ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA (ABWA)

Regional Integration AND Economic Development IN WEST AFRICA

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Editor's Note

THE 8th (biennial) Conference of the Association of Accountancy Bodies in West Africa (ABWA) took place in Cotonou, Republic of Benin, from 24 to 27 April, 2007. The Conference deliberated on the general theme, REGIONAL INTEGRATION AND ECONOMIC DEVELOPMENT IN WEST AFRICA.

ABWA was formally inaugurated in Abuja, Nigeria on 10th August, 1982. The Association brings together the Institutes (professional bodies) which regulate the accounting profession in the respective countries making up the West Africa Sub-Region. One of its aims is to foster the professional development of accountants in member countries through seminars, symposiums, conferences and the sharing and exchange of ideas and experiences.

ABWA is recognised as a regional body by the International Federation of Accountants (IFAC). In that regard, it serves as a co-ordinating organ for harnessing and distilling the views and interests of the accounting profession in member countries for joint representation on IFAC forum and also as a channel for disseminating IFAC decisions and policies among its members.

ABWA also sees itself as an important organ which can play an effective role in the pursuit of the goals and aspirations of ECOWAS as enshrined in the ECOWAS Treaty.

In pursuance of the above, ABWA holds periodic conferences to deliberate on issues which pertain to the profession and the contribution which it can make within its areas of competence which lie chiefly in the economic and financial domain, to the promotion of the sub-region's economic development and regional integration.

The choice of theme for deliberation at the 8th Conference was particularly apt as it addressed the vital issue of how to promote economic development and the well-being of the citizens of ECOWAS through integration efforts, in particular pinpointing the role which professional accountants can play in this regard. Of happy coincidence also was the fact that holding of the Conference in Cotonou meant returning to the very city where the Revised ECOWAS Treaty, as it now stands, was signed in July 1993.

The Conference examined different aspects of the broad theme. These ranged from exploring the place of the private sector in promoting integration; the role of the capital market in wealth creation; the imperatives of stability and protection of public interest in the pursuit of integration; and the very significant role which the accounting profession can play in the process. Other matters also deliberated upon were of core interest to the profession, namely, how to strengthen, consolidate and/or harmonise public sector accounting in the sub-region, and the knotty question of convergence in accounting practices and methods, thrown up by the current globalization trends.

ABWA assembled experts from different fields to lead discussion ion the above sub-themes. There comprised accountants in practice, accountants in public sector, accountants in academia, accountants with vast experience in capital market operations as well as political economists. Paper presenters generally brought to bear on their submissions wide-ranging experiences and perspectives drawn from both local and international arena. The fact that all papers came in both English and French versions considerably enriched the discussion and enhanced the level of participation.

This publication is a collection of the papers which were presented at the Conference. The papers have benefited from some minor editing, especially as regards those aspects where the first translation needed to be improved upon so as to convey the exact meaning of the author.

In compiling this publication opportunity was taken to include an additional paper which was presented earlier on another ECOWAS Forum and which bears direct relevance to the theme. The inclusion of the paper sought to enhance, to some extent, the information available on one aspect of relevance to the Conference theme the harmonization of public sector accounting standards for application in the West Africa Sub-Region.

This publication should be seen as just one of the many contributions which will, over time, emerge on the general theme of economic development and regional integration and the role which the accounting profession can play in promoting this. The publication is aimed at a wide range of readers accountants, economists, policy makers and students.

Abhulimen Anao
Editor

The Role of the Accounting Profession in Development and Regional Integration

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ABSTRACT

This paper presents an overview of the demise and resurrection of regional integration in Africa and the potential benefits to be derived from regional integration. Based on the current general encouraging economic performance in Africa, the paper provides copious illustrations using the classical, neoclassical, Marxist, and reformist economic development theories to illustrate how accounting has and can adapt to varying socio-economic and political circumstances.

Introduction

THE above topic is very popular and challenging but battered. A quick internet search indicated that there has been about 4,450,000 listings on the topic. Within the past year, three major International Congresses the 2006 World Congress of Accountants (Istanbul), the African Regional Learning Workshop in Nairobi (September 2006) and the Institute of Chartered Accountants in Nigeria (ICAN) Congress (October 2006) had similar themes. Given such a popular, challenging and battered topic, the only way to add value and keep away from absolute plagiarism, repetition and boredom, is to attempt to create a special niche for the audience. To create the niche, I decided to resort to the little Development Economics I was taught at the undergraduate level, the Accounting History I was taught in graduate school. I left graduate school more than a generation ago. Therefore, I am not sure of what accounting principles I should use to assign a value to the knowledge I am about to apply or transfer to you. Should it be historical cost, net book value, fair market value, value in use, value in exchange or disposable value? Be that as it may this paper presents an overview of the demise and resurrection of regional integration in Africa and the potential benefits to be derived from regional integration. Based on the current general encouraging economic performance in Africa, the paper provides copious illustrations using the classical, neoclassical, Marxist, and reformist economic development theories to illustrate how accounting has and can adapt to varying socio-economic and political circumstances.

Back ground

In the pre independence era in the 1960s, before Sub-Saharan African countries achieved independence, there were more cohesive regional and economic integration in African countries than the post independence era. The Franco-phone and Anglophone divide and legacy did exist and continue to exist. However, within each of the two zones, there were strong regional coordination and fraternization. Within the Anglo-phone zone, British West Africa had common currency, free movement of goods and personnel, common educational systems and regulatory framework. There were similar strings in Eastern and Southern Africa and the Franco-phone countries in Western and Central Africa.

Post independence developments in Anglo-phone West Africa have disintegrated the unity that existed between these countries. The concept of single currency in the Anglo-phone zone, for example, was eliminated. In addition, trade barriers have been created. Eastern and Southern Africa lost similar grip of regional integration with The Southern African

Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) holding the fort for the residual structures of the extinct regional associations. Franco-phone West Africa has managed to retain more of its colonial ties and legacies with sister Franco phone countries in West and other parts of the continent. Within the past generation (from 1975), efforts have been made in West Africa through the establishment of ECOWAS, to re activate some of the structures of regional integration that were destroyed after independence. However, progress in this direction has been slow.

If properly conceived, regional integration offers many advantages for developing countries. First, closer trading links between these countries would strengthen their capacity to participate in world trade. Regional integration would enable many countries to overcome the obstacles represented by their relatively small domestic markets, by enabling producers to realize greater economies of scale and benefit from the establishment of regional infrastructures. A regional approach in key structural areas, such as tariff reduction and harmonization, legal and regulatory reform, payment systems rationalization, financial sector reorganization, investment incentive and tax system harmonization, and labor market reform, enables participating countries to pool their resources and avail themselves of regional institutional and human resources, in order to attain a level of technical and administrative competence that would not be possible on an individual basis. The regional approach also allows countries to assert their interests from a stronger and more confident position in the international arena. In addition, regional surveillance and the dialogue between the various partners help reduce the risks of macroeconomic slippage, resulting in a more stable, predictable environment. (Ouattara, 1999).

With or without the benefits of regional integration, as a continent, Africa's profile has been very high since the turn of the current millennium. Leaders of the G-8 have agreed to double aid to US$50 billion by 2010, of which 50% would go to Africa. The 25 members of the European Union committed to double aid to $80 billion by 2010, and in September 2005, 15 members of the United Nations agreed to commit to the organization's 0.7 percent aid/GDP target. The same month there was agreement to cancel $55 billion of debt to 18 countries, 14 of which were in Africa. These commitments were made in the spirit of Tony Blair's Africa Commission, which went around 10:1 in favor of what the international community should do for Africa (Greg Mill, Heritage Lecture #.923).

Economic trends also appear to be moving in the right direction. Continental growth has averaged over 5.0 percent in the past five years. These are the most favorable performance for many years. Today, 40 percent of African states have elected democracies, regional co-operation is being enhanced, and governance is part of the agenda.

Recounting the above achievements to the Ghana Parliament during Ghana's Golden Jubilee anniversary in March 2007, the World Bank President cautioned African countries not to rest their oars and be complacent from the above accomplishments. African economies are still fragile and vulnerable to domestic and external shocks. With its low rates of domestic saving, endemic poverty, excessive dependence on commodities, and lack of market openness and liberalization, there is potential risk of being marginalized from the rest of the world.

We are gathered here this week to attempt to provide new or additional professional insights and directions that would enable our continent to sustain the momentum it has gathered to date and propel it further. We will do that by brainstorming on only two issues from my side. Other speakers will add to the list. The questions follow:

1. With the encouraging economic performance, debt relief and more aid coming in, how should Africa respond in terms of improved governance, and what is the best way for the continent to promote its own development?
2. What role is the accounting profession expected to play in the above process?

Adaptation of Accounting to Varying Socio-economic and Political Circumstances

Accounting is a socially constructed craft whose role in development depends on how it is perceived and utilized. History of Accounting does not provide for a single set of roles for accounting that reflects all development paradigms. Accounting History confirms that accounting has adapted to different socio-economic and political circumstances. This presentation illustrates the role of accounting in development using four schools of socio-economic thought: the classical, neoclassical, Marxist and reformist.(Rahaman, 1997).

Classical and Neoclassical Theories

To the classical economist, economics is primarily concerned with understanding economic growth and distribution of income. Economic development is presumed to depend on the existence of a disposable surplus. Classical economists therefore, sought to identify the determinants of surplus and determine natural laws of economics in it.
Among the theorists in this tradition in the 18th and 19th centuries are Adam Smith, Thomas Malthus, David Ricardo and J.S. Mill.

From the neoclassical economists, the problem deserving study was the functioning of the market and its role as an allocator of resources. The central nerves of the economic process were isolated for inspection and benchmarks provided against which the economy could be measured. Among the early proponents of the neoclassical theory in the 19th century are William Jevons (1871), Carl Menger (1871), and Leon Walras (1874). Twentieth century writers include Robert Solow, John Keynes, J. R. Hicks, Paul Samuelson, Alfred Marshall, Ragner Nurkse and W. W. Rostow. The core of Nurkse's (1 theory of under development (1961) is that capital shortage is the main cause of economic backwardness. Three variants have been argued within this theory. The big push, the vicious cycle, and the critical minimum effort concepts are used to explain the causes and remedies of under development. Rostow identifies five stages that countries must go through to reach the most desirable socio-economic living conditions. These are: (i) the traditional society, (ii) the preconditions for take off, (iii) the take-off, (iv) the drive to maturity, and (v) the stage of mass consumption.

Under conservative classical and neoclassical tradition, accounting is represented as a technical neutral craft. Its role includes accumulating the necessary data, analyzing and interpreting the data and reporting the resulting information to corporate management, heads of government institutions and other stakeholders for rational economic decision making. The resulting information from the accounting system is perceived is as neutral and has little or no significant influence on development policy choice. Accounting provides ex post information about the results of particular policy choice. Another critical role of accounting is that of attestation which involves the accountant providing much-needed assurance that people in trusted positions are conducting their affairs honestly and in accordance with accepted policies. The attestation role of accounting is critical because of the overwhelming perception in the conservative tradition that advancement in economic development will inevitably require separation of capital and management. Management as stewards of capital are required to act in the interests of the owners of capital. Accountants fill the role of ensuring that this is not compromised. Of course, this role of accounting has come under significant attack in recent times especially following Enron, World Com, etc. Corporate management also rely heavily on the analytical expertise of the accountant for decision making in uncertain contexts. These include costing and pricing of products, planning corporate activities, and formulating strategies in competitive industries. At the national level, accounting contributes in providing national income data for budgeting, highlighting trends and monitoring and evaluation. Much of the data that goes into national income accounting is usually collated from the accounts of the individual economic entities in the country.

The premise of the classical and neo classical is the argument that the forces, which led to the advancement of pre-capitalist West, will also be applicable in contemporary developing economies.

Marxist Theory

Classical Marxism contends that capitalism was central to the colonization of most of today's developing countries and these countries are stuck with capitalism as a legacy of colonialism. To reverse the capitalist mode of production, classical Marxism proposes that labour be empowered through various revolutionary means so that they become conscious of

the injustices of capitalist systems of production.
Under the Marxist tradition, the conventional role of accounting was challenged. The concept of separation of owners of capital and management was alienated. With the significant role of the government in national development through the establishment of state-owned enterprises, with non-market driven objectives, conventional accounting techniques are represented as unsuitable and obstructive in the quest of national development. The emphasis of accounting is one of legal compliance rather than a tool for economic management. The country's central administration is actively involved in economic management at both the macro and micro levels. Accounting's role is limited to supporting the central government which is the sole and dominant institution for socio-economic development.

Reformist Theory

The reformist theory in accounting gained grounds from the middle of the 20th century. The main proponents include A. Enthoven, S. Burchell, A. Hopwood, J. Nahapiet and R. Wallace.

Under the reformist tradition, conventional accounting information is viewed as rendering partial visibility reflecting existing power structures. They expect accounting to illuminate unjust economic practices and thus provide national leaders with the necessary information for seeking adjustments to structural issues. The reformist tradition challenges the status quo and argues that accounting reports should provide the necessary information for all stakeholders, including employees, management, regulators, government and civil society. Reformists argue that accounting information should provide national and other leadership, and all other stakeholders with a basis for evaluating the effects of particular national policies on various constituencies. This helps national leaders to determine whether development-oriented policies are achieving the desired outcomes or should be abandoned. Accounting also provides the information required for assessing bilateral and multilateral relationships and their effects on national development efforts. Accountability and governance issues are crucial for the success of such relationships and accounting provides this link.

Emerging International Trend and Direction

Two articles from Issue 3 August 2004 of the ACCA International Public Sector Bulletin (pp. 11-15) are particularly pertinent to this section. The articles are on “Medium-Term Expenditure Frameworks” (MTEF) and “General Budget Support” (GBS). The MTEF article cites a couple of instances where application of MTEF was found to be inappropriate or politically unacceptable in those countries. Notwithstanding this observation on MTEF, several countries continue to adopt and use it. Nigeria, for example, formally launched its MTEF programme in July 2004. The GBS article recommends that due diligence and caution need to be exercised in relying on General Budget Support.

The emerging trend and direction in donor-support has witnessed a shift from project/programme management to Sector Wide Approach (SWAp) to General Budget Support and Multi-donor Support. On the financial management side, the past decade especially, saw an increasing shift from accounting and budgetary reforms to Integrated Financial Management and Medium Term Expenditure Framework (MTEF). In the current decade the emphasis is on developing and implementing policies and legislation on governance and poverty reduction. A wide range of fiduciary and development assessments such as the World Bank's CFAA, Public Expenditure Reviews, Country Procurement Assessments Reports, the IMF's Standards and Codes of Fiscal Transparency, existence of required governance structures and institutions and updated national legislation in financial administration, auditing and procurement have almost become a standard financial accountability requirement for developing countries.

IFAC membership is mostly made up of national professional institutes. Subject to national laws and regulations, IFAC member bodies are required to implement both IFAC Standards and the International Accounting Standards Board's International (IASB) Financial Reporting Standards (IFRSs). The member bodies are also required to have structures with corresponding investigative and disciplinary processes in place to ensure that their members are complying with these standards.

A total of over 100 countries including the United Nations, European Union, Australia, New Zealand, United States, China and Russia are reported to require the use of international standards between 2003 and 2007. Some others are using them with modifications only when absolutely necessary to meet local requirements or other conditions. These developments have a multiplier effect on subsidiaries and associate firms from these countries around the world, and on accounting and reporting standards and practice in developing countries. Indeed, ECOWAS is considering adoption of International Accounting Standards.

Governance and Accountability

A summary of the salient recent developments of accounting to Governance and Accountability has been summarized in the Table below. Except for NEPAD/APRM, PEFA, Millennium Development Goals, and Millennium Challenge Corporation/Account, the rest of the recent developments described in the Table should be familiar to us. NEPAD/APRM and PEFA are described below the Table.

Legislation	Governance	Accounting and Auditing
▪ Finance ▪ Management ▪ Internal audit External audit ▪ Procurement	▪ PRS ▪ CFAA (Replaced by PEFA) ▪ Millennium Development Goals ▪ NEPAD/APRM ▪ Office of the Attorney General ▪ Anti-corruption Commissions ▪ Commission for Human Rights ▪ Judiciary ▪ Parliament	IPSAB Agenda: (a) IPSABs (b) Convergence: i) IPSASs and IFRSs ii) IPSASs and SNAs (c) IAASB and I NTOSAI

Public Expenditure and Financial Accountability (PEFA)

In June 2005, the PEFA Secretariat issued the final version of its Public Financial Management Performance Measurement Framework. The framework provides benchmarks for public financial management and accountability. PEFA is a multi-agency partnership sponsored by the World Bank, IMF, the European Union, DFID, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of foreign Affairs, The Swiss State Secretariat for Economic Affairs, and the SPA Strategic Partnership with Africa (www.pefa.org) .

The framework incorporates a PFM performance report, and a set of high level indicators which draw on the HIPC expenditure tracking benchmarks, the IMF Fiscal Transparency Code and other international standards. With the move to general budget support and a more coordinated approach by the various aid agencies in recent years, this authoritative framework will be vital reading for all public sector accountants and auditors in countries in receipt of significant external assistance. Although written as a guide for external assessors, the framework could also be used to assist a self-assessment of public financial management.
The PEFA framework identifies the following objectives of an open and orderly public financial management system:

1. Credibility of the budget - The budget is realistic and is implemented as intended
2. Comprehensiveness and transparency - The budget and the fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public.
3. Policy-based budgeting - The budget is prepared with due regard to government policy.
4. Predictability and control in budget execution - The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.
5. Accounting, recording and reporting Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.
6. External scrutiny and audit - Arrangements for scrutiny of public finances and follow up by executive are operating.

NEPAD/APRM

The New Partnership for Africa's Development (NEPAD) is a vision and strategic framework for Africa's renewal. Its mandate originated from the 37th OAU Summit in 2001. Among the aims for setting up are to work on a demand driven/home grown initiatives toward achieving poverty alleviation, wealth creation, sustainable growth and development, and good governance.

Mechanisms have been put in place to ensure that policies and practices of participating States conform to agreed political, economic and corporate governance values, and codes and standards contained in the Declaration of Democracy, Political, Economic and Corporate Governance.

The African Peer Review Mechanism (APRM) was created by the African Union in March 2003. The APRM is an instrument voluntarily acceded to by Member States of the African Union as an African self-monitoring mechanism. The primary purpose of APRM is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable growth and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs for capacity building.

The Millennium Development Goals (MDGs)

The Millennium Declaration was adopted in September 2000 by 189 world leaders. Eight Millennium Development Goals (MDGs) were drawn to cope with a variety issues including education, health, poverty reduction by 2015. The eight goals follow:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women

4. Reduce child mortality
5. Improve maternal health
6. combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

In September 2005, the UN hosted the Millennium +5 Summit to review the progress made to date.

Millennium Development Corporation/Account

On 4 August 2005, the United States provided Ghana with a grant of US$3.0 million under the Millennium challenge Corporation (MCC). The Millennium Challenge Account (MCA) was established by President George Bush in January 2005 as an innovative foreign assistance programme to provide greater resources for developing countries taking greater responsibility for poverty reduction, good governance and sustainable development.

Other countries that benefited from the MCC are Armenia, Benin, Bolivia, Cape Verde, Georgia, Honduras, Lesotho, Madagascar, Mongolia, Morocco, Mozambique, Nicaragua, Senegal, Sri Lanka and Vanuatu.

Impact

Currently no framework exists for determining the impact of accounting and auditing standards. Accounting is like the foundation or critical infra structure of a house such as plumbing and wiring. It is taken for granted when it works. It is only when it fails that its value becomes noticed such as happened with the Enron and World Com cases. .

It takes foresight and insight to determine the impact of accounting and auditing standards. Foresight helps to anticipate the consequences of bad or no accounting Insight helps to link to government performance and achievement to societal goals and ends.

Opportunity cost of providing good quality accounting and auditing is very high. It has to compete with such basic needs in life as food for the hungry, clean water, health and sanitation, and education for the citizenry. Costly accounting and auditing reforms are justifiable investments if:

- They assist with its score keeping, attention directing and problem solving functions.
- Help government to better allocate and manage scarce resources to achieve sound financial mgt. and socio-economic goals.
- Help with performance measurement, control, monitoring and evaluation.
- Reduce fraud, waste, graft and corruption.
- Reduce poverty and generate wealth and income.
- Promote good governance for sustainable human development..

Way Forward: Accounting, Economic Realism and Politics

One of the examinations questions in Development Economics set for my final year examination at the University of Ghana in 1968 read as follows: “To separate politics from economics or economics from politics is to understand neither. Discuss.” I do not remember what I wrote to pass that examination. Forty years later, when preparing for this paper I have been confronted with this same question Greg Mills. Greg Mills asserts that

“It is a cliché, perhaps, but a truism that the principal problem facing African economies today is political, not economic in nature. Thus, key in examining how Africa should respond is the question: How can one assist African leaders to make the right decisions?”

May I please crave your indulgence to pretend that I am your professor and answer the above question for me? In answering the question, please consider the following:

(i). Effectiveness and Relevance of Regional Organisations: How do we get regional organizations such as the African Union, ECOWAS, ABWA or the peer review process of the New Partnership for Africa's Development (NEPAD) to be effective, functional and relevance?

(ii). Regional Cooperation and National Priorities: How do we define the boundaries of regional cooperation and national priorities, and find ways of dealing with them?

(iii). Integrity, Accountability and Transparency: How do we effectively improve integrity, accountability and transparency in our leadership, politics, actions and deeds?

(iv). External Aid: How do we assess the effectiveness and efficiency of external aid?

(v). Self-sufficiency: What plans are in place to progressively wean national economies from largesse and aid dependency?

(vi). Productive Capacity: How do we develop and sustain productive capacity?

(vii). Influx of Chinese Consumer Goods: How do we ensure that increased influx of Chinese consumer goods does not affect our domestic manufacturing and productive base?

(viii). Good Governance, Political Tolerance and Statehood: How do we develop and sustain good governance, political tolerance and statehood?

(ix). Political Alienation: How do we devolve from the winner takes all and political alienation concept in politics?

(x). Economic Logic and Political Imperatives: How do we identify and blend economic logic and political imperatives?

(xi). Incentives: What are the incentives for African leaders to follow the objectively right model?

(xii). Reward: How do we reward the performers and improvers?

Conclusion

I hope you would agree with me that if theories, workshops, consultancy reports and rhetoric could by themselves develop a nation(s), Africa would be the most developed continent in the world. Within 50 years of achieving independence, most African countries have got to a stage where it is becoming almost impossible to motivate their demoralized and frustrated populace. The populace have been subjected to all sorts of theories, economic reforms and political and other experiments without much tangible results. Most of these theories have compounded instead of ameliorating the thrall of demagoguery. The language has either not been correct or what was said was not meant.

According to Confucius, “If the language is not correct, then what is said is not meant. If what is said is not meant, then what ought to be done remains undone.” Accounting has a multiplicity of roles in national development. Seeking to understand “the exact role of accounting” requires an appreciation of the context-specific socio-economic and political nature of both development and the functions for accounting. Hopefully, our discussions and answers to the one dozen issues we have raised would help us to get the language right for a shared understanding of what we need to do as accountants in development and regional cooperation

With these words, shall we please promise on our honour to facilitate or ensure that what needs to be done to achieve development and regional integration gets done without fad or mimicry but as a necessity. For the avoidance of doubt, within this context, mimicry is defined as a superficial resemblance of one organism to another or to natural objects among which it lives so that it secures a selective advantage from predation, i.e. if you cannot beat them, join them. Fad means a practice or interest followed for a time with exaggerated zeal. Necessity means an imperative need or something that is indispensable.

Promotion Of The Private Sector and the Free Movement of Goods and Persons within the ECOWAS in the Dynamics of Regional Integration

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INTRODUCTION

ACCORDING to Article 3 of the Revised Treaty signed in Cotonou on July 24, 1993, ECOWAS was created with the objectives of promoting cooperation and integration within the perspective of an Economic Union of West Africa with a view to improving the standard of living of its peoples, maintaining and increasing economic stability, strengthening relations between member States and contributing to the progress and development of the African continent.

To attain these objectives, the Heads of States and signatory governments identified a certain number of actions to take in areas which best illustrates their desire for integration and cooperation. Once can also, in a broad sense, mention the following:

(a) The harmonization and coordination of national policies and the promotion of programmes, projects and activities;
(b) The creation of an Economic Union by the adoption of common policies;
(c) The creation of a common market mainly through the removal of obstacles to free circulation of persons, goods, services and capital as well as to the rights of residence and settlement;
(d) The adoption of measures aimed at promoting the integration of the private sector, notably the creation of an appropriate environment to promote small and medium-sized enterprises.

We are interested in the last two aforementioned actions in the sense that they touch on symbolic aspects of regional integration. Indeed, for the latter to succeed, it should not only be the concern of decision makers but must be adopted by the citizens of the community and be felt in their everyday life. That can better be done only at the level of business and when populations are moving through community space.

It is thus of interest to ask what point we are at the moment with regard to these two aspects - the promotion of private sector and the free movement of goods and persons - among many others which relate to regional integration in ECOWAS.

We will deal with these two aspects one after the other.

1. THE PROMOTION OF THE PRIVATE SECTOR WITHIN ECOWAS

1.1 Planned Actions by the Revised Treaty

The private sector is defined as being the totality of the activities of production and trade of goods and services apart from those in whch the state or its component parts have majority interests. The Revised Treaty of ECOWAS does not directly tackle the promotion of the private sector. However, an attempt at taking an inventory of the actions recommended in the said Treaty makes it possible to identify them hereafter.

Article 3: Goals and Objectives

- Promotion of joint enterprises by the organisations of the private sector and the other economic operations in particular with the reaching of a regional accord on trans-border investment;
- Adoption of measures aimed at promoting the integration of the private sector, in particular the creation of an environment suitable for the promotion of small and medium-sized enterprises.

Article 26: Industry

1. Member States agreed to harmonize their industrialization policies in order to promote regional industrial development and the integration of their economies.

2. For this purpose, they resolve to:
   (a) Reinforce the industrial base of the community, modernize the priority sectors, support the realization of self-sustaining and self-sufficient development;

   (b) Promote joint industrial projects as well as the creation of companies (multinationals) in the priority industrial sub-sectors likely to contribute to the development of agriculture, transport and communications, natural resources and energy.

3. In order to create a solid base for industrialization and to promote collective autonomy, the member states are committed to:
   (a) Ensuring, on the one hand, the development of essential industries for collective autonomy and, on the other hand, the modernization of priority economic sectors;
   (b) Giving priority to, and encouraging the creation and the reinforcement of, public and private industrial projects of a multinational and integrative character;
   (c) Ensuring the development of small and medium-sized industries with a view in particular to promoting the creation of jobs in member states;
   (d) Promoting intermediate industries which have important links with economy, in order to increase local components of industrial output within the community;
   (e) Working out regional master-plans for the creation of industries, in this case those whose cost of realization and volume of production exceed the national capacities of financing and absorption;
   (f) Encouraging the creation of specialized agencies for the financing of West African multinational industrial projects;
   (g) Facilitating the establishment of West African multinational corporations and encouraging West African entrepreneurs in the process of regional industrialization;
   (h) Stimulating the sale and consumption of strategic industrial products manufactured in the member states;
   (i) Promoting technical cooperation and the exchange of experience in the field of industrial technology and undertaking technical training programmes in the member states;
   (j) Establishing a database and statistical information to support industrial development at regional and continental levels;
   (k) Promoting an industrial specialization taking into account the richness in natural resources in order to increase the complementarities among the economies of member states and to broaden the basis of intra-community exchanges.

Contemplating these articles enables us to observe that:

If actions are planned in favour of the private sector in the industrial domain it is not the same with trade and services. Yet this sector is becoming more and more important within the Community States. One can imagine, it is either the treaty did not foresee at the time of its revision, the rise of these two sectors, or the

Heads of States and Governments meant to reserve the voluntarist policies for industry by leaving to private initiative the duty of putting in place the necessary modality allowing for regional integration as far as trade and industry are concerned.

Moreover, it is planned to create an environment to promote small and medium-sized enterprises. If this environment remains to be defined, it means that the emphasis placed on small and medium-sized businesses indicates awareness of the dynamism of the latter and their indispensable role in the development of the private sector within member States.

1.2 STAKES FOR THE PROMOTION OF THE PRIVATE SECTOR

One may wonder why it is necessary to promote the private sector within the framework of regional integration. Should regional integration necessarily go through the existence of an important private sector?.

Everybody agrees that industrialization is the key to poverty reduction as it is the link between sustainable productivity and economic growth. If it is undeniable that governments should play an active role in the promotion of industrialization and economic growth, then planning the private sector in turn has a crucial complementary role to play in the process. Government should create a conducive environment for investment and therefore for the emergence of a strong private sector.

Indeed, even with satisfactory macro-economic indicators, without foreign investment and the development of private sector, economic growth will remain weak. The private sector must, therefore, be developed in a way to integrate it into in formal sector.

This key role of the private sector has once again been emphasized by Dr Ibn Chambas, Executive Secretary of ECOWAS at Abuja on February 8, 2007 during the opening of the second West African forum on investment. The Executive Secretary affirmed that the millennium development goals can only be attained in Africa if the private sector is really mobilized and involved in the developmental process.

It thus appears that the promotion of the private sector is not an indispensable condition for regional integration. However, in so far as regional integration aims at the economic growth of member States of the Community and it is recongised that this growth cannot be achieved without the development of a strong and attractive private sector for investment, the promotion of the private sector constitutes one of the levers at the disposal of ECOWAS to achieve its goal.

On the other hand, one can add that the private sector has much to gain from regional integration, in so far as companies eager to extend their activities in several countries are the first to benefit from the simplification of the rules of operation beyond the borders.

1.3 THE ASSESSMENT OF THE ACTIONS OF PROMOTION

In our opinion, the objectives of promoting the private sector must be as follows:

- To extend the scope and linkages of the companies;
- To reinforce their competitiveness;
- To improve their production capacity;
- To increase their share in the GDP of their respective countries and as a consequence in that of the Community
- To improve their management.

The relevant policies to be implemented should always, according to us, be the following:

- Improvement of the legal framework;
- Incentives to local and foreign investment;
- Easy access to financing;
- Better linkage between the public sector and the private sector;
- Development of the intra-Community exchanges
- Integration of the informal sector
- Adoption of a common currency
- Sensitizing the economic actors to the stakes of integration.

To date, where are we with the promotion of the private sector? Have the actions stated above been achieved? What remains to be done and what are the obstacles encountered?

1.3.1 Improvement of the Legal Framework

The concern of investors, whether local or foreign, is to have a reliable legal environment that guarantees the right of ownership and safeguards economic activities. In addition, the effective application of legal rights must be ensured by a developed, impartial, transparent and independent legal system. At present, West Africa remains characterized by the coexistence on the one hand, of a harmonized Business Law for nine (9) of its states, majority of which belong to the franc zone and are members of UEMOA. On the other hand, it is characterized by Business Law of six (6) other States. While the above mentioned nine (9) States are members of the Organization for the Harmonization of Business Law in Africa (OHADA) and have uniform laws in various fields of Business Law, a Common Court of Justice and Arbitration, and a Higher Regional School of Magistracy, the six (6) non-member States of the OHADA, have Business laws that are not too similar but marked by differences in juridical and legal traditions existing among the respective States.

This situation does not guarantee economic operators and investors the juridical and legal security necessary for the installation of a climate of confidence, which is conducive to the development of exchanges beyond national borders and even the whole of West region.

ECOWAS undertook for the whole of the West African geographical area, the harmonization of the Business Laws based on the construction of footbridges, allowing the non-member States of OHADA, to adopt texts adapted to their juridical and legal traditions as well as their systems in which the general principles are contained in the uniform laws of OHADA. Such harmonization of the general principles of Business Laws which ECOWAS has just started will enable the uniform laws of OHADA to co-exist without difficulty with the harmonized Business Laws of the ECOWAS region. In so far as the juridical and legal systems of its member States allow, ECOWAS will consider at a second stage the adoption of uniform policies for matters in which OHADA has not yet adopted uniform laws.

1.3.2 Incentives to Investment and the Creation of Companies

The Article 3 (h) and (i) of the revised Treaty of ECOWAS quotes, among the policies of integration, "the harmonization of the national codes of investment leading to the adoption of a single Community code of investment".

At present, this code has still not seen the light of day whereas its installation ought to contribute to the promotion of companies and private investment within ECOWAS. Indeed, if one takes as a reference the Community project code of investment of UEMOA, we should anticipate among other things:

- The generalization of Investment Promotion Centres (IPC) in all the member States of the union, in order to simplify company registration procedures and hasten the granting of approvals;
- Mechanisms of various guarantees to the investor and legal and juridical safety through the convention creating the International Centre for the Settlement of Disputes Related to Investment.

1.3.3 Easy Access to the Finance by Companies

Access to finance, involving various problems (adequate financing, investment on a long term basis) is one of the main problems the companies are facing. In this wise, we note with satisfaction some progress made with the creation and the success of ECOBANK as well as the establishment of RIBE. Born on October 3, 1985 of the wish of members of the Federation of Chambers of Commerce of West Africa, with the support of the Economic Community of West African States (ECOWAS), ECOBANK was conceived as a regional banking entity intended to be an in strument for the promotion of regional economic integration, as well as support to the development of the African private sector.

As for BRIC, it was at the end of the 25th Conference of the Heads of States and of governments of the Economic Community of West African States (ECOWAS) held in Dakar in December 2001 that it was decided to transform the Co-operation, Compensation and Development Funds of ECOWAS into a holding institution called "Investment and Development Bank of ECOWAS" (IDBE).
The Regional Investment Bank of ECOWAS (RIBE) is specialized in the financing of the private sector and the commercial public sector. The RIBE indicates on its introductory leaflet that the support for the private

sector makes it possible to create wealth and to combat unemployment. Lastly, we should mention starting from 2005 the activities of the Regional Bank of Solidarity (RBS) in the member countries of the UEMOA, which constitutes a subset of ECOWAS.

The objective of RBS is to be able to finance, through multiform support to production, income-generating activities initiated by the relatively poor members of the society who do not have access to the traditional financial system, in order to promote self-employment.

1.3.4 Better Articulation Between the Public Sector and the Private Sector

Economic operators and members of the West African Civil Society often reproach governing authorities of ECOWAS of excluding them from the process of identification, formulation and implementation of integration policies and programmes.

But, if it is undeniable that governments must establish the macro economic framework necessary for the development of the activities of the private sector and it is difficult to imagine a sustainable development of the companies in a context of negative growth and deep recession, it is however necessary to recognize that this sector can be a partner which carries weight in the process of integration by providing human and financial resources to support regional projects. ECOWAS treaties do not specifically tackle the question of the participation of the private sector in the process of integration but one has observed for some time, in official speeches, the willingness to establish a partnership between the private sector and the public sector, particularly so that the public sector can adopt the approach and the best practices of the private sector.

For some, in all this process, the government should play only a supporting role, by improving governance and by creating a better growth environment. The private sector must be the driving force of trans-border investment and for the production of goods and services other than infrastructure. To date, the best articulation remains to be realized, especially the project launched in 1996 to create a Forum of the Organizations of Civil Societies in order to associate the latter with the discussions of ECOWAS on integration, is yet to take off.

1.3.5 Development of Intra-Community Exchange

ECOWAS constitutes a market of more than 250 million inhabitants, which opens more interesting prospects for companies of the region than the national markets taken individually. The objectives of the promotion of the private sector is to act in such a way that the latter can benefit from the opportunities offered by regional integration to export its products. However, what do we observe?

At the intra-regional level, official trade remains weak and is established at a little more than 10%. This weak share is explained by the absence of complementarities of West African economies, as well as by the existence of tariff and non-tariff obstacles. Official flow does not however reflect the reality of exchanges characterized by a dense informal trans-border trade.

Taking into account the twenty-seven years existence of ECOWAS, one can say that these results are not very satisfactory. Many people think that higher rates can definitely be obtained, thanks to the achievement of remarkable progress in the implementation of the liberalization programme for industrial products and thanks to the introduction of complete harmony between UEMOA and ECOWAS in order to guarantee a unified sub-regional economic market in West Africa.

1.3.6 Integration of the Informal Sector

In many African countries, the private sector is often made up, on the one hand, of a formal sector and, on the other hand, of a vast informal sector of micro-enterprises. African leaders must thus look into the management of this informal sector, which contributes a significant part of production, trade and services.

To mobilize all the resources necessary for the successful integration of Africa, it would be necessary, according to the Executive Secretary of the Economic Commission for Africa, K. Y. Amoako, “to adopt a broader conception of the private sector in order to integrate ordinary citizens, basic food farmers, securities producers, taxi drivers, small contractors, tradesmen and itinerant salesmen”.

If the informal sector were taken into account, Intra-Community trade would be much higher than the current rates. ECOWAS must thus integrate the informal sector in its policy and activities as the Community of East Africa (EAC) does by starting to pay attention to the informal sector because of the dense activity on both sides of borders within the Community in particular between Kenya, Tanzania and Uganda.

1.3.7 Adoption of a Common Currency

In so far as the monetary union would succeed in overcoming inflation and stabilizing the exchange rates in ECOWAS, it should create a more stable environment for companies, which, consequently, will have sufficient confidence in the economy to invest in long-term plans. The macro-economic risk of instability having been largely reduced, the members of the Community could focus their efforts on the growth of their economy.

Financial stability would also help to reduce the risk of capital flight and would increase attraction of foreign investor to the respective countries. Also by facilitating commercial transactions and other operations of payment, the monetary union would support the creation of a single market for ECOWAS. The use of a single currency in intra-regional transactions would allow savings in transaction costs. Moreover, a single currency would reduce the speculative nature of trans-border transactions, which are common practice with West African currencies.

The single monetary zone of ECOWAS, planned on paper in July 2005, was postponed to a later date. According to Dr Ibn Chambas, it could come into effect from December 1, 2009. The convergence of economic and financial policies seems, for the moment, a difficult objective to attain considering the enormous disparities which exist, for example between Nigeria and Liberia which is just recovering from a ten-year civil war. However, the monetary union remains an essential objective.

1.3.8 Sensitizing Economic Actors to the Stakes of Integration

On this point, we should refer in detail to the article published on the ECOWAS site on the achievements of the latter.

"The achievement of the objectives of ECOWAS and consequently the materialization of the political commitment of the member States goes through a basic support of regional integration programmes. This explains the necessity to involve populations and economic operators in the process of regional integration. This involvement is achieved though the sensitizing of the actors of development on the programmes of regional integration, thanks among other things, to the following actions:

- bringing to the fore, the advantages of priority programmes by organizing seminars on the benefits of integration;
- organization of publicity campaigns in particular in the media to sensitize the public;
- setting up of billboards at the borders and other places to remind the Community citizens of their rights and duties with regard to free movement of persons.

The member states did not devote sustained efforts and did not invest the necessary resources to carry out promotional programmes intended to make the Community better known. Within the framework of the "ECOWAS AREA" programme for example, only some member States made radio broadcasts and presented reports on the theme of economic integration.

Member States must take necessary measures to sensitize economic operators and the public on the programmes of ECOWAS, thanks to regular organization of seminars or workshops to present the advantages and the benefits (with concrete examples) that development actors can derive from integration and organize sustained campaigns to sensitize the public".

1.4 SUGGESTIONS

If follows from all that has so far been said, that the promotion of the private sector within the framework of integration still remains to be done. The difficulties in realizing the policies are due to several reasons of which the most important is the late awareness of the role the private sector can play in the process of regional integration.

This consciousness having taken place, it is urgent to take appropriate measures. A calendar must be drawn with a serious follow-up and more so as negotiations between ECOWAS and the European Union to conclude an economic Partnership Agreement are on hand and are expected to lead to its signature towards the end of the year 2007.

From that moment, there will be liberalization of exchanges and there is no doubt that in the face of the threat of European products, West African companies will not measure up.

The action plan can be modeled on the one adopted by the UEMOA in its decision No: 16/2003/CM/UEMOA relative to the action plan for the promotion and the financing of SMEs in UEMOA.

This is the only way the promotion of the private sector can be achieved with the collaboration between the Community authorities and all the economic actors.

2. THE PROMOTION OF FREEDOM OF MOVEMENT OF PERSONS AND GOODS WITHIN ECOWAS

2.1 FREEDOM OF MOVEMENT OF PERSONS

2.1.1 Stakes of Freedom of Movement of Persons and Goods

Article 32(d) of the Treaty indicates that to achieve regional integration and an economic union of West Africa, ECOWAS action must, among other things, focus on the creation of a Common Market, through:

(i) the liberalization of exchanges by the elimination among member States, of import and export duties and the abolition among member States of non-tariff barriers for the creation of a free trade zone at the Community level;

(ii) establishment of a common external tariff and a common marketing policy towards third countries;

(iii) the removal among member States of obstacles to freedom of movement of peoples, goods, services and capital as well as obstacles to rights of residence and settlement.

Indeed, it is not possible to aspire to achieve the goal of an economic union, of an area of free exchange without the removal of all obstacles preventing the nationals of the Community countries from feeling at home everywhere inside this supranational area.

In the same way, goods must be able to circulate freely in this area which must be superimposed on national borders by making them disappear at least with regard to economic exchanges. It is by liberalizing these exchanges within the Community, that companies of member States will be able to free themselves from the narrowness of the national markets, to develop competitiveness since they will have to compete with products of other States and specialize in productions where they stand the best chances competitively, which would reinforce the overall private sector.

2.1.2 PROTOCOLS RELATING TO THE FREEDOM OF MOVEMENT

2.1.2.1 Freedom of Movement of persons

ECOWAS has worked out various legal instruments in relation to Intra-Community migrations, instruments which, according to the terms of the treaty, would be, at present, incorporated in the national legislation of all member States and would constitute for this reason the only framework regulating international migrations within these countries.

The first treaty of 1975 already included in its Article 2 the objectives to remove the obstacles to the freedom of movement of persons, services and capital among member States and specified, in its article 27, that member States will be committed to removing any obstacles to the “freedom of movement and of residence inside the community” in addition to exempting “the citizens of the Community from carrying tourist visas and residence permits and allowing them to work and carry on commercial and industrial activities in their territory".

To ensure the implementation of the provisions of the aforementioned treaty, many protocols were adopted. First it was about the protocol A/P1/5/79 relative to the freedom of movement of persons, the right of residence and settlement signed on May 29, 1979 in Dakar, which came into effect on April 8, 1980.

This protocol defines the general principles of a West African area, which guarantee freedom of movement of its nationals, their right of residence and settlement. A fifteen-year deadline has been fixed to gradually put in place at the level of member States, the stages that would lead to achieve it; that is to say firstly, entry rights and the abolition of entry visa, then the rights of residence and finally the rights of settlement (Article 2). The first stage was to take effect on June 4, 1985, the second on June 4, 1990 and the last on June 4, 1995.

To complete this protocol, other legal instruments were set up, in particular, the protocol A/P5/82 of May 29, 1982 which institutes the code of conduct of the Community citizenship, which came into effect on July 10, 1984 and defines the criteria for acquiring this citizenship. Will be considered a citizen of the Community "any person who, by descent, has the nationality of a member State and who does not enjoy the nationality of a non-member State of the Community" (Article 1, paragraph 1). All those who have dual nationality are thus automatically excluded.

In 1985, the member States approved the need for adopting a harmonized travel document within ECOWAS by decision A/DEC.2/7/85 which institutes a travelling book for ECOWAS member States. The aim is to simplify the formalities of movement for persons crossing the borders of member States" (preamble to Decision A/DEC.2/7/85). The criteria for obtaining the said document are defined in it, while specifying restrictions relative to age (at least 15), at the place where the application must be made (with the competent authorities of the country of origin) and period of validity of the said document (two years, Article 3 and 6).

Moreover, the Decision C/DEC.3/12/92 institutes a harmonized form of immigration and emigration of the member States of ECOWAS in order to facilitate and simplify the passage of persons at the borders of the Community countries.

To ensure the application of the protocol of 1979 as well as the implementation within the time limits of the various planned stages, an additional Protocol A/SP1/85 which institutes the code of conduct for the application of the protocol on the freedom of movement of persons, the right of residence and settlement was signed on July 6, 1985 and became effective as from June 28, 1989. This protocol points out the responsibility of the governments to ensure that their nationals, within the member States, procure valid travelling documents and must also provide adequate services "to furnish the migrants with all necessary information likely to allow them to enter the territory of these States regularly (Article 2). The particular provisions concerning irregular migrants, the rights which they can take advantage of and the conditions the State, which decides to expel "illegal or irregular" nationals, should respect are specified in it (Article 3). It is specified in Article 4 that for any migrant to enter a member State, he must "meet the conditions prescribed by the provision of the various protocols on the freedom of movement of persons, the right of residence and settlement relating to his entry, his residence or his settlement". That presupposes that all migrants have access to this information and know the contents of these various legislations.

The regularization of the situation of irregular migrants is covered by Article 5, provided that the national population is informed and that a majority gives its approval. Moreover, title V specifies that the States will have to cooperate "to avoid or reduce the surge of illegal or irregular migrants".

2.1.2.2 Rights of Residence

The provisions relating to the right of residence of nationals of ECOWAS member States are included in the additional Protocol A/SP1/7/86 related to the execution of the second stage (right of residence) of the Protocol of 1979, and which came into force on May 12, 1989. The right of residence of the territory of an ECOWAS member State is granted to citizens of the Community wishing to take up a paid activity and to exercise it (Article 2), apart from employment in public administration, except there is a national regulation (Article 4). This right comprises the one "to respond to employment properly offered, to travel freely for this purpose in the territory of the member States, to remain and live in one of the member States in order to exercise an employment there in accordance with the legislation, regulations and administrative provisions governing national workers to remain under the conditions defined by the legislation, regulations and administrative provisions of the host member States, in the territory of a member State after having taken up an employment" (Article 3).

Thus, this protocol provides for the right of residence for migrant workers, namely "any citizen, national of a member State, who moves from his country of origin to the territory of another member State which is not his country of origin and who seeks to take up an employment" (preamble). Moreover, excluded from the expression "migrant worker", are "persons whose working relationships with an employer were not established in the host member State" (preamble). This point concerns the majority of the migrant nationals of the member States of ECOWAS since, by this very fact, only a tiny minority of them work in the structured sector, the majority being found in the informal sector.

To reside on the territory of a member State, ECOWAS nationals must also acquire a card or a residence permit (Article 5), which they can obtain after applying for it from the Management of the services in charge of immigration and emigration of the host State. However, the host State may decide to expel migrant workers and members of their families in regular situation, among other things, for reasons "of national security, of public order and good behaviour" (Article 14). The charges related to the expulsion would have to be borne by the host State.

Article 17 finally states that the member state will have to, but always according to the methods adopted by its legislation, allow migrant workers to transfer their profits and savings. An important section is added to the said protocol and deals with the responsibility of members States to collaborate together for a long term harmonization of their policies of employment and work force. Article 20 recommends the setting up of public organs with the aim of dealing with the problems related to the migration of workers and their families (formulating policies, disseminating information, recommending necessary measures for the application of the present protocol). Article 22 recalls the need to prevent and to eliminate "illegal or clandestine movement and employment of migrant workers in irregular situation", especially through the use of sanctions against the employers responsible. Finally, the right of migrant workers in regular situation to be treated the same way as nationals is recognized in Article 23, relative, among other things, to "the exercise of their employment or their profession".

According to the Decision A/DEC.2/5/90, which institutes member States residence card, this would be valid for three years. In Article 18 of the said Decision, it is specified that ECOWAS nationals will have the same rights and freedom as the nationals of the host member State, except political rights. This decision reinforces the "sovereign right of each member State" to expel any national of another member Sate who is in irregular situation (Article 19).

The additional Protocol A/SP1/6/8914, which modifies and supplements the provisions of Article 7 of the protocol on freedom of movement of persons, the right of residence and settlement was to mitigate the absence of a Court of the Community as was intended in Article 7 of the Protocol of 1979 (Article 15) to do this, the protocol ratifies the available measures adopted by a Community member State to systematically denounce the failures of another member State to respect the provisions of the Protocol on freedom of movement of persons, the right of residence and of settlement of 1979. In case an amicable resolution of the conflicts fails a commission of inquiry will be set up to investigate the complaint.

2.1.1.3 Right of Settlement

Right of settlement, that is, the "right accorded a citizen, national of a member State, to settle or to establish in a member State other than his country of origin, to have access to economic activities, to exercise them as well as to set up and manage companies particularly companies under conditions defined by the legislation of the host member Sate for her own nationals" (Article 1) is the subject of the additional Protocol A/SP2/9016 relating to the execution of the third stage (right of settlement) of the protocol on the freedom of movement of persons, the right of residence and settlement. The main measures that should be taken to support the investment of the nationals of ECOWAS are stated in it.

2.1.2 Assessment of the Application of the Protocols

There is no denying the fact that some difficulties exist here. Private investors will readily point out that the freedom of movement of persons and goods remains difficult, owing to the existence of non-tariff barriers, due also to the inefficiency or the corruption of the concerned administrations, not to talk of the maintenance of conflict zones. Moreover, there are persistent obstacles to the registration of companies by non-nationals, including indigenes from the same regional area. One must in addition deplore the slowness of progress and lack of pragmatism, which is most cases the States are guilty of. It is true that since the 1990's, issues relating to migrations have not evolved much, ECOWAS rather devoting itself, these last years to the management of conflicts in West Africa. To date, at the level of the freedom of circulation, entry visas for nationals of ECOWAS countries wishing to spend less than 90 days have been abolished in all States (ECOWAS, 2002). On the other hand, and according to the 2002 report of the Executive Secretary of ECOWAS, the travelling book was put in circulation only in some States, notably, Burkina Faso, Gambia, Ghana, Guinea, Niger, Nigeria and Sierra Leone. Moreover, according to an ECOWAS official, certain countries have not yet recognized the validity of this travelling book and rather demand the national passport.

This travelling book also must, at its expiration, be replaced by an ECOWAS passport, whose uniform model was adopted at the time of the Conference of the Heads of States and Governments in the year 2000. However, only Benin and Senegal put this passport in circulation.

With regard to the institution of the harmonized form of immigration and emigration, none of the member States had set it up according to the report of the Executive Secretary of 2002. Harassments are frequent passing through the various existing checkpoints between the States, because of the racket practised by certain functionaries. It is one of the reasons why ECOWAS decided to reduce the number of border posts, and to ask the States to dismantle all the posts not provided for by the texts.

At the level of the right of residence and settlement and to benefit from it, the immigrant must have in his possession his residence card. However, various problems arise from the application of the said right. First of all, residence card was not put in circulation by all States, and when it was instituted, the majority of the migrants remain completely ignorant of its existence or do not have in their possession necessary papers to even obtain it. This right of residence remains rather fictitious at the moment. Next, although the possibility for the nationals of member States to have access to an employment or a remunerative activity in the territory of a member Sate, except the civil service is specified within the framework of the provisions relating to the right of residence, access to several professions are denied them (doctors, pharmacists, lawyers, notable, bailiffs, etc).

Moreover, as this right concerns only “the people whose working relationships with an employer were established in the host member State” (preamble), all persons employed in the informal sector, and who constitute the majority of the migrants, are not concerned with this right of residence. Finally, and it is the principal stake, the majority of the nationals of the sub-region residing in the countries of ECOWAS, settled there well before the coming into force of these protocols. Such persons thus lapsed into the illegality since the adoption of these texts.

That has not however prevented the multiplication of private initiatives; we can cite, in a sector like tourism, the success of the Azalai Group of Hotels, which from its base in Mali started to spread outside by investing in Burkina (Independence Hotel of Ouagadougou), or in Guinea-Bissau. A commercial bank like Ecobank, whose headquarters is in Lome, shows a comparable dynamism in the financial sector at the level of the whole of ECOWAS, where, as the General Manager of Ecobank Mali, Yves Coffi Quan-Dessou states, the Francophone and the Anglophone approaches of the business mutually confront themselves in a very stimulating way. As far as telephony is concerned, the company Telcel carried out a noticeable development in several West Africa countries.

2.2 FREE MOVEMENT OF GOODS

The question of movement of goods brings back the question of exchanges liberalization inside the Community with all that it implies at the level of removal of tariff and non-tariff barriers as well as the establishment of a Common External Rate. It is a vast subject which would require on its own a round table discussion. It will suffice to raise a few points here.

For the officials in charge for the Executive Secretariat of ECOWAS, the instrument designed to ensure freedom of movement of goods is the plan of the liberalization of the exchanges in pursuance of the principal goals of the liberalization of the intra-Community trade through the complete abolition of the tariff and non-tariff barriers to the exchanges of the products originating from the member States, the promotion of trade exchanges between these economic States and the improvement of the environment of the businesses. The liberalization plan rests on the original rules, the approval of the originating products for the benefit of the plan, the proof of their Community origin, the compensation for the loss of revenue and the customs system applicable to the originating products.

The plan of liberalization of the exchanges was the subject of many regulating texts referring to the introduction, on the one hand, of a preferential system between the signatory member States and on the other hand, of a single system on the exchanges of these States with third countries. It is important to stress the fact that this progress is the fruit of difficult negotiations during which, the States agreed to make the necessary effort towards the implementation of the aforesaid plan. Indeed, tariff disarmament resulting from the installation of the tariff preference system and the common external tariff renders the application of reforms sometimes difficult, even unpopular, in short and medium terms. This is why, the requirement in external support to face the costs of these reforms is crucial for the economies of the countries of the area which are in the majority LDCS.

In his presentation of the study on the implementation of the liberalization plan of exchanges, Mr. Mor Tillered Kane, Executive Secretary of Senegalese Employers Association stressed the obstacles to the effective application of the aforesaid plan at the national and sub-regional levels. At the national level, he stressed, no directive was given in certain countries to apply this plan. He believes that economic operators are generally confronted with the administrative obstacles and of tariff and non-tariff standards. “There is not much information on the plan”, he declares. He estimates that, on the field, contractors are confronted with brick walls especially related to the problem of coordination between the structures at the national level for the implementation of the plan. These brick walls, he specifies, are related to the language barriers, the persistence of monetary questions, problems of transfers, failure of the physical infrastructure, absence of free flow in inter-States, road traffic and the persistence of insecurity zones. To that are added the insufficiency of commercial and technical information on the market, the cumbersomeness of the transit operations and customs formalities, the insufficiency of dialogue between public and private actors, the inexistence of effective instruments to ensure export credit and the sluggishness and lack of security of the certifications, among others.

As solutions, he proposes to update and make available the list of the products, to improve the procedure for the certification of the plan and to increase the number of annual sessions held to approve the plan, to ensure its correct application by member States and to emphasize the actions needed to be taken to educate and sensitize economic operators and to better popularize the pan by using the NTIC.

A temporary compensation for the consecutive losses to the customs union was installed by UEMOA, as well as by ECOWAS, for the benefit of their member States. The one of UEMOA ended in December 2005, while the second one would be stopped at the end of 2007. The implementation of measures of liberalization could be compromised if certain States of the area did not manage to make up for the consecutive losses with tariff dismantling.

The UEMOA zone has achieved some progress likely to favour the liberalization process of the whole of the area, according to a convergence approach. A system of tariff preference was set up and favours original products that meet the criteria as regards the rules of origin.

The adoption of the Common External Tariff (CET) constituted an important progress in the reinforcement of economic integration, in so far as it led to the unification of the tariff system applied to imported goods from a third country to UEMOA zone.
This instrument is on the way to being extended to the whole of the member States of ECOWAS, from the point of view of the Economic Agreements of Partnership.

Several other measures were taken, in particular in the fields of commerce, legal environment of the businesses, freedom of movement of persons, to supplement and reinforce the expected positive effect of the CET and regional economic integration. It is particularly about the system of temporary compensation of the losses resulting from the customs union, harmonization of the Value-Added Tax (VAT), the tax linked to the present economic situation at importation, the decreasing protective tax, the Community code of the customs, the introduction of a value of reference, the installation of a Community legislation on competition, an anti-dumping code, etc.

The acts relating to these reforms have been adopted but their application is not always easy. Sometimes, the States meet with difficulties of various types in implementing the reforms which they have approved. Non-tariff obstacles to the movement of goods are prejudicial with the fluxing of intra-regional exchanges. Information and sensitization on these reforms are not always sufficient, a situation which can lead to negative reactions from certain actors.

The option made by the Heads of States and Governments of ECOWAS in favour of the introduction of a customs union by latest December 2007, with the creation of a TCE ECOWAS and the establishment of a Joint Committee of Management of the TCE ECOWAS, has created in fact an irreversible process of convergence of the liberalization plan and of consolidation of economic integration in the two spaces which, it should be stressed, are concentric vany way; UEMOA area is included in ECOWAS area.

In practice, a Joint Technical Secretariat was created linking both regional organizations of integration. It meets periodically to evaluate the progress of the processes of coordination, harmonization and even of common management of certain programmes and to make recommendations for an even stronger synergy for the activities undertaken by the Commission of UEMOA and the Executive Secretariat of ECOWAS.

CONCLUSION

The process of integration of Africa encounters problems some of which can be attributed to the ambitious objectives compared to the requirements in resources and capacities. But when one considers the multiple challenges which Africa must overcome to maintain a respectable growth rate, the lack of substantial achievements to date is not surprising. The same problems, which hamper the development of national economies of the continent also hamper rapid progress towards its integration.

But, with much zeal, energy and goodwill and with the efforts recently made to obtain results, integration is generally following its course. A greater political engagement and more resources are nevertheless essential for obtaining better results.

It will also be necessary to conclude the programmes concerning the principal sectors of growth acceleration which are energy and transport within ECOWAS, while appealing to the private sector, which until now had been relegated to a position of secondary importance.

Strengthening and Consolidating Public Sector Financial Accountability for Regional Integration

ALHAJI IBRAHIM HASSAN DANKWAMBO, MSC, FCA, FCIB
Accountant – General of the Federation

Introduction

I consider it a rare privilege for me to address this distinguished gathering on the topic "Strengthening and Consolidating Public Sector Financial Accountability for Regional Integration"

Public Sector Accountability involves the corporate governance of a nation based on statutes and laws through which the leadership drives its powers. It is the system which controls, regulates and co-ordinates economic development of a nation, ensuring security of lives and property, creating conducive atmosphere for economic activities to thrive and serves as the general overseer of all sectors of the economy to achieve sustainable growth, stability and social order.

In the West Africa sub region in particular, the systems of governments are largely similar. However, the structures of financial accountability vary particularly between the francophone and the Anglophone countries.

Financial Accountability

In every system of government, revenues are raised and expended for the common good of the citizenry. The challenge therefore is how to account to the people on whose mandate and on whose behalf the power to govern, raise revenues and expend them is derived.

All over the world public sector operators, today are working to expand the frontiers of public sector accountability. The aim is to make government organisations accountable for the results which they achieve with taxpayers money. The premise upon which these reforms are based is simple; that Governments exist to provide services to the public not merely to raise taxes and employ officials. Public sector organisations can and should therefore demonstrate that they are delivering services which meet social needs, and that they are doing so efficiently.

Essentially, the fundamental guiding principle of accountability is good governance. It is crucial to social progress. There are, of course, many aspects of good governance, including the promotion of the principles of the rule of law, and democratic participative government processes.

The Role of the Public Sector Treasury

The Treasury in the Public Sector is directly responsible for the overall control and receipts and payments of government. In this regard, it supervises the collection of revenues and expenditures through inspection and internal auditing of Ministries, Departments and Agencies entrusted with collection and accounting of revenues to the government as well as those entrusted with public expenditure of the government. This is to ensure that internal control and sufficient rules and regulations are in place to safeguard government funds from misuse or embezzlement.

The Treasury is responsible for the collection of all financial reports from Ministries, departments and agencies and consolidate them into financial statements for presentation to the Auditor General for Auditing.

Strengthening of Key Institutions of Financial Accountability

In order to achieve integration in financial accountability, there is need to strengthen key institutions that promote financial accountability in member countries of the ECOWAS Sub-region. This is with a view to bringing into the consolidation structures that would mutually benefit region.

Office of the Supreme Audit Institution

This Office in most systems of governments is provided for in the statutes and laws. This is so because, the role it plays requires some level of independence to serve as a watchdog to those entrusted with the management of public funds. The tenure of the holder of this Office is guaranteed by the statutes or laws such that they are at liberty to perform their functions without fear of removal by the Executive Arm of Government. In some countries, the process of appointment and removal of the Auditor General requires the approval of the parliament before the appointment or removal would be valid.

Notwithstanding the perceived empowerment of this Office, in some countries in the sub-region, this office still performs sub optimally. This is because most audit institutions are under funded. This has encumbered their ability to discharge their very important roles of ensuring accountability.

In some cases particularly the francophone countries, there are other layers of audit institutions such that it becomes difficult to identify the supreme audit institution that is responsible for auditing the financial report of government and its agencies.

The Parliament

The role of the parliament in strengthening financial accountability is done through budgetary provisions. The parliament as an arm of government ensures this by strictly subjecting the expenditures of governments to budgetary allocations which are passed into law. Penalty for spending outside the budgeted amount for each ministry, department and agency, are prescribed and defaulters sanctioned. The supreme Audit institution also submits its report to the parliament which has the duty to call any erring official to answer to any financial misdeed and sanction accordingly.

Again, in some West African democracies, this arm of government is relatively very new because most African Countries have for long time been under Military rule. There is need for the member countries to strengthen this arm of government by strictly adhering to the rule of law and by ensuring that budgets passed by the parliament are implemented in accordance with the law.

The Judiciary

The Judiciary is the third arm of government it should be allowed to dispense justice with regard to financial crimes and their judgement must be implemented to serve as deterrent to other government officials. In developing economies such as those of the sub region, the courts are often abused with judgements of courts sometimes not being obeyed. This posture undermines the principles of accountability. The only way to have decent societies and sustainable development is to allow the rule of law to thrive.

Standardisation and Harmonisation of Financial Statements

The ECOWAS sub region has made significant progress in the area of integration, particularly with regard to the removal of travel restrictions and trade liberalisation within the sub region which in itself would encourage cross border trade. The comparability of financial transactions has therefore, posed a challenge for us. One of the objectives of the Forum of the Accountants-General and Auditors-General in West Africa is to ensure that the financial systems are standardised and harmonised for effective integration. The need therefore, for the member countries to co-operate with one another with a view to understanding our various financial accounting systems to enable us come up with a standard system that would harmonise and cut across all the systems, thereby making comparability of financial information easy and enhancing process of integration.

Most of the developed economies of the world have advanced in this area of regional blocs. This has made them even stronger. We in the sub region need this integration more than ever before. The benefits derivable from this are enormous.

(a) It would create markets for goods and services for member countries. Countries that have comparative advantage in producing particular goods and services can perfect its specialisation in that area and sell to other member countries and vice versa. This would also promote economies of scale.

(b) The region would speak with one voice when it comes to dealing with other regional blocs.

(c) Uniformity of tariffs would serve as a tool for negotiating with the rest of the world.

(d) Member countries would benefit from the experiences of each other.

(e) Financial, legal and other services can be exported and imported freely within the member countries with a view of building more capacity.

(f) It would enhance the negotiation of free trade agreements with the major trading blocs.

(g) Promotion of regional peace and security.

(h) Increase regional trade, sectorial co-operation programmes and joint development of regional resources and infrastructures.

Problems Associated with Regional Integration in West Africa

(i) There is the problem of different sizes and levels of development in the member countries of ECOWAS.

(ii) Language barrier: The division of the region into English and French speaking countries has posed a great challenge in accelerating the regional integration.

(iii) Cultural difference: this is also closely linked with (ii). The colonisation of the region by different colonial masters has brought to bear on the colonies their different cultures. Thus, it has inhibited easy understanding of each other. This has brought about mutual suspicion among member countries.

(iv) Smaller economies feel threatened that the integration would benefit the larger economies more.

Possible way out

In order to significantly minimise or eliminate the above inhibiting factors and to promote fast development in the sub region, I suggest that we should consider the following options as a way of solving them.

(i) The sub region should move away from functional integration and embrace programme integration which is appropriate in a region in which, there are countries with economies of different sizes and levels of development.

(ii) Measures should be put in place to give less developed member continues greater preference and access to regional markets and facilities and a longer period to reduce their tariffs through asymmetrical trade agreement.

(iii) Some co-ordination of macro policies at a relatively early stage, particularly in relation to fiscal incentives for investment.

(iv) French and English Languages should be made compulsory subjects in primary and secondary schools of member countries.

(v) Mutual respect for each other's culture and administrative procedures should be encouraged.

Conclusion

Achieving regional integration in financial accountability no doubt depends on successful integration of all other aspects of the ECOWAS objectives. Therefore, as professionals, we are in a better position to assist our respective countries towards realising these objectives. When we begin to co-operate with one another through the regional bodies such as ABWA and FAAGWA, then we would appreciate the diversity of our systems. This would accelerate the design and implementation of systems that would cut across the sub region.

By meeting regularly and interacting, the barriers mentioned above would begin to melt away and in the process of time, there would be an easy flow of information among member countries. Let me also add that we should at our respective countries encourage the reform of institutions that are responsible for ensuring accountability that promotes financial accountability in member countries of the ECOWAS Sub region. This is with a view to bringing into the consolidation what would mutually benefit the region.

Wealth Creation and Capital Market Development in Regional Integration

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INTRODUCTION

THROUGH one of those quirks of fate that happen to us from time to time, I got involved in capital markets work purely by accident. A well known player in this field, Jumnah Mbaru, was at the time the Chairman of Nairobi Stock Exchange, and was attempting to set up what later became the African Stock Exchanges Association (ASEA), and I was at the time the Chairman of Ernst & Young in East Africa. Mr. Mbaru twisted my arm to agree to host a dinner for some visitors he had convened to discuss the idea, and I eventually found myself appointed honorary secretary for the fledgling organisation.

I was to continue with that job for 11 years before I decided to retire through the normal route of being kicked upstairs to become chairman of ASEA in 2005. One year, at the top was enough for me as my objective was to revive the fortunes of the Association which had suffered somewhat from the failure to meet regularly. I quickly found hosts for the next three meetings and retired to my humdrum life of accounting and auditing standards.

I have to say that I did not initially appreciate the connection between the accountancy profession and capital markets, but with the new found popularity of IFRSs, for listed companies, that, linkage is now obviously very clear.

I am delighted to be with you at this excellent congress, and to be able to share what I hope are some useful thoughts and experiences in the important role that a body such as ABWA can play in Wealth Creation and Capital Market Development under your general term of Regional integration and Economic Development.

I have to say though at the outset, that I thought your theme represented hope rather that what is apparent when one looks at our continent. As I said at a meeting in Nairobi, a few years ago, Africa represents the continent that no other part of the world wants to meet on equal terms. And so the rest of the world invents all manner of reasons, to ensure that they keep us away from their shores. We however, respond by building even wider gates that are permanently open for visitors from outside Africa to walk through whenever they feel like it. But there is one gate, we keep well shut, and that is the one, we invite our fellow Africans to come through if they dare.

This year, we are told, is the 200th Anniversary of the abolition of the transatlantic slave trade. For more than 300 years, the African was dragged, kicking and screaming to the lands that now no longer want him. Now, the African risks all, to try and get to these same lands, and enjoy the promise of a better life that they apparently hold, a life he helped create, but did not become part of. This irony is lost on us, for we do very little to banish poverty. We definitely won't banish poverty by frustrating any attempts by wealthy Nigerians or Ghanaians to invest in Kenya for example, while going in search of “real investors” from Europe and Asia. We definitely will not banish poverty by liberally issuing work permits to everybody else except fellow African. By all means, let us keep each other's poor and downtrodden back where they belong, with the bones of their ancestors, but to the educated and mobile African entrepreneurs we should be saying but only one thing, “show me your wallet and you are welcome”.

Regional integration does open up opportunities for wealth creation. Our challenge should be to ensure that wealth is made by Africans for Africa. If that is not the case, then I question the need for spending so much time, energy and resources building institutions that will stand only as monuments to future intentions. I do not know how L'ouverture managed to get the slaves in Haiti to unite and rise up in rebellion against oppression, but everybody else since seems to have become scared by that experience. Institutions like ABWA or ECSAFA, cannot continue to operate effectively unless other sectors in the region, are also properly engaged in the match towards regional integration.

While the development of professional accountancy bodies and the formation of regional groupings of such bodies rarely grabs the local headlines, such bodies are recognised in the international accounting community as being critical to delivering economic development, in a more efficient manner.

But many Africans remain sceptical about the benefits of getting closer to their fellow brothers and sisters, preferring instead to accept other people's definition of them. The ignorant guy in New York who asks me to say hullo to his friend in Johannesburg when I return to Africa, is probably right in thinking that all Africa is one. If only he knew how much we uphold the opposite view. Regional accountancy organisations can do many things better e.g:-

- Presenting a uniform view of issues in accounting and the status of the profession to stakeholders and to society at large. We all know that, passionate as we are about our profession, people have different perspectives on priorities and projects. Regional bodies help to achieve and promote a consistent view.

- Adding weight to the debate. By developing a consistent view of international issues, regional bodies can provide influential feedback to standards setters and other organisations which seek to establish global best practice, representing a wide constituent base of opinion. This adds to the integrity and value of the views of a range of bodies and enhances impact and credibility.

- Developing the profession especially in countries where the profession is not represented by formally constituted bodies or a well- established profession. Regional bodies can help to introduce and share best practice across organisations in countries with similar economic outlooks.

- Providing a link between global and local regional organisations are likely to gain seats on global and international committees, debating issues central to our profession. It is the function of representatives on these committees to represent the best interests of the regions they are speaking for and

- Obtaining funding and support to further the agendas of regional groupings I will come back to this in the context of audit monitoring.

- Helping to manage and influence stakeholders at all levels. Regional bodies speak with the weight of all their member bodies. They bring an independent perspective and a commitment to reflecting what is appropriate for the profession in a broad context.

CHALLENGES

This does not mean that there is no role for the national bodies. We should never forget the profession is made up of individual accountants. One of the key benefits they obtain from the existence of professional bodies is the guarantee that this implies high standards in training, integrity and professional conduct. Everything which professional bodies do must be to uphold and advance that reputation - for it is this which adds value to accountants in their work, wherever they are based. And, by pursuing these objectives, professional bodies will be relevant and valued in society.

The challenge for professional bodies such as those within ECSAFA and ABWA is for them to work to define a strategy and business plan which clearly identifies needs, which in turn will facilitate the development of partnerships that are able to deliver the solutions.

Funding is of course a critical issue. Substantial funding is needed to attract the right calibre of staff to establish an effective secretariat, which will ensure a robust and well-managed professional body which is respected by the government, the public and the international profession. Professional bodies are not always able to fund their infrastructure and services entirely from their own revenue base.

Professional bodies must have sufficient status to be the logical party to communicate on accountancy, taxation and other financial matters with a range of stakeholders - including government, the public, and other interested groups and individuals on national policies, legislation and other matters of concern to both its members and society in general.

Professional bodies also need to have an appropriate communication strategy in place to enable them to handle relationships with the government, business, the media, the public and the international profession.

It is possible that one way to develop these skills is through ABWA enabling networking or twinning arrangements between professional bodies on issues such as institutional building, constitution development, public relations, education and training, research and financial viability programmes.

ABWA should encourage in consultation and collaboration with relevant stakeholders the formation of accountancy bodies where none exist and promote their links with organisations willing to provide assistance. It could also work to gather data on the type of assistance wanted or needed by the professional bodies in Africa and information on bodies willing to provide this assistance.

Particular attention should be paid to helping professional bodies in defining robust business plans in order to obtain donor funds and to secure the services of a competent and committed chief executive, as well as the necessary specialist staff.

If they are to meet international requirements and obtain recognition by other professional bodies, the professional qualifications of accountancy bodies need to meet certain norms. The standards may be derived from IFAC.

PURSUING INFLUENCE WITH GOVERNMENT

In many countries the Ministry of Education is responsible for delivering Education and training. As the quality of students entering the profession is important the profession needs to liaise with the relevant government department to ensure that the education facilities available meet the minimum standard.

Developing countries face serious problems in accessing appropriate education and training materials due to unaffordable costs and language barriers. Where support is available under twinning arrangements in the area of examinations, developing countries can draw on the support and assistance of the partner institutions. Regional organisations should be encouraged to co-ordinate this.

There are a number of challenges and issues there, which I'd like to address in the context of this region, and of my own.

I will, of course be drawing heavily on my experiences as the first Chief Executive of ECSAFA, and thought it would be useful to give a quick review of how the body was established, its membership, governance and structure. Now that I have retired from ECSAFA, Vickson Ncube, the former CEO of the Zambia Institute of Chartered Accountants, is in that, not always enviable seat.

ECSAFA

The management of ECSAFA's affairs and business is governed by Council, which consists of two representatives nominated from each member body. Some countries have more than one member body.

Council then elects five representatives to serve on the Executive Committee, for a maximum of two-two year terms or four years.

ECSAFA's mission is, and I quote - “to build and promote the accountancy profession in the Eastern, Central and Southern regions of Africa in order that it is, and is perceived by accountants, businesses, financiers and governments, to be an important factor in the economic development of the region".

This remit includes co-ordinating the development of the accountancy profession and promoting internationally recognised standards of professional competence and conduct within the region.

The full members of ECSAFA come from Botswana, the Democratic Republic of the Congo, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

There are a number of temporary members from Angola, Eritrea, Mozambique and Sudan And a number of countries are earmarked as potential future membership. These are;- Burundi, Comoros, Djibouti, Madagascar, Reunion, Seychelles and Somalia. All together then, the ECSAFA region has a potential of twenty-five countries.

There are also affiliate Members these are the Common Market for Eastern and Southern Africa (COMESA) and the East and Southern Association of Accountants General (ESAAG).

And finally there are a group of “Observer Members” who may attend and contribute to Council, without voting rights these are the Association of Accounting Technicians (AAT), the Association of Chartered Certified Accountants (ACCA), The Institute of Chartered Accountants of England and Wales (ICAEW) and the World Bank.

I hope you will excuse me for having reeled off such an extensive list but I felt it important to show what perhaps makes ECSAFA what it is.

In fact, ECSAFA is one of the 'Big Four' major regional organisations, alongside FEE from Europe, CAPA from the Asia and Pacific region, and IAA from the Americas.

As such, when an ECSAFA representative speaks, he/she is often listened to.

ECSAFA's independent secretariat is in Nairobi. In order to ensure the independence of the secretariat, it was also agreed that the majority of the costs would be covered by member subscriptions.

So, you can see that ECSAFA has a considerable amount of potential power and influence. But how does it use those assets to the good of the region?

Much of the work of the body is to help maintain standards in the profession.

For example, ECSAFA's Standard Setting Response Group was established to co-ordinate the response of ECSAFA bodies to international standards in accounting and auditing.

The Group also works to improve the knowledge base of technical staff of ECSAFA member bodies by convening an annual workshop where presentations are delivered on various technical topics relevant to standards.

But ECSAFA also does much more because there are many more challenges to face.

In common with its member bodies and in reflecting the work of the thousands of finance professionals working in the region which it ultimately represents it is at the heart of business. Accountants are involved at all levels of business and indeed are instrumental in wealth creation and economic growth. In fact, while there is a high demand for accountants with international skills to work in public practice firms, in the broader corporate world and in the public sector, there is still a very high demand for accountants in all roles and types of organisation. Accountancy really has become a mobile profession at certain levels. We estimate that over 300 accountants in the ECSAFA region are offered contracts abroad each year.

In an increasingly globalised investment market, there is an obvious role for finance professionals in ensuring that potential investors can have faith in the figures they see, the annual reports and accounts they read, and an understanding that reports are carried out to globally acceptable levels and standards.

In support of this aim, ECSAFA works with IFAC's Developing Nations Committee (DNC) in promoting high quality financial information, while seeking to ensure that the needs of small business in Africa, which are the foundation for any future growth and prosperity are not overlooked.

IFAC's Developing Nations Committee works proactively to support the development of the profession worldwide and rely on strong, well-governed accountancy bodies, like ECSAFA, to provide an essential component of regional and national financial infrastructure.

And a vital element of that infrastructure is an effective regulatory system. Last year ECSAFA formed a partnership with ACCA which aims to strengthen the regulation of the auditing profession in the region and which was designed to assist accounting firms in achieving the highest international standards.

That partnership now offers monitoring services to ECSAFA's member bodies in Botswana, Kenya, Lesotho, Malawi, Namibia, Swaziland, Tanzania, Uganda and Zambia.

Under this monitoring programme, suitably qualified and experienced professionals will be recruited in the region to carry out monitoring visits to over 100 firms which undertake audits of public interest entities, on behalf of the countries taking part in the initiative.

CORPORATE GOVERNANCE

Wealth cannot be beneficially generated in the absence of good corporate governance. As a result of working with ACCA, ECSAFA has been able to publish 'Guidelines on the Good Governance of Parastatal Organisations: An ECSAFA Perspective' and 'Governance in the Public Sector: An ECSAFA Perspective', which seek to ensure that members have access to world class guidance on corporate governance issues.

Given that ECSAFA is an organisation which represents members in developing economies, it readily took a decision to proactively engage with donor agencies in the region and the provision of international accounting standards at affordable prices was for example made possible through such cooperation.

Partnerships between such donor agencies and national accountancy bodies in the ECSAFA region have also been created with ECSAFA's blessing.

I would envisage that ABWA bodies would have much to gain from long-term partnerships with donor agencies which meet the appropriate criteria.

But agencies can also assist governments in areas of economic planning, taxation and the management of public expenditure thus facilitating the work that we accountants promote. It is still a matter of concern that very few countries in the ECSAFA region have adopted even the cash standard for their public sector accounting.

Partnerships such as this would also create a greater demand for high quality financial reporting, would promote good governance and management control and minimise the risk of fraud and corruption. This is why the adoption of standards, a process of monitoring finance professionals and a recognised process for training professional accountants all go hand in hand.

I am encouraged to see that ABWA has already started work to secure donor-funds to develop a regional technician qualification, monitoring programme and support for the implementation of IFRSs across the region.

I believe that closer co-operation with ECSAFA through the establishment of the Africa Focus Group, which was formed following the African Learning Workshop in Nairobi will also help to harmonise the profession, pool resources and ultimately make for a stronger Africa-wide profession which can compete and take its place on the global stage. This was the reason behind the signature of an MoU between ABWA and ECSAFA and I look forward to seeing it operationalised.

The basic foundation of good corporate governance is of course codes of best practice. We have at least adopted one code of best practice through the decision to adopt International Accounting Standards (IAS) and International Statements on Auditing (ISA) for use in the region. I have to say however, that until the European Union saw the light as it were, Africa was often alone in highlighting the complexity and irrelevance of some of these standards. Everybody, I am happy to say has now woken up to the reality of the three business profiles, the listed, the medium size and the small, whose needs vary considerably.

But the area I feel we still have not done enough in is influencing policy makers and regulators to promote good corporate governance. Our job is made infinitely more difficult by the climate in which most of us operate, where political expediency overwhelms and smothers all or most other attempts to promote more transparency and accountability.

Another hurdle that we face is that codes of best practice in corporate governance, even where they have been developed cannot be enforced because they lack statutory underpinning. ECSAFA, jointly with member bodies keeps advocating for changes in the law to give good corporate governance statutory effect.

In promoting good corporate governance, let us not forget that corporate governance is not just for listed companies or state corporations. Corporate governance applies to all organizations that harness public resources, to achieve desired goals, including churches, cooperatives, partnerships and professional institutes.

A lobbyist in Africa runs the danger of incurring the wrath of a policy maker, which may spell doom for his family's livelihood. It was recognized sometime ago that one of the advantages regional organisations have is to be able to speak to government officials without fear of victimization for no single country is overly dominant. However, the danger is still there in that most African countries will not criticise each other no matter the issue in question. But that too I am sure will change if regional organisations make it priority.

It is necessary to emphasize that even where there are codes of best practice it does not mean that they should not be exceeded. They are still only a threshold and for Africa which requires to do so much more to counter the influence of so many years of bad practices, we should take international indicators and benchmarks as mere beacons to use while illuminating the obstacles that we need to deal with on the road to a better life for our people.

In the war for better governance, we are not alone for NEPAD itself is fully engaged.

In this respect, NEPAD had this to say at a recent meeting in Cape Town on Corporate Governance (CG), which ECSAFA also participated in:-

"Adaptability of Standards

There are numerous CG initiatives in the region (15 according to one estimate). The goal is to develop an indigenous NEPAD standard that also draws from international agreements and best practice. In this regard, the key issue is to speed up harmonization of standards and deal with the multiplicity of frameworks. The aim is to simplify the way of doing business, create favourable conditions for the development of a flourishing indigenous enterprise sector with few stumbling blocks in the way of generating wealth, and make the sub-regions more attractive investment destinations. While there is a view that CG principles are universal, the challenge is how to domesticate these standards to suit our environments.

Challenges Facing Corporate Governance

The African region faces a challenge of having many small and fragmented economies with a low supply of the skills required for effective regulation. After diagnosing problems and identifying implementation gaps, the APRM should be able to point countries towards capacity building initiatives in the field of CG. NEPAD should help create the capacity to implement the codes at national, sub-regional and regional levels through training, research, information, advocacy and networking. It must monitor, evaluate and improve the substance of the codes and implementation.

We should be careful not to concentrate too much on what should be done to companies. We must create conditions for good CG e.g. sophisticated legal systems to create certainty. The additional aspect relates to infrastructure that should provide access to information. It is impossible to look at law in isolation. Law must not be stagnate, rather it must reflect developments in their sub-region.

Corruption is a major challenge to corporate governance. In dealing with it, it is crucial that it focuses on the transaction by two parties rather than focus only on the recipient. We must look at penalties for the givers of bribes. There must be punitive action on a regional level against corrupt companies. There must be effective regulations to deal with the predatory aspects of international business, for example companies that come to the region to plunder resources.

The labour movement has not been significantly involved in the NEPAD process. Can the CG process take place if it will only look at the side of capital? Do we have a strategy for fair labour practice to govern corporate behaviour in Africa? CG regulation should be broader and look at environmental issues, the role of labour and health issues. There is also the issue of tax compliance that must be addressed.

When it comes to corporate governance, African governments are pushed to privatize at every cost even when they do not have the capacity to regulate effectively or the skills to correctly value state assets.

The process ends with a privatization that gives away national wealth. Once privatized, governments have no way of looking at the accountability of the private enterprises. There should be codes and standards for the privatization process and effective regulatory regimes that protect the public interest.

Improving CG requires effective partnerships between government agencies and parliament, with the latter setting its own standards that should include codes of conduct for public servants and the declaration of members' interests by parliamentarians. There is also a role for effective partnerships between government and the private sector including central banks, stock exchanges and professional institutes."

I think we all agree with what NEPAD is saying on corporate governance.

In summary therefore, regional organisations seeking to promote wealth creation and spur economic development should among other things seek to:-

1. promote best practice through the adoption of relevant international benchmarks;
2. develop Africa specific standards of best practice;
3. promote a compliance regime;
4. enter into partnerships with relevant African and international organizations having roles to play in their area of expertise;
5. get members of regional member bodies to take on board, similar activities in their respective countries.

To accomplish the above effectively we need to share our thoughts and ideas with each other through whichever forum so that we can all pull in the same direction. The reality for Africa is that the rest of the world tends to condemn us collectively for the failure of any one of us. To remove this negative perception, we must all work together for the good of the entire continent.

Thank you for this opportunity to share my thoughts with you.

The Convergence of French and English Accounting Standard and Professional Practices

M. ANDREW TAPLIN
A Chartered Accountant and renowned Consultant (France & Britain)

OVERVIEW

THIS is my first trip to black Africa, as the French sometimes say to distinguish you from your Arab neighbours to the north, and I'm delighted to be with you. I'm sure I could not have dreamed of a more august or friendly gathering to provide the motive for a voyage which necessarily counts in the life of a man or woman. Please accept my warmest thanks for your invitation and hospitality.

My happiness at finding myself with our Benin hosts is enhanced by the fact that not quite 5 years ago, just turned 50 and at the time of my conversion from "salary man" status in industrial groups or professional firms to being self-employed, I took the unusual decision for a chartered accountant to train as a private detective. So there was a year when two days per week, I attended courses and engaged in practical training with a young lady of Greek or Cypriot origin as well as with a Benin national from Cotonou, a little younger than myself, Félix Raoul Adossou who at present is still in France where his children are studying but whose dream is one day to found his own detective agency, here in Cotonou, where his wife still lives except for her holidays and is employed as a customs officer. Raoul remains one of my true friends.

Like Raoul and others, no doubt including a few of yourselves, I've almost always lived a little torn between two different worlds, in my case Anglo-Saxon England, which is my birthplace, and Gallic France, both countries which first via colonialism and then, more happily, in the form of the British Commonwealth or Communauté francophone, have both provided and received reciprocal influences to and from your own countries.

As for me, I was born in 1952 in Leeds, an industrial city in the North of England; I studied French and Russian at Oxford; I worked for 4 years in London whilst qualifying as a British Chartered Accountant; then in 1979 I settled in Paris which became my base although I have often travelled for the purposes of my job. I've now reached the stage where I've spent exactly half my life in England and the other half in France so that perhaps provides me with a good foundation for speaking to you about the convergence of Anglo-Saxon and French accounting practices and methods!

It is true that when I began working in Paris, after 4 years auditing in London for Deloitte Haskins & Sells, and found myself projected into the world of the French clients of Blanchard Chauveau & Associés (alias Price Waterhouse even so!), convergence was not exactly visible. On the contrary, there were fundamental differences some of which remain but others of which have been greatly attenuated over the years. Let me give you a few examples of the differences that struck me at the time:

- First, along with the Napoleonic codes, a remarkable French invention: the national chart of accounts. Anglo-Saxons are surprised by this concept, because they prefer to invent their own account names as and when they need them and find it hard to believe that companies engaged in totally different activities can all fit into the same framework, but it's a framework which functions. Indeed, it's even a remarkable tool of accounting standardisation and a model of what accountancy should be for the entire community of financial statement users: a common language.

- The chart of accounts aside, but understandably so, France at the time laid less emphasis on accounting standards since most of the requisite rules were already provided for by the national chart of accounts which even today remains an imposing volume running to almost 400 large pages.

- In contrast the Anglo-Saxon world, whether United Kingdom or United States, already had long-established national standard-setting bodies producing large numbers of topical standards that were already very similar in form, if not in content as we shall see later to the American SFAS (Statements of Financial Accounting Standards) or IFRS (International Financial Reporting Standards) of today. At the time the British standards were called SSAPs (Statements of Standard Accounting Practice); they are now, by analogy with IFRS, called FRS (Financial Reporting Standards) and we shall equally see a little later that this analogy is no coincidence.

- Today France also has national standards which complement the national chart of accounts and are called Règlements CRC (Comité de la réglementation comptable); we shall also see a little later that these days it is much easier than it would have been before to find one's way around IFRS, FRS, règlements CRC and even the American SFAS which are renowned for their complexity.

- The difference I have underlined between the English and French-speaking approach to charts of accounts which might be seen as the bricks from which the house of accountancy is made was also visible, but is less so today, in terms of the overall presentation of annual financial statements. England favoured a presentation which was specific to each enterprise and always included a fairly detailed description of the entity's accounting policies, i.e. of the individual application by the entity of the principles, and above all the concepts, embodied in the national standards; France remained faithful to a very codified presentation (often the national tax forms) and to notes which contained more in the way of account analyses than accounting policies since the accounting policies were as often as not implicit in the mechanical application of the prescriptions of the national chart of accounts and were indeed more often described as rules than as policies.

- The word rule is an important one because it illustrates the other fundamental difference of the time between the French and English-speaking conception of accounting practices and financial statements. French accounts were driven by legal and above all by tax requirements; the United Kingdom and United States had a more economic vision of financial statements, as evidenced in particular by the celebrated concept of substance over form i.e. of the pre-eminence, in accounting for a transaction, of its economic substance as opposed to its mere legal form. This is why, for example, British companies long ago decided to recognise certain leased assets on their balance sheets despite the fact that they held no rights of legal ownership, but would never have dreamed of letting a tax law oblige them to recognise a kind of “false accounting entry” in the form of accelerated depreciation (i.e. capital allowances as they used to be called) or “regulated” provisions. It was of course already recognised at the time that the dual French legal and tax constraints resulted in French corporate financial statements that were difficult to understand.

- Let me finish this brief panorama of the differences that most struck me a quarter of a century ago by a detail of French accounts that I still find it difficult to grasp: the French obsession with breaking down the income statement into operating, financial and exceptional items, despite the fact that the latter in particular are often intimately linked to the entity's operating activity, and then further breaking down each of these categories by separating the debit and credit entries. In an Anglo-Saxon presentation, if the doubtful debts provision rose from 100 to 110 the net expense of 10 would be recorded and the matter was over; in France, the same movement might be broken down into use of the provision of 50, a prior period positive adjustment of 10 and an additional charge of 70, each of these items showing up in a different part of the income statement, and personally I couldn't understand a word of it! I recognise, of course, that such an analytical approach is meaningful; but it's not a very pragmatic approach and, rightly or wrongly, Anglo-Saxons are generally nothing if not pragmatic.

We shall now move on to see what has changed in the interval of almost 30 years since I first came to Paris and, once again, I shall simply enumerate a certain number of factors:

- At the time, globalisation no doubt already existed as a concept but it's only over the past 30 years that it has become a reality. Not only, nowadays, are genuinely global groups both much more numerous, and far more powerful, than before but the phenomenon is one that now extends literally to all branches of economic activity. Further, if groups like General Electric in the United States or Total in France may be termed the sharks or the octopuses of the modern economy, the small fry are hardly deprived in the sense that there are more and more small groups with comprehensive international presence. In itself that fact is a very strong argument for dismantling the Tower of Babel of differences small and large in accounting practices because all these groups need, as a strict minimum, a common accounting framework for the purposes of their internal management which at the same time has a dimension of multinational management.

It may be added that these powerful international groups are no longer the exclusive preserve of a few North American or European actors and will be still less so in the future: for example, there are now established major groups that are South African, Australian (London's new Wembley mega football stadium has just been completed by an Australian group), or Singaporean; the world's second largest bank is Taiwanese; Chinese (who recently acquired IBM's personal computer division and are more and more present alongside yourselves in Africa) and Indians (for example Lakshmi Mittal, the steel magnate) are engaging in more and more acquisitions throughout the world; permit me finally to express the wish that in your own countries too you will succeed that you are already succeeding in reaping increased benefits for yourselves from the considerable human and natural resources you have at your disposal. These increasingly interlinked and interdependent economic relationships are clearly an additional reason for convergence in their accounting treatment

- It is clear that in Europe, and long before the general rush towards globalisation, the European Commission realised at an early stage that its dream of a vast unified market, capable of arousing the envy of the United States and of the world as a whole, would require a certain harmonisation of accounting practices at least within its own sphere: but at the time, EC decisions required unanimity as opposed to merely a qualified majority so the first steps were necessarily timid and reduced to the basis of the lowest common denominator. The first European accounting directives were thus above all generous catalogues such that so long as companies produced at least an annual balance sheet, an income statement and a few comments, they could otherwise do what they liked and so Germans, the British and the French, to name just those three, merrily continued to do just that.

- At the time of the <u>first</u> European directives (in particular, 1978 for individual entity accounts and 1983 for consolidated accounts), the IASC (International Accounting Standards Committee) was hardly born it was created in 1973 and, in the same way as for the European Community, the IASC mainly devoted its first 10 years to preparing an inventory of the accounting practices of the so-called developed countries from which the first published standards only eliminated the most “exotic” whilst retaining a large number of divergent albeit “defendable” options. It must nevertheless be stressed that the very creation of the IASC already represented an immense step forward because not only was it the first time that, in the area of accountancy, a voice was heard to federate the practices of dozens of countries and counter the hegemony of the time, as an international reference, of US GAAP, but from the beginning this organisation, albeit based in London and as an Englishman I can assure you that no-one is more chauvinistic than my compatriots! this organisation nevertheless resolutely resolved to avoid all sectarianism and genuinely respect cultural differences within the IASC's governance bodies. The battle for a common accounting framework was intended to produce no winners or losers but merely enable sharing of the objectively best practices in the best interests of everyone.

- As time went on the process simply snowballed, an evolution which can be measured at least at 3 levels: convergence under the influence of the growing force of IFRS, convergence in comparison with the other major corpus of internationally recognised accounting standards, US GAAP and finally, convergence in terms of the national standards applying within each sovereign State and, as a result, convergence in terms of the accounting practices and methods and financial statements of your clients or your own companies.

- In terms of IFRS, the timid beginnings of 1973 to 1985 were first followed by a period of development, from 1985 to 2000, during which the various accounting options for a particular subject were classified between the “benchmark accounting treatment” and “allowed alternative treatment(s)”. All were still possible but you were now told “Do that if you like, but it would be a lot better if you did this instead”. At the same time, some of the more extremely divergent options were eliminated at this stage and, behind the scenes, the partisans of this new corpus of standards worked hard to obtain institutional recognition for them. A major step forward in this respect was the agreement signed in 1995 with IOSCO (the International Organization of Securities Commissions) for achievement of a complete range of standards.

- In 2001 the IASC became the IASB (International Accounting Standards Board instead of Committee) and, backed up by increasing international political and economic recognition, the Board was able both to begin systematically to eliminate divergent options and to start dealing with more and more difficult and politically sensitive issues such as the treatment of stock options.

- The most striking form of political recognition was the European Union's decision to make the adoption of IFRS obligatory, with effect from 2006, for the consolidated accounts of all listed European groups and to envisage their adoption, within each Member State, for the consolidated accounts of non-quoted groups and/or for the financial statements of individual companies. The importance of this measure must not be underestimated: when the decision was taken, it would have applied to a dozen countries but it now applies to a community of 25 nation states that will grow still further over the coming years.

- In order to enable this change the European accounting directives needed <u>modifying</u> both to restrict the potential for divergent accounting treatments and integrate certain key IFRS concepts, in particular that of <u>fair value</u>. This was achieved in September 2001 for fair value and then in June 2003 for the other matters.

- In the same way, each Member State had to modify its internal accounting legislation in order to comply with IFRS and this was in particular the case of France which made profound changes to its internal rules in order to achieve harmonisation in matters as fundamental as the criteria for recognition of provisions and other liabilities, the accounting treatment of intangible assets and more particularly, of goodwill, the analysis of fixed assets by component (and concomitant banishment of provisions for major repairs), the departure from the principle of recognition of the nominal amounts of monetary assets and liabilities (which may now be measured on a discounted cash flow basis if appropriate) or more generally, the possibility of giving precedence to measurement at fair value (of today) rather than at historical value (of yesterday) and equally of giving precedence to the economic substance of certain transactions as opposed to their purely legal form.

- But the British also changed their rules (and in their pragmatism, were even forebears since their FRS had already adopted the same numbering as for IFRS and their content is intended to remain as close as possible to that of the corresponding IFRS); the Germans, the Italians, the Spanish etc. also changed their rules. It is in this sense that convergence is ever greater and it's all the more true that the national changes I have mentioned increasingly apply just as much to the accounts of all individual enterprises as to the consolidated accounts of groups whether listed or not.

- The movement that is underway can only continue and be amplified. As regards convergence towards the concepts embodied by IFRS, this will be achieved both on a continuing basis within Europe, as well as in the numerous other countries that have decided, or will decide, to make more or less intensive use of this model, and equally it will be achieved via the influence exerted in the framework of assistance provided by certain national bodies such as, in France, the CSOEC (Conseil Supérieur de l'Ordre des Experts Comptables) which plays an active role in promoting, in particular for the benefit of the small and medium enterprises that are so vital a part of the economic fabric of developing countries, the adoption of accounting systems that remain well anchored in the tradition of the national chart of accounts, and of the definition of standard accounting entries and financial statements, but that are nevertheless compatible with IFRS. I have indeed been personally involved, in recent years and in my role as a translator, in CSOEC projects for Lebanon, Laos and China and I imagine that you may have had similar contacts in some of your own countries.

- And so what of US GAAP? Well, quite simply, there too convergence is now the name of the game inasmuch as no IFRS or American standard is now ever published without extensive coordination designed not necessarily to eliminate any difference between the two but at least, to ensure that any differences represent the strict minimum compatible with each party's "fundamental values" and with a certain difference in approach to drafting: principles-based in the case of IFRS, rules-based in the case of the American standards.

- Not that the "principles-based" approach of IFRS should be overestimated: I've just purchased the new 2007 edition of the standards and it runs to more than 2,500 closely written pages!

A CASE STUDY : DOLLFUS MIEG & COMPAGNIE (DMC, FRANCE) AND PHILLIPS-VAN HEUSEN (PVH, UNITED STATES OF AMERICA)

Following this introduction I'm now going to offer you a case study with a few points of comparison between two large businesses in the textile sector, a sector which sadly is undergoing a period of crisis within your countries of the Economic and Monetary Union of West Africa.

Yours is a crisis which appears never to have hit the American group I have selected, Phillips-Van Heusen, which is famous as a shirt-maker and which, in addition to its historic brands such as Arrow and Van Heusen now owns the luxury clothing manufacturer Calvin Klein. I say that because in 2005 the group achieved net sales of almost $2 billion, net income in excess of $100m and its stockholders' equity amounted to more than $600m.

The group's direct sales are mainly limited to the United States and elsewhere it tends merely to sign licensing agreements for use of its brands. A rapid internet search gave me the impression that the group has probably always purchased its raw materials, of which cotton is of course a main constituent, at home or in Asia rather than from Africa, and its manufacturing facilities are probably also located either in Asia or in the USA. My search gave me the feeling that there is a certain flaw in the financial reporting principles reflected in both US GAAP and IFRS inasmuch as generous segment information is presented in respect of sales and profits but no real information is provided as to whereabouts in the world businesses obtain their resources and transform them into finished products.

In contrast the French group Dollfus Mieg & Cie, or DMC, has, or at least used historically to have, much stronger links with your Region. Sadly again, however, I read in a report of the Centre for the Development of Enterprise, dealing with changes in the cotton industry within the UEMOA, that “in the mid-1980s, the requirements of the structural adjustment imposed by the IMF and the World Bank led to the disappearance of government support and the suppression of import restrictions. Consequences: dozens of textile firm closures and the withdrawal from the Region of major European textile manufacturers such as DMC, Willot etc.”

That withdrawal did not necessarily prove beneficial to DMC or alternatively, depending on one's point of view, was not enough because the group continues to be in very poor shape even now. Over a 10 year period, from 1996 to 2005:

- Its revenue fell by almost €1 billion to less than €200m;

- With the sole exception of 2003 it recorded losses every year;

- As a result its equity, which amounted to almost €300m at the end of 1996, was negative to the tune of €14m at the end of 2005 with the unusual result that one of the group's statutory auditors, Deloitte & Associés, took the view that the terms of the agreement between DMC and its creditors were such as to enable the conclusion that the financial statements, drawn up on a going concern basis, nevertheless gave a true and fair view whilst the other statutory auditor, Cailliau Dedouit et Associés, concluded that there remained uncertainties of such importance that it was not possible to express an audit opinion;

- We may note as well that the group no longer has any great ability to engage in capital investment and that in 1996 it had 4,000 employees in France and as many in the rest of the world but, at the end of 2005, only employed a little over 1,000 people in France and 100 abroad.

Such are the economic profiles, very much contrasted, of these two groups.

But when, on the other hand, one examines the two groups' financial statements from the point of view of their presentation and the accounting policies used (in accordance with IFRS for DMC and in accordance with US GAAP for Phillips-Van Heusen), it is the similarities and not the differences that are striking:

- The two income statements are virtually identical, with the sole exception of DMC's tribute to the long French tradition of distinguishing between operating and exceptional items that I mentioned earlier, and thus of continuing to differentiate between “current” and “non-current” operating income and expenses. The distinction is one which to my knowledge is no longer made under US GAAP and which, still to my knowledge, is prohibited under IFRS (because it was open to abuse) but almost all the major French groups nevertheless persist in analysing their income and expenses in this way. Yet DMC provides a good example of the lack of relevancy of the criterion since, when a group has been making losses for at least 10 years, can one really claim that those losses (since DMC's non-current items are losses) are “non-current” in nature?

- The two balance sheets are equally very similar. Both distinguish and in this case rightly so! between current and non-current items and the fact that the Americans begin with the current items and the French with the non-current does not change the principle. Otherwise the amount of detail provided is equivalent and the same items are disclosed.

- In the same way, each group presents a cash flow statement and both distinguish between operating, investing and financing activities.
- The same is true of the statement of changes in equity: one merely notes that the American group does not make separate disclosure of its cumulative foreign currency translation adjustment, however this may merely be because in the case of this group the impact is not particularly material.

In the same way, in reading the notes to the American consolidated financial statements, I who am not at all a specialist in US GAAP but regularly consult the 2,500 pages of IFRS because I often perform translations, and also lecture a little, in this area, what strikes me is to come across many concepts with which I am entirely familiar, such as:

- The definition of cash and cash equivalents, which in both cases includes highly liquid investments i.e. with maturities not exceeding 3 months at the time of their acquisition;

- The impairment rules applying to intangible assets, whether in terms of the frequency (at least annual, and more often if indications of impairment have been noticed) of the impairment testing required for all non-amortisable assets, or of the concept of intangible assets with indeterminate useful lives, or equally of the identification, for the purposes of impairment testing, of the relevant economic units termed "cash-generating units" under IFRS or, more simply, "reporting units" under US GAAP.

- The analysis of tangible fixed assets by component.

- The recognition of rent expense on a straight-line basis over the lease term, thus averaging out the actual payments made for rent if for example a lease provides for an initial rent-free period.

- The distinction between the types of cost that are allocated to the cost of products manufactured by the enterprise, as costs of purchase or conversion, and the types of cost that are treated as sales or administrative overhead.
- The criteria for recognising deferred tax assets and liabilities, as well as any impairment of deferred tax assets inasmuch as the entity may not be sure (as might be the case for DMC) of ultimately recovering the corresponding tax advantage.

- The rules applying to the conversion of items denominated in foreign currencies.

- The measurement rules applying to provisions for retirement and other employee benefits, with the same concepts of defined contribution or defined benefit plans, the same discounted cash flow approach to calculating the present value of the group's obligations, and the same option of amortising any actuarial gains and losses rather than recognising them immediately as income or, more often in practice, as an expense of the current accounting period. My only slight surprise was to note that Phillips-Van Heusen did not specify over what period the gains and losses are amortised, as would always be noted in a set of French financial statements. The problem does not however exist in the case of DMC since that group has not made use of the option, preferring instead to recognise any such differences immediately in profit or loss.

- Finally, it is clear that whether under IFRS or US GAAP earnings per share is calculated, and segment information presented (by activity and by geographic region), in a very similar manner, to such an extent indeed that although I used to think I had reasonable knowledge of IFRS but was "not much good" at US GAAP, I shall henceforth be tempted to try and pass for an expert on both sides of the Atlantic!

Impact of Political Stability and Protection of Public Interest in Regional Integration of the ECOWAS Sub-region

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CONCLUSION

I hope that this brief panorama will have helped convince you that the convergence of Anglo-Saxon and French accounting practices and methods is **ineluctable, is already well underway**, and is going to continue until in 10 to 20 years harmonisation will be virtually complete; above all, I hope I will have convinced you that convergence is a topic which is relevant for all of you here in your own countries. The purely personal recommendations I would have for you in this respect are as follows:

- Keep abreast of developments,
- Make known your own positions and don't hesitate to make your own proposals;
- If necessary, exert a little pressure on your own civil services and governments to be sure that they rapidly implement all the measures of national harmonisation that you may feel useful because it is in all these ways that you can expect to reinforce the standing and the recognition of your profession and that you will help your client businesses to play in the same ball park as the world leaders in a domain, that of the economy, where to be heard and receive attention you need to be as strong as possible yourselves.

But strength is in union and, seeing so many of you in this auditorium, and here as representatives of so large a group of countries, I am sure that you already possess that strength! So I wish you well in your continuing efforts and thank you for having listened to me: I'm now at your disposal to engage in dialogue.

I. INTRODUCTION

ONE of the major dynamics of the contemporary world is the emergence of the interdependence of countries which increasingly leads to the dismantling of national economic borders and to the creation of regional blocs. It thus clearly appears that the conditions of development of any country must transcend national dimension to form part of a context of sub-regional, regional and international integration. This development compels countries to strive to achieve greater competitiveness.

Indeed, the resulting increase in international exchange creates an integrated world economy in which competition and markets literally encompass all countries of the world. In order to cope with the challenges of globalization, countries in general tend to either form themselves into regional blocks or reinforce existing regional ties, thus making regional integration an instrument of economic policy. Such policy should of necessity be placed in a systemic context so as to ensure that all the countries forming the block derive their desired benefits. It is therefore important to take into account, among other things, the environment and circumstances of the individual countries. Among the issues of concern are the question of political stability in the member states and its corollary, the protection of public interest.

It is clear that political stability of individual member states constitutes one of the factors that would facilitate the achievement of the goals of regional integration. Political stability should therefore be perpetually safeguarded. This paper deals with the importance of political stability and the protection of public interest for the success of regional integration programmes. The concept of economic integration, the objectives and the manner in which integration is pursued will however be addressed first of all. Political stability and regional integration on the one hand, the protection of public interest and regional integration on the other hand, will then be developed before offering some suggestions.

II. THE CONCEPT OF ECONOMIC INTEGRATION

Economic integration is the regrouping of several geographically close states to carry out activities which are primarily of economic nature through :

(a) the liberalization of exchanges between Member States and the introduction of high tariffs for countries outside the region;

(b) harmonization of macroeconomic policies. Stages of regional integration process:

(i) The zone of customs preference: lowering customs duties between member states at a level lower than those applied to other countries;

(ii) The free trade area (FTA): suppression of customs duties and other protections between member states with each state retaining control over its customs policy with respect to other countries;

(iii) Customs union (CU): FTA + introduction of a common external tariff (CET);

(iv) The Common Market: CU + free movement of products and production factors (capital and labour);

(v) Economic Union: CM + harmonisation of economic, financial and social policies;

(vi) Economic and Monetary Union: all these policies will eventually lead to a full integration.

III. THE OBJECTIVES AIMED AT BY THE POLICIES OF INTEGRATION IN AFRICA

The policies of integration in general in Africa aim at:

a) The establishment of regional, commercial spaces in order to eliminate gradually all those barriers which hinder trade.

b) The harmonization of national policies and the development of operational common policies which lead to higher profits through reduction of transaction costs and freedom of trade.

c) The promotion of political co-operation in order to face common political problems and external threats.

d) The transformation and pursuit of sustainable growth for national economies.

IV. THE INITIATIVES OF REGIONAL INTEGRATION AND SOME DATES OF REFERENCE

The nation-states born from the ashes of former colonial empires found themselves in an international context dominated by powerful countries such as United States of America and the Union of the Soviet Socialist Republics. In such a context, where development rhymes with regroupings, independent Africa could not remain outdone; this explains the dreams of unity and integration which haunt it, and the subsequent creation of many organizations on a continental, regional or sub-regional scale, such as OAU, CEAO, UEMOA and ECOWAS. The top priority of all these nation- states which emerged from the colonial era was the improvement of the well-being of their populations through accelerated economic and social development.

In order to achieve this objective, the new governments launched out into economic and social policies through plans and programmes of various kinds. Very quickly, they became disillusioned with the results obtained, which many found worrying and disappointing.

Becoming aware of this situation, the new African states, generally concluded that the forming of large regional and sub-regional entities was one of the surest and fastest ways to achieve the goals of development which they had set. Thus they resorted to regrouping themselves into regional blocks for the pursuit of co-operation, economic and monetary integration, etc., which led to the birth of various African sub-regional and regional organizations. Africa is currently divided into five areas in which different forms of integration initiatives have been experimented.

1. In Central Africa, the Economic and Monetary Community of Central Africa (CEMAC), the Economic Community of Central African States (CEEAC), the Economic Community of the Countries of the Great Lakes (CEPLG);
2. In East Africa, the Economic Community of East Africa (CEAE);
3. In North Africa, the Union of Arabic Maghreb (UMA);
4. In Southern Africa, Southern Africa Customs union (UDAA), Southern African Development Community (SADC), Preferential Exchange Zone (PEZ), Common Market of Eastern and Southern African States (COMESA); and
5. In West Africa, the Economic Community of West African States (ECOWAS), the Economic and Monetary union of West Africa (UEMOA), the Union of the River Mano (UFM).

Thus, without questioning the sovereignty of the states, the New Partnership for Africa's Development (NEPAD), considers that Africa can develop only by the promotion of a regional space which offers a larger market to our industries and greater possibilities for foreign investments.
Some important dates should be noted:

- 1963: creation of the Organization of African Unity (OAU, 1962, in Ethiopia).
- 1975: institution of the Treaty of the Economic Community of West African States (ECOWAS); Treaty which was subsequently revised in 1993.
- 1991: Treaty establishing the African Economic Community (AEC), "forming integral part of the Organization of African Unity".
- 1994: Treaty of Economic and Monetary Union of West Africa (UEMOA).
- July 2001, Deed of partnership of the African Union (U.A).

V. ECONOMIC COMMUNITY OF WEST AFRICAN STATES

The concept of the creation of a West African Community goes back to 1964 and to the then President of Liberia, William Tubman, who launched the idea. An agreement was signed between Ivory Coast, Guinea, Liberia and Sierra Leone in February 1965, but that treaty did not succeed. In April 1972, General Gowon of Nigeria and General Eyadema of Togo revived this project, visiting 12 countries between July and August 1973 in order to canvass the idea.

A meeting was organized in Lome in order to study a proposal of the treaty. This was followed by a meeting of experts and lawyers held in Accra in January 1974; and another meeting of Ministers held in Monrovia in January 1975. These two conferences carefully examined the proposal of the treaty. Finally 15 countries of West Africa signed the Treaty for the Economic Community of West African States (Treaty of Lagos) on May 28th, 1975. The protocols establishing ECOWAS were signed in Lome (Togo) on November 5th, 1976. A revised treaty to accelerate economic integration and increase political co-operation was signed in July 1993.

ECOWAS was identified as one of the five regional pillars of the African Economic Community (ECA or AEC) COMESA, CEEAS, IGAD, SADC and ECOWAS which signed the Protocol of relations between the Economic Community for Africa (ECA) and Regional Economic Communities (REC) in February 1998.

The fundamental principles of ECOWAS

Article 4 of the revised treaty of 1993 stipulates that the contracting parties, in the continuation of the objectives given in Article 3 of this treaty, affirm and declare solemnly their adhesion to the following fundamental principles:

a) equality and interdependence of Member States;

b) solidarity and collective self-sufficiency;

c) inter-State co-operation, harmonization of the policies and integration of the programs;

d) non-aggression between Member States;

e) maintain the peace, safety and regional stability by promoting and strengthening neighbourly relations;

f) peaceful settlement of the disagreements between the Member States, active co-operation between neighbour countries and promotion of a peaceful environment preliminary to economic development;

g) respect, promotion and protection of human rights in accordance with the provisions of the African Charter of Human Rights;

h) Transparency, economic and social justice and population participation development;

i) recognition and compliance with the rules and legal principles of the community;

j) promotion and consolidation of a democratic system of governance of each Member State as envisaged in the Declaration of Political Principles adopted on July 6th, 1991 in Abuja;

k) equitable and just distribution of the costs and benefits of economic co-operation and integration.

VI. STABILITY AND REGIONAL INTEGRATION

The first phase for Africa was the one of the liberation from direct colonialism. That was possible thanks to the leaders who founded modern Africa. Their leadership allowed the independence of African states to materialise and led to the foundation of the Organization of African Unity. They could ensure these achievements because they did not come to power through elections and they did not tenaciously hold on to power. Thus their leadership was not a cyclic one limited by an electoral mandate but was rather the result of the legitimacy of the fight to which they dedicated their lives.

The second phase was the entry of the era of coups d'état. The third phase was the transition to multi-party system and the conduct of elections which became a precondition to economic aid.

Because of the change of the political leaders and political alternation, no political direction was able to conclude its programme of socio-economic development. To spend time until the end of the mandate became, for elected political leaders in Africa, their major concern.

The current phase which results from electioneering is one of rebellion and the overthrowing again of elected leaders before the end of their mandates provided for by the constitution and the rejection of the results of the polls accompanied sometimes by tribal, regional, demographic, even doctrinal violence.

Each country in turmoil belongs to a unit and it should be noted that, although the States are sovereign, there is interdependence between them because they have common objectives and follow common economic policies whose purpose is to make the union a very competitive bloc able to hold its own against other competing nations.

The instability of only one country of a union or economic community undoubtedly delays the attainment of the objectives of all the union. One can, among other things, cite as an example, the delay in the installation of a common currency within ECOWAS as the result of the political instability in some Member States. This state of affairs arises from the fact that these unstable countries, in spite of their sovereignty are part of ECOWAS and a policy of common currency could not succeed in such a situation of instability. Instability in only one of the states thus disturbs the stability in the union and in an indirect way the stability in each of the other countries.

A study carried out on the convergence of gross domestic product of the countries of ECOWAS shows that it will take approximately 16 years for ECOWAS to converge if all the States were stable, but it will need a minimum of 99 years for this community to converge from the point of view of gross domestic product per

Harmonization of Accounting Standards in the West Africa Sub-Region to Enhance Transparency and Accountability in the Public Sector

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capita if ECOWAS does not manage to control the hearths of tension present in the Community.

In order to avert this potential obstacle, Member States of ECOWAS had to launch initiatives aimed at consolidating peace, stability and safety. ECOMOG was one of such initiatives. This was a form of a permanent mechanism for prevention, management and resolution of the conflicts within the West African sub-region.

It is in each State of a Union's interest that there is no political instability in any of the other States. In the event of instability, all Member States of the union will be affected.

Thus, when there is war in a country, the effect is that the frontier countries are obliged to accommodate refugees, and insecurity sets in these frontier countries; the rate of unemployment increases, investors are afraid to invest in the area (not only in the unstable country, but also in the neighbouring countries)...

Africa therefore has an urgent need for political stability. Without political stability no economic programme of strategic transformation can be pursued. Africa must really think and think at all levels of how it will be able to solve the dilemma of stability. In the final analysis, peace and safety are important for the process of regional integration for various reasons. Initially, they give an important political impetus to integration. Thereafter, integration can be achieved only if it involves economic growth which is facilitated in turn or secured by peace and security.

Economic integration should contribute to limit the number of inter-State conflicts because it is in the mutual interest of the co-operating countries to avoid situations or actions which could lead to the breaking off of relations. In the same way, economic integration should prevent internal conflicts because of the need to preserve an internal market which functions well. Most of the time that is the way economic integration functions. It creates a communality of interests between various groups, including national governments within the region. It increases the cost of violent conflicts. It helps to create a situation among the community states in which it is practically unthinkable to resort to violence to settle disagreements.

VII. PROTECTION OF PUBLIC INTEREST AND REGIONAL NTEGRATION

The rest of this paper will address the relationship between regional integration and public interest because it is not easy to dissociate the two. If political stability is a precondition for the success of regional integration, the protection of public interest also is another. A nation's leaders must ensure the protection of public interest through good governance, the fight against corruption, transparency in the management of public finance and public goods, the protection of infrastructures, etc.

- Concerning good governance: Kaufmann, Kraay and Mastruzzi, economists in the World Bank, defined governance as "the exercise of authority, by means of traditions and formal or abstract institutions, for common good. Governance includes the process of selection, supervision and replacement of governments. It includes also the capacity to formulate and to implement serious policies and respect of the citizens and the State for the institutions governing economic and social interactions among themselves".

- To this end, they break up governance into six indicators which are discussed in the following three categories:

  (i) expressing and assuming more responsibility which includes individual freedoms, freedom of the press and political stability;

  (ii) effectiveness of the government which includes the quality of policies as manifest in processes, and their application by public services and the absence of any administrative disturbances;

  (Iii) rule of the law which includes the protection of the rights of property and the independence of the judicial power, as well as the control of corruption.

Governance involves the manner of ruling and to talk about "good governance" is to admit of the necessity to formulate principles designed to combat the increasing dysfunctions of the effects of globalization and of the action of the authorities. From a neo-liberal point of view it involves the questioning of the role of the State so that the latter is not allowed to get away with excesses in the exercise of its disciplinary power or the monopoly of uncontrolled action; the right to demand accountability and transparency from government, etc. In a participative approach "governance is synonymous with the new interactive forms of government in which private actors, public organizations, groups or communities of citizens or other types of actors take part to the formulation of the policy ". Finally in the perspective of the private sector governance is synonymous with effectiveness equipped with a faultless transparency and this at all level.

Governmental effectiveness and infant mortality

It is noticed for example that, infant mortality decreases with the increase in the effectiveness of governance.

The sound management of public funds comes within the domain of the protection of public interest. A code of transparency in the management of public funds was adopted within the UEMOA , which seeks to:

- to affirm the principles and good practices which guarantee the protection and the good management of goods and resources and movable and real property of public bodies;

- to consolidate the resources of the States of the UEMOA, as regards budgetary stabilization.

This code identifies the framework with which the sound management of public funds is to be pursued:

- the legal framework of transparency;
- the performance of financial administration;
- responsibilities in the financial administration;
- raising of moral standards in public funds;
- the control of public funds;
- Integrity of financial information.
- the settlement of the question of impunity

VII. CONCLUSION AND RECOMMENDATION

In order to attain the avowed goal of the Community to improve the standard of living of the populations the problem of the multiplicity of conflicts which constitutes a threat to peace and stability in the countries of the sub-region must be addressed. It becomes necessary to develop effective actions which aim at reducing the sufferings of the populations.

In addition, good management of public affairs and the respect of the Constitution of the States is essential for the attainment of peace and the prevention of conflicts. Integration is an economic instrument which is indispensable in the context of the globalization trends. It is the foundation which political authorities, business executives and all citizens of the community should constantly have in mind.

For the objectives of integration to be attained, there must be peace, good governance, accountability and transparency in each Member State. In this respect, it is important that Community decisions are applied by each State and the concern for peace should be an individual and collective concern so that murky situations in a country do not lead to negative outcomes to other countries of the bloc and therefore obstruct the benefits of integration.

It should be noted however that economic integration is a process which comprises dissensions and implies losers and winners. It is therefore necessary to install solid institutional mechanisms for finding solutions to the dissensions and to settle the disagreements as they develop.

Introduction

IN the context of the ever-shrinking boundaries of today's world, brought about by the prevailing globalization pressures and the phenomenal advances in Information and Communication Technology, there are compelling reasons for the peoples of the West Africa Sub-Region to concern themselves with the very important issue of standardization and harmonization of accounting practices, especially as these concern political actors and other operators and managers of the public sector. These compelling reasons include

- The growing interest of international organisations, institutions and governments (such as the World Bank, IMF, creditor nations and institutions) in the affairs of individual nations. Nations are no longer islands unto themselves;

- The increasing resort by governments to national and international capital markets as sources for raising funds for development;

- The pressure to generate relevant timely and accurate financial information required for planning and prosecuting national development;

- The growing public awareness which ensues from the democratic culture now being imbibed by all nations of Africa. The citizenry increasingly seek to be able to appraise public sector performance as basis for exercising their ineluctable democratic rights, and, very importantly,
- The low rating scored by some of the subject nations on the criteria of accountability and transparency, especially in the conduct of public affairs.

Accountants traditionally concern themselves with the measurement and communication of economic and financial information which serve as basis for informed judgment. Issues about 'standardization' and 'harmonization' of accounting practices arise significantly because of a shared concern to generate uniformly 'relevant', 'accurate' (if this is at all possible) or at least 'reliable' information which facilitates comparisons across accounting entities, whether these be business firms, institutions or governments and also across different periods. The literature stipulates that comparability is an indispensable feature of accounting numbers which will permit rational decisions.

Experience gained over the past 30 years of accounting standardization in enterprise accounting shows that even within national boundaries, standardization presents enormous difficulties. The difficulties become more confounding when the scope extends beyond individual nations. Yet, it is widely agreed that unless the criteria of 'relevance', 'reliability' and 'comparability' are attained in the measurement and presentation of financial statements, the information conveyed cannot optimally serve the desired purpose. Comparability is dictated by the need to be able to optimize decisions in the face of competing options, competing goals and competing opportunities.

In the context of a regional economic block such as ECOWAS, harmonization of standards of accounting practice should be a powerful instrument for promoting the Community's goal of integration.

This paper advocates the need for a common approach to public sector accounting within the West Africa Sub-Region as a vehicle for promoting accountability and transparency in the public sector domain, with potential positive impact on economic growth and the raising of the living standards of its peoples. It examines in general terms the extant level of development of public sector accounting within the Community, and the prospects of improvement as indicated by the emerging trends elsewhere. Finally, the paper proposes a strategy for harmonizing public sector accounting practices within the Sub-Region.

Status of Government Accounting in ECOWAS vis-à-vis Emerging Trends Elsewhere

Developments in accounting in nearly all countries of the world, especially in western countries, have been principally driven by private sector needs - the demand for accurate definition and distinction between 'income' (or 'profit') and 'capital', so as to serve as a reliable basis for dividend distribution and re-investment. Thus improvements secured to date in modern accounting have been largely inspired by 'dividend policy' and 'capital maintenance' considerations. As these concepts relate exclusively to private enterprise, it could be said that accounting development has mainly responded to the pressures of the profit motive in the face of market competition. The absence of a similar motivating factor and of a vocal powerful interest group in the instance of government accounting has led to the relative neglect of government accounting in many countries. The fact that government is essentially a monopoly, with little or no viable competitor in most of the activities which it performs, has meant that there was no pressure to put government accounting numbers to very dynamic use. Consequently government accounting has lagged substantially behind enterprise accounting.

This is however without prejudice to the few exceptions where attempts were made to place government's accounting effort on some systematic footing, notably, USA, UK and Australia. In the USA, the National Council on Governmental Accounting (NCGA) which was later succeeded by the Governmental Accounting Standards Board (GASB) has been active since the early 1960's. Substantial efforts have also been made in recent decades in the UK and Australia. The existence of a professional body in the UK which identifies solely with Government Accounting and Auditing (the Chartered Institute of Public Finance and Accountancy (CIPFA), has given considerable boost to the development of government accounting in that country. Not so however in most other countries, where there exists little or no interest or advocacy by the profession. It is some consolation however, that the International Federation of Accountants (IFAC) through its Public Sector Committee (now known as the International Public Sector Accounting Standards Board (IPSASB) has taken upon itself since the past decade or so to push for improvements, modernization and standardization of public sector accounting. Notwithstanding such recent efforts, it remains largely true that government accounting is substantially less developed than enterprise accounting!

If government accounting lags behind enterprise accounting in developed countries, the position is much worse in developing countries. It is evident that most of the countries in the West Africa Sub-Region (the same can probably be said of the whole of Africa south of the Sahara, with the possible exception of the Republic of South Africa), have mainly retained (perhaps better to say 'preserved') their pre-colonial legacies intact, few with little tinkering here and there, with regard to their government accounting systems. These countries do not seem to have bothered to take note that the systems which they inherited have themselves undergone significant changes during the intervening period in their countries of origin! A casual survey of the status of governmental accounting in developing countries would reveal the following shortcomings among others:

(i) An exclusive pre-occupation with the need to be able to secure acquittal and discharge strictly in historical terms, this to the total neglect of the decision use of accounting information. There is a glaring failure to undertake management accounting work.

(ii) Most accounting work is dominated by book-keeping processes, with very little or no higher accountancy content.

(iii) A narrow conception of the scope of accounting work accounting work revolves mainly around expenditure control. Some systems are geared principally to vouching and documentation of payments: once payment vouchers are paid, accounting work is deemed to be substantially complete.

(iv) The overwhelming concern of the audit process with procedures and rules (legal-compliance) with little or no consideration for effectiveness, efficiency and economy.

(v) Where value-for-money audit is undertaken at all, there are glaring deficiencies in the extent to which this is done.

(vi) Lengthy delays in the preparation and presentation of financial statements sometimes running going 5 years, with the result that the information conveyed therein are no longer relevant.

(vii) Inadequate provision of facilities for the performance of accounting work. Little or no application of automation to accounting work.

(viii) Inadequate integration between financial accounting and budgeting. This weakens the use of accounting as a control device.

(ix) Paucity of professionally qualified accounting personnel. The few that exist do not enjoy adequate status and recognition, with the result that they speak with very feeble voices and make little or no impact on policies or decisions.

(x) Government accounting in nearly all post-colonial African countries is still cash based; this despite systematic efforts being made in the developed countries to move onto accrual based accounting which yields far more comprehensive and useful information.

The above portrays a poor picture of the extent to which accounting done in developing countries has been adapted to the requirements of accountability, transparency and economic development.

It should be noted, however, that prevailing trends in the development of government accounting world-wide lie principally in two directions, namely-

- Migration from cash to accrual basis of accounting. The application of accrual principle to government accounting seeks to expand the scope of accountability beyond the narrow concerns of cash and other liquid resources, to embrace all resources, whether cash or species, which are placed at the disposal of government. Accrual-based accounting information certainly serves the decision function better.

- Expansion of the decision accounting function. The infusion of a larger dose of cost and management accounting techniques is aimed at enhancing the decision relevance of government accounting information.

IFAC (in fact, IPSASB) has developed a full model of accrual-based accounting system suitably adapted to the needs of government (see IFAC 2004). The package as at the last count, consisted of some 20 accounting standards which harmonize in a very significant way with the standards published by the International Accounting Standards Board (IASB) for application to enterprise accounting. This indicates a growing convergence between enterprise accounting and government accounting.

Recent developments in government accounting in some countries have been mainly impelled by the increasing sophistication and complexity of government business, which now greatly transcends the former simple concern for reconciling expenditure to the available cash revenues. In some developing countries of Africa such as Nigeria, by far the greater proportion of the national wealth is in the hands of government. Government easily dwarfs the private sector in terms of its ability to mobilize resources, invest in projects and affect through its direct economic activities the incomes and well-being of the citizenry. The quality of accounting work done in government has therefore to be correspondingly sophisticated. With the growing complexity of government business the former simplistic financial statements no longer suffice to secure accountability and transparency or to evaluate the efficiency or otherwise of government.

The necessity to strengthen the prevailing accounting machinery for securing accountability and transparency in sub-Sahara Africa is justified (nay, instigated) by the growing public perception, confirmed occasionally by some well-publicized international assessment reports which allege wide-spread corruption (theft of public money and other forms of financial mismanagement) on the part of government and government officials in developing countries. With such negative perceptions, even those governments that are relatively free from blemish, run the risk of being smeared, there being no clear means of seeing the woods from the trees, as it were; no clear criteria for making exceptions. With the heavy clouds of suspicion under which governments in developing countries at present operate, they do not seem to have any option than to intensify their efforts to improve their accounting systems.

Merits of Standardization and Harmonization

Standardization, that is, the prescription of uniform accounting rules and reporting processes, was the profession's response to the series of corporate failures which occurred in certain countries in the 1960's which were generally attributed to failures in their accounting systems. The aim of standardization was to curb the extreme fluidity which characterized accounting rules of measurement and reporting at the time. Alternative accounting rules dominated accounting and accountants seemed free to choose from an infinite range of options, any particular method of treatment which suited them or their particular situation. As from the early 1970's the profession in both UK and USA commenced a programme of standardization. To date enterprise accounting now features standards covering virtually every type of transaction or event of interest.

Accounting standards not only document rules of accounting practice but also specify the methods to be preferred or adopted for measuring and disclosing every type of accounting event or transaction. Standardization has dominated a substantial part of accounting development efforts since the past 30 years. The belief is that if all accounting entities apply the same rules, there would be less opportunities for manipulation to mislead or deceive; thus accounting information would be more credible, more reliable, more comparable and more likely to support rational decisions. Whether standardization has succeeded in completely eliminating available options is a well discussed issue in the literature, and one which we would like to avoid here. Suffice it to say, however, that considerable progress has been made through standardization in curbing the problem of fluidity in accounting methods in the area of enterprise accounting.

Although government is often a monopolist of sorts, the justification for standardization in enterprise accounting appears equally valid and applicable to it. There is need to place accounting measurement and reporting on the same footing for all tiers of government national, regional, state or local. This would facilitate comparisons and economic planning at all levels and benefit fiscal policy formulation. It would also permit of longitudinal or time-series analysis and comparisons.

In recognition of this fact, the Government of Nigeria took some steps recently towards standardization of accounting work done at all tiers of government. In August 2001, the Federation Account Allocation Committee (PAAC) set up a Technical Committee to develop a framework for the standardization of Federal, State and Local Governments' Accounts in Nigeria. The Committee's report which was submitted in May 2002 proposed a revised model of financial reporting which is a radical departure from the prevailing format. These efforts and the achievements recorded so far are commendable, but these should be seen as just a beginning, a small step towards the total reform and modernisation of the government accounting system.

For reasons which were well articulated in its report, the Technical Sub-Committee did not consider it timely to jettison the cash basis in favour of accrual basis as yet. Attention was also not given to the vital area of decision-accounting in government. One reason why this continues to be an anathema is probably because even the accounting systems which were bequeathed by the colonial power to their ex-colonies did not provide for decision accounting. The vast amount of work required to revise and update the entire spectrum of budgetary and financial controls applicable to government business, now considered an essential part of Governmental Accounting, is also yet to be undertaken!

Puny as these achievements are, they should nevertheless be recognized as some step forward and thus, not only commended but also recommended to such of the other ECOWAS countries which have not yet taken similar steps. This is because of the fact that if harmonization among all of the component states of the Community is to be pursued, it must rest on the foundation already laid in regard to a well-developed set of national standards.

A Strategy for the of Harmonization of Public Sector Accounting Standards in ECOWAS

In advocating harmonization in the Sub-Region, one must not ignore or underrate the potential difficulties which would be confronted. Immense problems would likely be posed by the following factors:

- Differences in colonial history - the different colonial experiences which were bequeathed to the Community states in the form of different accounting systems. The British system is certainly not the same as the French or the Portuguese. The difficulties currently being experienced in attempting to harmonize enterprise accounting in the European Union (EU) aptly exemplifies the nature of the problem that may also be encountered in harmonizing government accounting systems in ECOWAS.

- Differing states of development in governmental accounting in the different countries. This is somewhat related to the first point, but it may be considered separately to the extent that some countries have made some advances in the post-independence era in updating and modernizing their systems whilst others have not. Already cited is the case of Nigeria. Other countries may not have done the same.

- Differing capacities and inclination for change as indicated by the political orientation of each country; that is to say, the extent of entrenchment of the democratic culture attained in each member state. Accountability and transparency are in themselves by-products of openness which is a feature of democracy. The necessity for accountability is not as strongly felt in autocratic systems (military or civilian) as in democratic systems.

- Differences in human capacity as evident from the size of population, economic power and the state of development of the accounting profession in the respective states. In this respect, some of the countries are obviously better endowed than others.

Daunting as the above problems may seem, we believe that they can only present challenges and do not obviate or erode the potential benefits derivable from standardization and harmonization. The problems identified here are no different from those faced in other domains of activities directed at pursuing the fundamental goal of integration; for example, the establishment of a common tariff system, legal system and payment union, etc. The strategies for pursuing harmonization can also benefit from the general approach adopted in the conduct of the general business of ECOWAS.

In specific terms therefore, we suggest that the goal of harmonization can be pursued through a carefully worked out strategy which respects the sovereignty of individual nations and accepts the prevailing status quo in those countries at point of take off, but coming to an agreement on a common goal to be attained at a predetermined future period, a goal which is feasible for each nation, taking into account their individual capabilities and capacities; there being always a mechanism for encouraging the relatively stronger to come to the aid of the relatively weaker nations.

In this regard, we propose the following stages of action

1. Each country should set up in the first instance a standard-setting body charged with the responsibility for formulating public accounting standards, (where this does not already exist). Two models exist here. In some countries such as Australia where the accounting profession is one of the most developed in the world, one standard setting body takes care of both government accounting and enterprise accounting; whilst in some others, such as USA and UK, the function is separated for historical reasons between two different bodies. The Nigerian Accounting Standards Board Act (No. 22) of 2003 does not make any distinction between the two responsibilities. ECOWAS countries may well decide to choose this model.

2. Each nation's standard setting body should set up a powerful Public Sector Accounts Committee which will comprise representatives of Federal, Regional, State and Local Governments (as the case may be) as well as a strong representation of the relevant Professional Institute(s). The Committee should undertake a comprehensive study of the status of the prevailing accounting system vis-à-vis the needs of the different tiers of government. Because of its unique importance, the work of the Committee should be funded adequately by the central government.

3. The standard setting body should draw up a systematic programme for revising and updating the extant financial rules and regulations, or elevating these to the level of standards. As mentioned earlier, there is already in existence a welter of materials (such as the IFAC/IPSASB standards) which the relevant Standards Board can use as a model. Consequently there should be no need to embark on the uncertain and tortuous task of 'reinventing the wheel'. To facilitate the task of eventual harmonization or convergence, it would be advisable for all countries to work as closely as possible to the IFAC/IPSASB guidelines.

4. The ECOWAS Commission should set up a committee to be known as Governmental Accounting Standards Harmonization Committee (GASHC) which is to assist in the prosecution of this task. The Committee would serve as a support group as well as a clearing house for all significant proposals or pronouncements to be made by each country's Standards Board, so as to ensure that the goals, policies and methods are similar. The Committee should have a strong representation of the Association of Accountancy Bodies in West Africa (ABWA). ABWA, an association already recognized as a Regional Body by IFAC, would serve as a link between the individual countries, the GASHC and IFAC/IPSASB.

5. The Commission should at an early date, on the recommendation of the Harmonization Committee, fix a date in future when the first phase of harmonization should be completed.

6. GASHC should organize periodic fora or conferences for assisting standard setters of individual countries to update themselves, agree on common principles and guidelines and iron out any difficulties which they encounter in the course of their work.

We believe that a strategy such as the above would serve to translate the goal of harmonization into reality within a reasonable time.

Conclusion

In concluding this paper, it will be remiss if we do not give credit for the initiative and thoughtfulness of the host Accountant-General in bringing together the key financial officers of ECOWAS countries to deliberate on the all-important subject of accountability and transparency and the need to develop a common approach for advancing this goal throughout the Community. The subject assumes topical importance in the light of the negative perceptions held within and outside the Community about the standard of financial morality exhibited by government and its functionaries in the conduct of public affairs. It is believed that the weakness in the prevailing systems of accounting and accountability largely contribute to the disturbing levels of dishonesty, wastage and financial mismanagement exhibited in the past.

This Forum of Accountants-General and Auditors-General offers a unique opportunity to deliberate on measures to address the problem. The justification for this effort is clearly reinforced by Article 3 of the Revised ECOWAS Treaty which states in its opening paragraph as follows:

> "The aims of the Community are to promote co-operation and integration, leading to the establishment of an economic union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations among Member States and contribute to the progress and development of the African Continent."

Indeed when one reads through the whole of Article 3 of the Treaty, one encounters the word 'harmonization' so very many times that it begins to dawn on one that the word itself actually inheres in the fundamental goal of 'integration'. In the same light, the harmonization of standards of public sector accounting is considered a potent instrument for achieving the avowed goals of the Community.

It should be further noted that it is becoming the practice for aid donors to demand higher standards of accountability and probity as a condition for giving aid and entering into bilateral relations of various types. The New Partnership for Africa's Development (NEPAD) as well as the African Union (AU) Charter expressly demand accountability and transparency of participating nations. These should serve as additional pressures on the governments of ECOWAS to take radical steps in this regard.

This paper has proposed a modality for pursuing improvements through standardization in the first instance on individual nation basis as a foundation which will serve as a springboard subsequently for prosecuting harmonization on a Community-wide basis.

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