1998, Jones 2006, Andersson and Tengblad 2009, Sharma et al 2012). This is not to say what could potentially be interpreted as resistive behaviour did not exist. For instance 'gaming' and the setting of rhetorical rules is often interpreted as resistive behaviour with a view to stopping or at least hindering implementation in research undertaken in

Western organisations. Nor is it to say that participants believed the reforms were desirable or even appropriate (though there was some evidence they were thought capable of improving organisational efficiency). Rather, in Tanzania, the motivation for such behaviour was primarily a desire to manage the implementation as best they could and not to hinder it. Failure to implement the reforms, particularly if due to overtly resistive behaviour was likely to result in loss of funding and its disastrous consequences (Goddard and Mkasiwa, forthcoming).

There were three main strategies, which explained how struggling for conformance was enacted: establishment of rhetoric rules and regulations; manipulating the measurement of performance and the playing of budgeting games. Various rules and regulations such as manuals, guidelines, Acts, circulars, and establishment of new units were established to guide the implementation of performance budgeting, cash budgeting and MTEF reforms. However, the use, perceptions and impacts of these rules and regulations hindered these efforts and made the rules and regulations more rhetorical. This strategy was characterised by the establishment of inadequately-used and or negatively/insignificantly-perceived guidelines; inadequately-used manuals; inadequately- and/or negatively-used acts and policies; insignificantly-perceived and adversely-affecting circulars; and ineffectively perceived, supervisory units. One example illustrates negatively- used policies with respect to of allocations for poverty reduction;

> […] Resources allocated to MKUKUTA (A national strategy for poverty reduction), as a percentage of total expenditure, have remained almost constant in the last three financial years ..… it is astounding that such allocations…..are concentrated at the central government level, instead of going to LGAs where the actual job of poverty alleviation is being made […] (Donors, The Citizen, 20th February, 2010).

Measurement of outcome and impacts was complex and actors often opted for reporting performance based on inputs rather than outputs/outcomes/impacts. Sometimes, the rhetorical words *output* and *outcome* were used in reports while in reality *inputs* were being measured.

Several examples of budgeting games were found. For example, personal allowances allocation – special request – ring-fencing was a three-stage game played by the Ministries, Independent Departments and Executive Agencies, MDAs and Treasury. The game started during budget preparation when participants rewarded themselves by including allowances, such as extra duty and per-diem payments in the budgets. This practice emerged as a result of low salaries and as an incentive to foster participation in the budgeting preparation. Allowances were included in the budgets by MDAs at the expense of core activities. Then, during budget execution, special requests to the Treasury were sent by MDAs so as to fund the core activities as most of funds had been allocated for allowances. It was difficult for the Treasury to decline "special requests" from MDAs due to the significance of the core activities. However, the increasing trend of special requests by MDAs forced the Treasury to adopt a ring-fencing strategy. This was the last part of the game in which the Treasury was forced to allocate funds for specific items (core activities) on behalf of MDAs so as to make sure that core activities of the MDAs were fully funded.

Another example was the repetition game in the establishment of organizational targets. This involved using the same figures in the budget for a number of consecutive years. This was caused by the lack of resources and time available to develop performance targets alongside budgets. This caused participants to merely "copy and paste". It was also complemented by a selective overseeing approach, as nobody cared about the details written in the budget papers. For example, the target of increasing treatment success of TB and Leprosy (in percentage) was the same in three consecutive MTEFs.

'End-of-year practices' and reallocation was a game played due to funding uncertainties and meanings placed on the "capacity" of the spending unit. Much expenditure was incurred at the end of the year. More funds were also released in the fourth quarter. Ministries had to struggle to ensure that they utilized all the funds released by Treasury to be seen as 'having capacity for funds utilization' for considerations in the next year and avoid audit query. A huge amount of funds were reallocated near to the end of the year. Utilization of funds in an inappropriate way became much easier due to the pressure to use up the funds released by the Treasury.
The strategy of establishing rhetoric rules and regulations is strong evidence of loose coupling whereby the rhetorical rules were loosely coupled to the actual practices. Four other areas of loose coupling were observed. Firstly, the PB system was loosely coupled with actual practices because of coupling another budgeting system (CB). Secondly, during budget preparation, PB was loosely coupled to the actual practices as the result of institutionalization of allowances in most of the activities, targets and objectives. This made the inputs loosely coupled to organizational objectives. Thirdly, allocations for the next two years of the MTEF period were *ceremonial*, because of unpredictability and uncertainties. The three-year time horizon of MTEF was also impracticable for monitoring and evaluation. Furthermore, the requirement for the preparation of three-year performance reports was not in operation. Loose coupling was not only a mediating tool between efficiency and legitimacy, but a mediating tool for conflicting rules, fragmented environment and intra-organizational power relations.

The 'struggle' at the heart of the grounded theory can be interpreted in terms of Ekeh's two public. At a deep level CG participants were trying to implement new institutional rules and routines which emanated from the same external sources as colonialism i.e. the developed West. Such reforms are therefore associated with the civic public and alien to the primordial values of staff, inevitably leading to a struggle with implementation. Indeed, the commitment to the reforms was always likely to be limited and the rhetorical nature of their implementation also inevitable.

However, it is in the budgetary gaming outlined above and indeed corruption that Ekeh's insights are most evident. In addition to the gaming tactics outlined above it was normal practice for politicians to intervene in the funds allocation exercise performed by the Treasury. Politicians bargained for more funds than the funds initially allocated by technicians, through the use of executives, instead of through the formal channels of the Treasury. The directions on funds allocations from executives to the Treasury came in the form of "orders". The intervention of the politicians resulted in the distortion of priorities. This also resulted in the reshuffling of funds from one ministry to another, and a change in the initial ceilings allocated to individual ministries. Changes in ceilings forced reiteration of the budget preparation,

which had sometimes had to occur up to five times. It also resulted in the rushing of the budget preparation exercise because of the frequent changes into ceilings. During this period of rushing, the links between inputs and outputs and the allocations for the next two years were highly affected. The power of the politicians conflicted with implementation of the reforms process:

> […] However, politicians will come and say "no"…. (they) will go to the executives (saying); "let me be given more money". You know, we are planning for revenue and expenditure, revenue itself is limited, if you go to the executive and say; "let me given 25 billion or 30 billion", while this year he had only 2 billion, that means you have to reduce from others and give it to him (to politician's MDA), therefore priorities are distorted in this sense […] (Official, MoFEA).

As a result of insufficient funds and the low level of the economy, actors thought of ways to obtain more funds so as to fill the gaps between available funds and expected objectives. Writing proposals to donors was a dominant strategy adopted by actors. This was reflected in the following quote:

> […] If we receive only a small amount of funding, we need to prepare a proposal so as to get more funding. If it is approved, the funding comes to this Department; it cannot go elsewhere […] (Director, MoEVT).

This might be seen as an example the inevitable corruption that occurs when primordial and civic are in direct conflict. More examples of self interest at the expense of organizational objectives occurred further down the hierarchy when officials struggled to fulfill their personal objectives and engaged in the allowances game outlined above. The distortion of objectives of accounting change was caused by the complexity of the new rules, and also by the low salaries of officials.

> […] Donors are paid $10,000/= (Approximately TZS. 15,000,000), Servants are paid TZS. 200,000/= per month … We buy in the same shops as they do. Do they want to buy in supermarkets alone? We are walking in the same roads as they do … We have to fight in order to get what we want. However, it is not the right way. We had to fight for salary increase rather than allowances […] (Director, MoEVT).

Another example of such practices concerned the mobilization of budgetary reforms through allowances. The budget preparation task was rewarded with extra-duty allowances, as reflected in the following quote:

> […] If I cannot pay the allowances, the budgets will not be completed. Who will stay here until late at night, and on weekends, without being paid? […] (Director, MoFEA).

Budget preparation was a significant part of an employee's life. Despite existing ambiguities and work pressure, organizational actors were motivated to prepare the budgets because of the expected rewards from the budgeting preparation task, which was a specially rewarded task even for budgeting staffs. Seminars, special tasks and training were the main sources of income and were crucial to organizational actors.

> […] We are just paid 200,000/= per month. How can I pay the rent? How can I pay school fees? What about petrol? What I receive from the budgeting exercise helps me throughout the year […] (Budgeting Officer, MoFEA).

4.2 Local Government Authorities

The research for this part of the study was undertaken through case studies of four Tanzanian Local Government Authorities (LGAs): two municipal councils (KAMC and MDMC) and two district councils (KBDC and MCDC). The central government continues to play a significant part in LGAs. The LGAs are governed by full councils, which are made up of elected ward councillors, one member representing each constituent village or suburb council, members of parliament representing their jurisdictions and three members appointed by the minister responsible for local governments. Moreover, day to day administration of LGAs falls under the Council Executive Director who is appointed by the minister responsible for local government in consultation with the Local Government Service Commission. All LGAs are accountable to the Prime Minister's Office, Regional Administration and Local Government (PMO-RALG) through the office of Regional Administrative Secretary (RAS) located in each region. The PMO-RALG provided an oversight context of accounting in the LGA's. In addition the Ministry of Health and Social Welfare (MoHSW), Ministry of Education and Vocational Training (MoEVT) influenced accounting practices in health services delivery and education services respectively. Finally, the Local Authority Accounts Committee (LAAC), oversaw councils' use of accounting in discharging LGAs' accountability to the National Parliament.

As with CG a major source of coercive isomorphism on LGA accounting were external donors, including amongst others the World Bank (WB), and countries such as Belgium, the Netherlands, Sweden, Ireland, Germany, Japan, and Finland, which jointly formed a 'basket funding' arrangement known as the Health Basket Fund (HBF). The donors' influence originated from these funds, and was manifested through practices such as the adoption and implementation of the Integrated Financial Management Systems (IFMS), the establishment of the Councils' Audit Committee, the introduction of the Local Government Development Grant (LGDG) systems, including conditional and performance based grants, the adoption of IFRSs and International Public Sector Accounting Standards (IPSAs) and the introduction of the Comprehensive Council Health Plan (CCHP).

In the case of IFMS, the Government in collaboration with donors pioneered its introduction to the LGAs as a mechanism of addressing financial mismanagement, and to enhance reporting mechanism. The system was imposed on LGAs without sufficient preparation, which somewhat, constrained its effective implementation. Related to this was also poor coordination and ambiguous responsibilities regarding the administration of the system between the Government, Councils, and the external supplier of the system. There were also claims that the Councils' officials resisted the effective implementation of the system because it limited the personal allowances and other discretionary expenditure.

The LGAs' financial reporting framework had also been subjected to external pressure from the Government and donors. The LGAs' financial framework started as cash basis, and moved to the accrual basis following the country's adoption of IFRSs

with effect from 1st July, 2004. The rationale was to enhance the comparability of the financial information across different organizations. However, with effect from FY 2008/09, the framework was changed to IPSAs, the reason being to strengthen the financial accountability of local governments through providing sufficient and reliable financial information within the context of public sector organizations in general. Again, there was no sufficient preparation in the process of change, something which constrained the effective implementation of IPSAs in the LGAs.

Formal and informal pressures from the Government, donors, and politicians, were also imposed on the Councils' budgetary practices. These pressures were normally embedded in the budget guidelines, which were perceived by the Councils' officials as inappropriate and unrealistic. For example, the effective implementation of the participatory planning, which was imposed by the Government to the LGAs, was constrained by inadequate knowledge of the actors at the lower levels. The Government in collaboration with donors also introduced a formula based conditional grants system to the LGAs. According to the system, the amount of the discretionary grants which the Councils received depended on its fulfillment of the performance criteria, which include the Minimum Conditions (MCs) and the Performance Measures (PMs). Like other initiatives, the system was imposed to the LGAs without sufficient coordination with the overall organizational operations. As a result it was treated as a separate exercise by LGAs and was neither incorporated into the organizational principal administrative regulations, nor into the financial regulations.
Legitimacy was at the core of understanding accounting practices in LGA. The research revealed that the effective operations of the Tanzanian LGAs were highly constrained by the factors such as funding uncertainties, political interference, fragile regulatory systems, and most of all donors' influence. These had forced the LGAs' officials to use important accounting practices such as financial reporting, auditing, budgeting and performance measurement, to manipulate the organizational legitimacy to ensure the availability of resources to both LGAs and the individual officials. This was the central phenomenon which emerged from the study and was labelled 'manipulating legitimacy'. This ensured the achievement of both the organizational interest [resources and survival] as well as individual financial and political interest. Manipulating legitimacy involved the purposeful and deliberate use of accounting techniques to influence and control (and sometimes even to falsify) the perceived reasonableness of the Councils' operations. It is partly illustrated in the following quote:

> "You know, we have a lot of *politics* here, therefore, it is appropriate to under-budget the Council's own sources and meets the targets easily than to be realistic…*If we collect below 80% of what we have budgeted for, the Council's allocation for capital and development grants will be negatively affected.* This leads to major problems in the Council and a number of the development projects will not be implemented. This will also amount to our salary deduction, and the external audit query. Importantly, under-budgeting helps the Council to receive development grants and boost the economic development of our local community" (Rela, Assistant Revenue Accountant: KAMC) (emphasis added).

This indicates the manner in which the Councils' officials used the accounting information, in this case budgetary practices, to manipulate the organisational legitimacy in order to obtain funds.
Manipulating legitimacy has been implicitly discussed in the IT literature (Ashforth & Gibbs, 1990; Deegan et al., 2002; Lindblom, 1994; Oliver, 1991; Suchman, 1995). For example, Suchman (1995) was of the opinion that the organisational legitimacy can be gained through manipulation techniques. This occurs when an organisation manipulates the existing external structures by creating new organisational legitimating beliefs. The legitimating beliefs aim to persuade the external stakeholders on the appropriateness of the organisation. Also, Oliver (1991) acknowledged the possibility of the institutionalized organizations to use the manipulation techniques to address the institutional pressures.

The process of manipulating legitimacy in the LGAs comprised two main strategies, namely, 'building the organizational image' and 'managing the organizational performance'. Whilst the former focused on creating an externally favorable image of the Councils in order to attract more resources from the Government and donors, the latter concentrated on controlling the internal problems which threatened the performance of the Councils.

'Building the organisational image' describes the attempts of the organisational participants to portray a favourable image of the Councils to their external stakeholders in order to accrue resources. A number of sub-strategies were identified within the overall strategy including for instance maintaining the claims of accountability. Councils were consistently and deliberately claiming direct accountability to the general public.

The claims were normally communicated to the fund providers through the Councils' budgets, including a number of activities to be undertaken at the lower levels of Wards and Villages although these were not normally implemented. Having created the claims through the budgets, the Councils acquired the legitimacy from the fund providers that they were more accountable to, or at, the lower levels, something which assured them the availability of resources.

A number of techniques were used to manage the organisational performance including aggressive fund management, lobbying, and the playing of compliance games. One example of aggressive fund management was the *practice of 'teeming and lading'* where the late disbursement from an external funder motivated the Councils' officials to take funds from one source to finance the activities of another. The practice worked on the assumption that the taken funds would be returned when the appropriate funds became available. This was evident during a conversation with a Municipal Medical Officer of the KAMC:

> "The main problem we are facing in our Councils in general is the late disbursement of funds. Funds from donors and Government are insufficient and untimely disbursed. Mind you, these funds are very important for smooth running of health facilities. What we do, normally we take funds from available sources with the anticipation of returning them later when funds from a respective source become available. *Otherwise, we have to close the health facilities*" (Lua, Municipal Medical Officer: KAMC) (emphasis added).

There were also concerns among the various LGAs' stakeholders that the audit opinions issued to the Councils were inappropriate. The councils' officials were also involved in playing legitimacy compliance games in auditing, budgeting, and financial reporting. In auditing, for example, despite the fact that the Councils' internal auditors lacked sufficient technical competence and appropriate facilities to undertake a performance audit, the internal audit reports included a clause indicating that one had been undertaken. This was in response to the regulations which required the Councils' internal auditors to undertake a performance audit and indicate this in their quarterly internal audit reports. Similarly, the effective implementation of the participatory planning was constrained by inadequate knowledge of the officials at the lower levels and tight budget timeframes. To counter this, and because the participatory budget was one of the funding conditions of both the Government and donors, the Councils' officials involved the lower levels only ceremonially and their suggestions were either ignored or subjected to formal and informal revisions at the Council level.

Furthermore, despite the inherent weaknesses facing the implementation of IPSAS, all financial statements of the Tanzanian Councils were stamped as 'fully IPSAS compliant'. These compliance games were intended to convince the supervisory bodies and fund providers that the Councils complied with the regulations as required, a claim which guaranteed the availability of resources. In contrast to what Granlund (2001) and Lukka (2007) witnessed, the legitimation techniques practiced in the case organizations were not primarily intended to block the changes introduced in the organizations, rather, they were employed to maintain the organizational operations given uncertainties of the funding sources.

Loose coupling was evident in the LGAs in several areas. For example, it was apparent that organisational actors in the KAMC and MDMC were intentionally resisting or avoiding the day to day usage of the IFMS/EPICOR. Few 'sensitive' transactions were posted to the systems to avoid maximum pressures from the Controller and Auditor General (CAG) and Regional Financial Management Specialists (RFMSs). This was attributed to the fact that the system did not allow certain expenditures which were deemed necessary and important. As a result, the manual system was used in parallel with the IFMS/EPICOR.

In addition, budgeting related problems, such as political interferences, inadequate knowledge of the lower levels, and unrealistic ceilings, forced the Councils' officials to decouple formal budgeting arrangements with actual practices. For example, political interference from the Councillors and higher Government officials distorted the formal budgeting process, something which necessitated the maintenance of the two budgeting documents in order to meet the budgeting deadline. Also, the ceremonial involvement of the lower levels due to their inadequate knowledge legitimated the Councils' budget. Similarly, the formal structures of the performance measurement practices were not effectively integrated in the daily operations of the Councils. The performance assessment merely consisted of the checklists of the Minimum Conditions (MCs) and the Performance Measures (PMs) which evaluate the Councils' operations on annual basis.

The position of LGAs with regard to Ekeh's two publics is an interesting one. It certainly has strong elements of the civic public as it is closely related to the post colonial state. Indeed this is enhanced in Tanzania by the embeddedness of the state apparatus through the inclusion of CG/state representatives on the Council and the appointment by CG of the Chief Executive. However, there are also strong elements of the primordial public, particularly at lower levels of the hierarchy and at the smaller District LGAs. This is reflected in very core phenomenon of 'manipulating legitimacy'. 'Manipulating' infers a purposeful intention to falsify aspects of legitimacy and this was certainly evident in the research findings. Such intention to falsify is certainly made easier when such actions are directed at the amoral civic state in order to protect the moral primordial public. The perceptions of us (LGA) and them (CG and external donors) was strongly evident as illustrated above.

However, as with CG, Ekeh's two publics are most evident in the areas of organizational gaming and fraud and corruption. Gaming was at the heart of 'manipulating legitimacy' and in the strategies adopted for its management. Many examples of such gaming are provided in the above discussion including legitimacy compliance gaming and teeming and lading.

Fraud and corruption incidences were much more evident than in CG and emerged as one of the main consequences of the strategies employed in the process of manipulating legitimacy. The Councils' audited accounts from the FY 2005/06 to the FY 2009/10 show a number of fraud and corruption related incidences in areas such as development and social projects, revenue outsourcing arrangements, and salaries. The fraud and corruption incidences had largely affected both the efficient undertaking of the Councils' development and social projects, and the revenue raising ability of the Councils. For example, the CAG reports of the last five financial years showed that the majority of the LGAs' projects were below standard, and the substantial revenues of the Councils were not remitted by the collecting agents as a result of inappropriate contracts entered between the Councils and private collectors. The emergence of fraud and corruption was partly attributed to the presence of *unfavourable working conditions* and *inherent weaknesses of the internal control systems,* while the technocrats and the Councillors' personal interests facilitated its occurrence:

> "During the assessment, the Council officials are very anxious. As you know, most of our technocrats are not clean. In one of the Council, I caught two members of the Parliamentary Committee taking financial bribery from the Council's officials. You know, *the technocrats are ready to give everything in order to portray impressive performance"* (Miv, Member of Parliament: LAAC) (emphasis added).

The truth of this comment was demonstrated shortly after the end of the fieldwork, when the PCCB caught one of the Parliamentary Committee members taking a financial bribe from the officials of the Council which was going to be visited by the Committee. Collusion was also evident, involving inappropriate arrangements between the members of the organizations and third parties, with revenue outsourcing arrangements claimed being highly affected by these practices as implied in the following quote:

> "I noted weaknesses on revenue collections outsourced to agents on behalf of the Councils. This area was noted to reflect *unfavourable contracts which benefited agents more than the Councils*. The ability of the Councils to funds its operation using internal sources of revenues is hampered by inadequate internal controls over revenues collection" (Annual General Report of the CAG on the Financial Statements of LGAs for the Financial Year ended 30th June 2010; p. 105) (emphasis added).

Collusion practices were also prevalent in construction projects, where it was claimed in one LGA that the Councils' Engineers had given confidential information to the private contractors who bid for the construction projects advertised by the Council.. The issue of the low quality (substandard) of the Councils' development projects, which was partly associated with selecting inappropriate suppliers as a result of collusion, was one of the repeated audit queries in the Tanzanian LGAs.
Corruption emanating from the perceived morality of favouring the interests of the primordial public over the civic public was also evident. For instance, Councillors were highly criticized for interfering with the Councils' operations and budgeting:

> "Councillors are destroying the smooth running of the Councils…After the end of the budget preparation, the Mayor normally demands certain projects to be implemented in his Ward… As a Council official, *you have to find a means* to do that, otherwise, you will enter into an endless trouble with these *powerful politicians"* (Sega, Economist: KAMC) (emphasis added).

The conflict between the two publics within LGAs is illustrated by the following comment:

> "We have a big problem here. Technocrats are corrupt and there is no place to make them accountable…Higher Government bodies are not ready to take actions based on our recommendations…*We are coming from a different mother* and whatever we recommend to them, is simply treated as '*politics*'. They want to show the general public that opposition is nothing" (Jofe, Council Mayor: MDMC) (emphasis added).

More interference was noted during the budget preparation, where the Councillors were keen to push for high allocation of resources in their respective wards. There were also incidences of higher officials requesting funds from the LGAs for financing non-budgeted expenditures. In order to protect their interest, they were forced to comply with these requests.

4.3 NGO's

This study was undertaken through case studies of three NGOs in Tanzania. The first was set up in 1991 with the overall mission of building a reading culture in Tanzania, targeting children of all ages. It assists in the acquisition, production and distribution of reading material for children; encouraging and supporting indigenous authorship and publishing of children reading material. It generally promotes the love of books and reading among Tanzanian children. The second was established in 1992 and its main objective was to advance the general welfare of women and to serve as a catalyst for improving their living conditions. Its operations were in development

work and advocacy. The last NGO was established in 1987 with the primary concern was with violence against women. It provided shelters as well as undertaking public education and advocacy work. As well as the three case study NGOs; three donor agencies, two government regulatory bodies and an accounting board were used as data sources. All three organisations generated little income from their own sources and were sustained by grants from donor agencies. The budget was therefore a critical tool in obtaining resources.

There were three types of budgets in use; the annual organisation-wide budget; the programme activities budget; and the once-off-activity budget. The programme activities budget was the critical budget. It attempted to match programme activities with donor funding interests because each of the donors funds particular activities and not others. It was not uncommon for different donors to fund the same programme activities. The budget therefore was a 'funds soliciting' tool rather than a financing target to be achieved. It was what funding agencies were willing to provide that was critical and establishing a good reputation and contacts was therefore a crucial part of an NGO's top management. The size of the programme budget submitted to donors was also intended to send an important message to established institutional donors about growth prospects of an NGO. As one executive confided the programme budget had to be seen to grow and the organisation therefore has to ensure a bigger budget was submitted on a year-by-year basis. Donors agreed an indicative plan for a five or three-year circle and reviewed a detailed plan for each year as it approached. Financial reports to donors followed the format of the agreed programme activities budget, which is the reason why expenditure analyses in the organisations were based on funding source. Operations of NGOs were heavily dependent on donors' financial contributions. Donors therefore possessed substantial power associated with their conferring of resources to NGOs. Moreover, being ‘in the good books’ of a donor of high standing conferred a form of organisational credibility on an NGO.

Two government offices handled matters related to NGOs; the office of the Vice President, which has an NGO Division headed by a Commissioner and the office of the Registrar of Clubs and Societies in the Ministry of Home Affairs. Moreover, since NGOs had become an important organisational player active in the social services sector, government officials were interested in their operations. Accountability of NGOs had been a major consistent demand of the Government. As a Commissioner in one of the regulatory agencies stated:

'It is the government [through the Registrar] that gives an NGO the mandate to operate. If the NGO does not deliver the expected services, then the government has the right to demand an explanation'.

However, the government's interpretation of its status is a contested one; NGOs and other stakeholders question the legitimacy of the government’s claims. The government's legitimacy to a financial reporting relationship was questioned as not being of a co-operative spirit but a domineering and 'policing' nature. Consistent accounting failure within the government itself, leading to theft and abuse, was cited as a weak moral ground on which the government could call for enhancement of accountability in other organisations. The government was relatively ‘hands off’ the internal accounting practices of the NGOs and only took a minor role in the financial reporting requirements.

Donors were therefore provided an important isomorphistic pressure in determining specific accounting practices in NGOs, and CG much less so. However, NGOs responded by adopting other accounting practices which they thought would enhance their legitimacy in the eyes of donors in order to attract more funds. This was more akin to mimetic isomorphism.

The main findings of this study have already been published elsewhere (Assad and Goddard 2006) and only the relevant main aspects are reported here. The core phenomenon that emerged from the study was the basic process of *navigating legitimacy*. This related to how and the extent to which NGOs succeeded in accessing resources from donors and the modes by which these organisations justified resource utilisation to a spectrum of stakeholders. The organisations solely depended on donated resources for their existence and resource management and utilisation were critical aspects in the way organisations attained, lost, maintained or enhanced legitimacy. Accounting was implicated in navigating legitimacy in the resource-attaining phase as well as in the justification for resource utilisation. First, it was a communicating facility for expressing the scale and activities of resource need via budget submissions. Secondly, it was the primary channel for reporting resource utilisation not only to donors but also to other stakeholders. Since these organisations could not survive without donated resources the process of justifying resource utilisation necessarily also justified organisational existence. Thirdly, the perceived strength or otherwise of the accounting function was itself an important tool in symbolising organisational competence - competence to handle and properly 'account' for entrusted resources. In this respect accounting acted as a legitimating tool and when it was perceived to be adequate it enhanced organisational legitimacy. The flow of accounting information and reporting mirrored the flow of resources. Speed, frequency and intensity of accounting reporting reflected the significance organisations accorded to different stakeholders. The more significant the stakeholder the more influential they were in determining the legitimacy status of organisations and the more accounting activity appeared to be directed to them.

NGOs had moved beyond manipulating legitimacy to a more proactive management or navigation of it. This reflects the relative independence of the organisations from donors and CG and the more confident position they adopted. In all NGOs there was therefore an on-going process of incorporating 'sound' accounting practices into organisations. The changes were often initiated by institutional donors and can be seen as pursuits to accommodate donor interests in order to maintain organisational legitimacy. Being perceived as a competent entity was a key element for the attainment of a legitimate status and incorporating 'sound' accounting practices conveyed that sense of a competent entity - an entity that could be trusted to keep proper records and account for finances entrusted to it. Organisations therefore incorporated sound accounting practices as legitimating devices.

Two strategies were employed by organisations to manage the process of navigating legitimacy. These comprised two interrelated and progressive stages or sub-processes – *building and rebuilding credibility*; and *bargaining for change*. These reflect the ways organisations created and managed good impressions with stakeholders before seeking their long-term commitment and attempting to bargain with them, to create a less burdensome accounting and reporting environment. Building and rebuilding

credibility comprised five sub-strategies were identified whereby organisations sought to build and rebuild credibility. These were judicious conformity with accounting requirements; character witnessing; managing the audit; improving organisational governance; fostering a distinct cultural identity and engendering trust. The process of bargaining for change comprised four specific bargaining sub-strategies. These are selling the 'basket funding' idea; joint venturing one-off projects; selective rejection of project-format funding; and stalling the NGO policy initiative.

It is noteworthy that accounting changes associated with these strategies did not result in making accounting important in internal decision processes. The installation of a computerised accounting system in one NGO, for example, ought to have made easier the accumulation and analyses of programme costs. Yet, it remained only a facility to perform faster nearly the same processes that the accountant previously performed manually - production of expenditure reports by donor source. Nevertheless, computerisation was, on its own, of symbolic significance as an institutionalised aspect of modern day competent organisations.

A related aspect of legitimation by organisations that emerged from the research was that of using professional experts - consultants. Although recommendations of these experts were not always implemented the consultation process had a ritual significance as well. This also concurs with Meyer and Rowan (1977) who suggest that:

> […] highly professionalized consultants who bring external blessings on an organization are often difficult to justify in terms of improved productivity, yet may be very important in maintaining internal and external legitimacy (p. 355).

The appointment of auditors was yet another aspect of use of professional experts that organisations appeared to manage to portray legitimacy. During the research two organisations had appointed multinational audit firms in place of local audit firms. The underlying justification had little to do with professionalism or opinion shopping. The justification for auditor change was rather the perceived positive effect on the organisations' legitimacy as a result of being audited by renowned multinational audit firms.
Loose coupling did not emerge as an important aspect in this study, other than the observation that accounting changes which could have enhanced internal decision making were not so utilised (see above). This was probably due to the perception of accounting as merely a legitimating device to obtain more funds rather than something of additional use to the NGO.

Fraud and corruption also did not emerge as important phenomena. This was probably due to the more coherent location of the NGOs firmly in the primordial public. The values of participants were in tune with this primordial public. Any attempts to steal or game with the resources of the NGO would be to the detriment of the primordial public and therefore immoral. Moreover, the colonial state was perceived as almost entirely external to the organisations, other than in the case of donors, as a source of funds. Gaming, by navigating legitimacy, in order to obtain such civic funds and enhancing the primordial NGOs was again a moral act.

5. Discussion and Conclusion

Legitimacy played a central role in understanding accounting practices in all of the sectors studied. In all cases it was also defined in terms of the perceptions of donors and how they defined legitimacy. However, these perceptions did vary across the sectors. In CG it was closely associated with global NPM initiatives and focused on planning and budgeting mechanism with an emphasis on performance outputs and outcomes. In LG it was more concerned with accountability mechanisms and with financial reporting. In NGOs it was more broadly related to donors' perceptions of what constituted an organisation worthy of funding and included all aspects of accounting and auditing. As can be seen the differing approaches donors took to legitimacy resulted in different accounting practices across the three sectors.

It is perhaps useful to return to Scott's three 'pillars' (or ways of understanding) institutions and legitimacy in relation to the three sectors. The first pillar with a regulatory emphasis on conformity to rules was evident in all three sectors. All case studies adopted new organisational accounting rules to enhance their legitimacy. The second normative pillar, stressing a deeper, moral base for legitimacy, was strongly evident in CG where participants struggled to conform to the new rules. However it was far less evident in LG where manipulation was more evident than any moral commitment. In NGOs there was even less moral commitment to the rules, rather participants only accepted the rules in so far as it resulted in funding. Indeed in NGOs legitimacy was seen as something to be actively managed rather than something handed down from above. Similar differential responses were even more evident with respect to the cognitive-cultural pillar, stressing the legitimacy which comes from adopting a common frame of reference (Scott 2001). It seems that the further institutions were from the central state the less the commitment to donor-perceived legitimacy and associated accounting changes imposed from outside.

Legitimacy and isomorphism are closely related (Meyer and Rowan 1977). The fact that in all sectors, donors impose accounting change informed by NPM concepts on organisations is clear evidence of coercive isomorphism. However, coercive isomorphism was most evident in CG where implementation was closely overseen. Mimetic and normative isomorphism was more evident in LGAs and particularly in NGOs. Indeed in NGOs, in order to navigate legitimacy organisations had not only to adopt the coerced practices but also chose to copy other practices (such as using major accounting forms for consultancy and audit) used by external organisations deemed to hold high levels of legitimacy.

The success of these isomorphistically informed accounting changes was undermined by loose coupling. However, again there was a differential response with respect to loose coupling across the three sectors. In CG it was a factor but mainly resulted from an inability to conform to the new complex rules rather than a deeper antipathy to the changes themselves. In LGAs loose coupling was far more extensive. Indeed the core phenomenon of manipulating legitimacy by manipulation of accounting practices is itself an example of loose coupling. Such extensive use suggests a deeper hostility to the changes than was found in CG. In LGAs, loose coupling was almost non-existent in respect of changes imposed by senior managers not being accepted by more junior managers. This was because the changes were never intended to change the organisation, rather to obtain more funds.

An obvious question is why there were such differences between perceptions of legitimacy, isomorphism and loose coupling and the related accounting practices across the three sectors. Ekeh's two publics provide such an explanation and also help to understand the high levels of gaming and corruption found in all sectors. As outlined above officials working in public sector organisations are subject to the values and perceptions of morality associated with each of the two publics. However, CG is far more associated with the post colonial state and the civic public, than NGOs which are more closely associated with the primordial public. Those working in CG are not only subject to norms and rules of the civic public but are themselves more committed to them, particularly at more senior levels. Rather than be in conflict with the associated accounting changes managers were committed to them and struggled to implement them. LGAs are closer to the primordial public but still retain strong association with the civic. Officials were in conflict over the norms and rules of the two publics, and consequently in conflict over the accounting practices. They were far less committed to any changes imposed by the civic public and manipulation and high level of gaming and loose coupling was inevitable. NGOs were much more associated with the primordial public. Officials were committed to the norms and vales of the organisation and there was little internal conflict. This resulted in little internal gaming and loose coupling, rather gaming occurred only with external donors associated with the civic public.

The 'two public' analysis also assists an understanding of differential levels of corruption across the three sectors. As outlined above a distinguishing characteristic of the primordial institutions is a strong moral purpose including a moral responsibility on the part of individuals to ensure collective well being. In contrast the civic public is amoral and lacks the moral imperatives of the primordial public, leading to opportunistic, lawless and corrupt tendencies. In CG examples of corruption were found but were not as prevalent as LGAs. This was partly due to the relative coherence of norms and morality between CG officials and the civic state but also due to the relative ease with which close control over the implementation was possible. Corruption was most prevalent in LGAs. This was partly due to the conflicting norms between primordial officials and the civic donors and also to the difficulties the civic state encountered in monitoring the more distant LGAs. NGOs encountered very few problems of corruption other than a desire to subvert resources from the civic public wherever possible. Participants did not face the same tensions as those in central and local government as the institutions in which they operate are conducive to their primordial roots and values and a stronger sense of moral responsibility might exist. It was also due to the more extreme distance between the institutions and the civic state and donors. The above analysis suggests that the application of accounting and accountability procedures and processes, developed in societies without a bifurcation of publics is inevitably problematic, with resistance stronger the greater the distance from the state.

It is interesting to consider the implications of this research for practice. In the case of NPM the immediate concern is whether this neo-liberal inspired initiative is successful in the developed world where research to date suggests it is, at best, unproven. If this is the case it is very unlikely to prove successful in the public sectors of developing countries where bureaucratic resources are relatively limited. A more pertinent point is whether any reform imposed from the developing world is likely to

be successful. The evidence from this research is that it is unlikely if it is tainted with the civic public. This may be due to the use of the state to impose the reform, as in CG and LGAs, or the direct imposition by donors associated with the colonial state as in the case of NGOs. If there is an answer to this conundrum it is surely for the developed world to support institutions and professions in the developing world to develop their own practices rather than imposing them. These practices are then more likely to take societal values, history and local context into account.

This is even truer in the case of attempts to overcome corruption in the developing world. Such attempts have often been criticised for taking a neo- patrimonial view of corruption (Theobold 1999, Doig and McIver 1999). However, the research reported in this paper suggests that corrupt practices are much more endemic and deeply rooted in society. They are rooted in the conflicts between the primordial and civic perceptions of morality and particularly with donors being perceived as part of the immoral civic public. It is difficult to see an easy or short term solution to such corruption. Rather a long term view, concentrating on changing the perceptions of civic morality appears to have most chance of success. This might involve donors work closely with institutions to develop their own practices rather than imposing them from outside. It would also be beneficial to support, without managing or imposing, accounting institutions and professions in the developing world as there is some evidence that good accounting reduces corruption rather than specific reforms. For instance Kimbro (2012) found that, inter alia, countries that had good financial reporting standards, and a higher concentration of accountants to be less corrupt. Iyoha and Oyerinde (2010) in their study of accountability in the public sector of Nigeria found that, 'accountability in public expenditure could be more easily realized within the context of a sound accounting infrastructure and a robust accounting profession and not in the multiplicity of laws and anti-corruption agencies'.

In conclusion, institutional theory concepts of legitimacy, loose coupling and isomorphism are useful in understanding accounting practices in public sector accounting in developing countries in Africa. However, they are insufficient for a deeper understanding of these practices within a post colonial context which comprises a complex cultural and political society. Ekehs concepts of two publics, alongside concepts from institutional theory, provides such a deeper understanding, particularly by introducing the concept of morality which has important impacts on accounting.

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