Charting the development of the Egyptian accounting profession (1946-2016): An analysis of the State-Profession dynamics

Abstract

This paper mobilises notions of professional closure and political economy to analyse the development of the Egyptian accounting profession (1946-2016). We rely on interviews with Egyptian Society of Accountants and Auditors (ESAA) board members, government officials, representatives of international/local firms, and academics. Legislative documents (particularly Accounting Practice Law 133/1951), regulations and publications were also analysed. Established since 1946, ESAA's initial attempts to embed an 'Anglo-American' professional model were curtailed by the newly independent State enabling non-credentialed and relatively less experienced native practitioners to be registered as qualified accountants. The State's influence persisted during the socialist period of nationalisation with a de-emphasising of the accounting profession as an occupational group. The early stages of market capitalism witnessed attempts to re-develop a private-sector-led profession with the support of international organisations, which re-asserted the dominant position of ESAA members. However, government, ESAA and international agencies' efforts to repeal the original Accounting Practice Law and achieve market closure for the primary benefit of ESAA members were thwarted by political pressure from non-ESAA accountants. Nonetheless, ESAA eventually secured privileged access to the listed firms' audit market. This paper aims to enhance our understanding of changing State-led priorities on accounting professionalization in African developing countries.

Keywords: Egypt; professionalization; accounting; developing countries.

1. Introduction

Over the last three decades, studies on the evolution of the accounting profession have proliferated (Cooper & Robson, 2006; Gillis, Petty, & Suddaby, 2014; Laughlin, 1999), with recent attention paid to persisting challenges that professions face in African developing countries (Mihret, Alshareef, & Bazhair, 2017; Poullaos & Uche, 2012). In particular, one can identify insufficient capacity for an indigenous profession to flourish (Mihret et al., 2012); an inability and/or reluctance to position itself as a supporter of transparency and public interest initiatives (Hopper, Lassou & Soobaroyen, 2017); and difficulties in navigating independently of the State and of other interested parties, such as global professional bodies (e.g. Annisette, 2010; Mihret, Mirshekary, & Yaftian, 2019; Poullaos & Sian, 2010). We suggest that an appreciation of the historical 'baggage' of accounting professionalisation in developing countries may be crucial for a deeper understanding of how national accounting professions operate in the face of global and local tensions (Richardson, 2017). By considering the case of Egypt, we therefore respond to the call for greater attention to the historicity of the accounting profession, and how this has changed over time, particularly in its interaction with the State, *"from commercial to professional and back to commercial over the last 150 years"* (Richardson, 2017, p.15), by considering the case of Egypt.

The contemporary history of accounting professionalisation in Egypt can be viewed through the interaction of three distinct groups of professionals – namely, *"one dominated by Europeans,* another by *Egyptians with a modern education, and a third by practitioners with only traditional training"* (Reid, 1974b, p.25) – as part of the country's struggle(s) towards full independence and thereafter during several heated political times. Since the nineteenth century, Egyptian professionals have attempted to organise themselves in 'Western-style' occupational associations (Brown, 1995). For instance, in 1912, Egyptian lawyers established their National Lawyers syndicate modelled on, but as a means to counter, the predominantly foreign Mixed Bar Association[1] established in 1876. Subsequently, Egyptian independence sentiments grew after the end of World War One, leading to the 1919 revolution spearheaded by Saad Zaghloul, the former justice minister and key supporter of the National Lawyers' Syndicate (Reid, 1974a). During this period (1917-1922), doctors, engineers and journalists also attempted to establish their professional associations (Reid, 1974b) but such attempts were not

[1] Mixed courts dealt with cases that included foreign citizens, while National courts dealt with matters involving Egyptians. Mixed courts were terminated in 1949. Although mixed courts included Egyptian judges and lawyers, French law and language were predominant (Reid, 1974a, 1974b)

successful for two reasons. First, it was hard to achieve consensus within professions while Egyptian society remained politically fragmented (Goldschmidt Jr, 2008). Second, neither the British protectorate nor the Egyptian monarchy were keen to endorse professional associations after the central role played by the Lawyers' Syndicate in the revolution (Reid, 1974b). Events unfolded regardless, with Britain unilaterally declaring Egypt's 'limited independence' in 1922[2]. Various Egyptian occupational groups attempted to organise their profession during the 1919-1952 period by leaning on the support of some governments and/or prominent leaders of the profession. Since these efforts were also hindered by *"weakness and division within the profession and indifference and hostility from without"*(Reid, 1974b, p. 45), it was not until the 1940s that Egyptian professional associations came into existence (Botman, 1991; Reid, 1974b).

In this respect, the *Royal Egyptian Society for Accountants and Auditors* was established in 1946 and modelled on its British counterparts, led by Egyptian accountants[3] with British credentials (Royal Decree, 1946). Later renamed the Egyptian Society for Accountants and Auditors (ESAA), it gained prominence (and momentary decline) during three distinct socio-political regimes – pre-independence (to 1952), State capitalism (1952-1974), and market capitalism (1974-2004). In this paper, we analyse how the ESAA fared during these different political regimes, eventually retaining its Anglo-American origin, structure and market dominance. A key juncture is the Egyptian Accounting Practice Law (APL) 133/1951, which was issued by short-lived Wafd nationalist liberal government[4] as a means to curtail British domination over professions. The Law established three different occupational routes (including a route for ESAA members) to practice public accounting that were only available to native Egyptians. Rather idiosyncratically, this legal provision has remained in force during the three distinct periods of the Egyptian political economy from 1951 to present times. The occupational routes and nationality restrictions have had lingering implications throughout the development of the Egyptian accounting profession. More specifically, there have been persistent obstacles to substantive reforms, for instance

[2] The independence declaration of February 1922 was largely nominal in its form, conditioned by "four reserved points" granting control to Britain over: 1) the Suez Canal 2) Egyptian defence policy 3) the Sudanese territories 4) the protection of foreign interests and minorities in Egypt (Goldschmidt Jr, 2008). Amid rising tensions in Europe, the Anglo-Egyptian treaty of 1936 was signed, declaring Egypt's independence in return for British military presence in the Suez Canal (Goldschmidt Jr, 2008).

[3] The Royal Egyptian Society for Accountants and Auditors bylaws state that nine out the sixteen board members must be Egyptians (Royal Decree, 1946).

[4] El Wafd's last government (1950-1952) enacted the Egyptian Accounting Practice Law (Law 133/1951) in a period of parliamentary democracy in Egypt, amidst British influence and dominance.

associated with the registration, certification and use of qualifying examinations for accounting and auditors, and of its consequences for the quality of accounting and auditing practices in Egypt (World Bank, 2002; 2009).

Consequently, we ask two research questions: (a) *How did successive Egyptian governments draw upon this legal provision to (re)direct the development of the accounting profession?* (b) *How did the various political economy regimes affect interactions between the State and the accounting profession in Egypt?* We consider the research questions by relying on a combination of primary and secondary data to undertake a coherent analysis[5] of the key milestones experienced by the Egyptian accounting profession since the period leading the country's accession to full independence. Due to the severe restrictions in place for accessing Egyptian public archives and parliamentary records, our review of earlier periods mainly relies on the first ESAA bylaws and law 133/1951 as primary data sources together with prior academic and press articles as secondary data sources. As we progress through the timeline, we increase our reliance on primary data collected from 32 semi-structured interviews with previous and current ESAA board members, Egyptian government officials, senior auditors from international and local audit firms, and local academics. Additionally, we drew upon secondary data such as prior academic work, and official/non-official documentation (decrees, laws, newspaper articles and other publications). This research employs a theoretical lens combining elements of Weberian closure and political economy. In particular, we seek to extend our understanding of the notion of Weberian closure by articulating the selective 'hand of the State' in regulating the profession through different political and economic regimes, and by highlighting how particular historical junctures came to impede indigenous developments within the local accountancy profession.

Our motivations for the paper are as follows. A key aspect in examining a local professionlisation project in a developing country is to appreciate the complex linkages between accounting, the flow of capital, the economy, and society, and the formation of the state. Professionlisation projects in developing

[8] We acknowledge prior research addressing the Egyptian auditing environment in general (Amer, 1969; Briston and El-Ashker, 1984; Barsum and Abdel-Aziz, 1986; Dahawy et al., 2002; Zerban, 2002; Dahawy, 2004; Awadallah, 2006; Samaha and Stapleton, 2008; Samaha and Hegazy, 2010), and the Egyptian profession in particular (Kayed, 1990; Wahdan, 2005; Hassan, 2008a; Hassan, 2008b; Farag, 2009). However, prior studies addressing the Egyptian profession have been mainly descriptive in nature, with no specific emphasis on professionalisation processes.

countries have often followed the financier`s professionalisation model (Chua & Poullaos, 2002; Richardson, 2017). Between the flow of British capital at the beginning of the twentieth century and the arrival of the multinational capital towards the end of it, many developing countries initiated their post-independence professionlisation projects by favouring their native population, ostensibly at the service of its national development priorities (Chua & Poullaos, 2002; Poullaos & Sian, 2010). Arguably, the development of the accounting profession may be seen an an accumulation of closure and market protectionist practices, often starting with a form of 'colonial preference' favouring the business interests of the coloniser's own professional association(s), typically followed by post-colonial legislation repealing the former (Mihret et al., 2012; Sian, 2006). Relatedly, Uche (2002) contends that the role of the State in developing countries is central, prominent, and can be tightly fused with the fabric of the profession. More recently, transnational regulatory arrangements appear to (re)favour the Anglo-American model via the dominance of global 'Big Four' firms (Samsonova-Taddei & Humphrey, 2014; Suddaby, Cooper, & Greenwood, 2007). However, there have been very limited empirical forays into such a multi-faceted phenomenon in African developing countries (Mihret et al., 2012).

The Egyptian case thus contributes to the literature on the British influence on pre/post-independence professionalisation processes in developing countries (Poullaos & Uche, 2012), in non-settler colonies (Chua & Poullaos, 2002), and the literature examining the history of professionalisation processes from its historical roots to the globalisation era (Richardson, 2017). We concurrently explore the role of other local professional organisations - the Syndicate for Commercial Professions (SCP) and the Syndicate for Accountants and Auditors (SAA) - during the different political and economic regimes. Additionally, we contribute to the existing professionalisation literature by presenting a somewhat unusual African case of closure largely instigated by the State against a British-trained elite, thereby expanding the discussion on variant forms of British imperial influence in a nominally independent/former protectorate.

The remainder of the paper is structured as follows: the next section examines the neo-Weberian concept of professional closure as well as the State-Profession axis and how this relates to the broader political economy framework. This is followed by a review of prior studies of professionalisation projects around the world, and the interactions between the State and the accounting profession. The next section analyses the development of the local accounting profession, and the key implications of APL 133/1951 during the three distinct political and economic periods (between 1946 and 2016) in Egypt. Finally, the overall conclusions and implications are discussed.

2. Literature review and theoretical framing

2.1 Neo-Weberian closure and the role of the State in accounting professionalism

The accounting professionalisation literature on developing countries has often relied on the neo-Weberian concept of closure as a theoretical framework (Agrizzi & Sian, 2015; Annisette, 1999; Dyball, Poullaos, & Chua, 2007; Mihret et al., 2012; Sian, 2006; Uche, 2002). Weber (1946) introduced the concept of 'closure' to articulate the diverse market monopolisation practices of occupational groups in Germany's late nineteenth century capitalist society, and in particular their use of occupational knowledge, to further their economic and social interests (Macdonald, 1995). Parkin (1979) further outlined exclusionary practices and strategies to achieve professional closure (Harrits, 2014). He referred to *exclusionary closure,* whereby a dominant group attempts to restrict inferior groups from accessing their privileged status, and *usurpationary closure*, where an inferior group attempts to jostle the higher status group to access their benefits (Saks, 1983). Usurpationary closure can also be classified as *inclusionary usurpationary closure,* where the aim of the 'inferior' group is to access the same circle as the 'superior' group based on their proportional numbers, or the *revolutionary usurpationary* variant, where the 'inferior' group attempts to change the current status of the profession by altering the arrangements within the profession's circle (Witz, 2013).

A successful occupational closure strategy requires three main components; first, there must be criteria which defines the occupational group`s unique knowledge (whether taught and/or experienced). In this regard, Weber was explicit in coupling the criteria of a qualifying knowledge with being *certified* and *credentialed*, which is typically attained by a university degree and/or a qualification granted by a professional association (Macdonald, 1995, p. 161). The formation of a professional association, with its membership requirements based on education, experience and certification, thus remains a major step in the closure process (Carnegie & Edwards, 2001). However, this has not always been the case, particularly during the early stages of many professionalisation projects, where an exclusionary basis was instead associated to race, gender, religion and/or nationality/nativism (Hammond, Clayton, & Arnold, 2009; Sian, 2006)[6]. Second, the group must be able to demonstrate to the wider society that

[6] Admittedly, it is well documented that 'informal' or 'unintended' exclusionary practices have continued to operate in the profession and in accounting firms (see Anisette and Trivedi, 2013; Haynes, 2017).

‘their’ unique knowledge is the most appropriate to address a social or economic need, relative to other occupational groups (Richardson, 2017). Furthermore, the group’s success depends on several factors; namely, the perceived value of such knowledge within society, the occupational group’s organisational and cultural assets and, crucially, its relationship with the State (Macdonald, 1995; West, 1996). Hence, the neo-Weberian approach examines professionalisation within the context of a profession`s ambition to achieve closure in its wider social-economic environment, and not only on the basis of distinctive knowledge and expertise (Saks, 2012). Third, the professionalisation process can be regarded as complete when closure is legitimated and enforced through the issuance of laws and regulations, i.e. a form of State-led or powerful third-party sanctification (Uche, 2002; Willmott, 1986).

Within neo-Weberian theory (Chua & Poullaos, 1993), a careful appreciation of the characteristics of the surrounding political system is critical to a better understanding of the State-Profession axis in the professionalisation process. In an Anglo-American developed-country context, the State is often viewed as either friend or foe, whose final (statutory or regulatory) intervention often marks the success or failure of the professionalisation project in dominating the market (Dyball et al., 2007). Contrastingly, in continental Europe, the State has traditionally been involved in the accounting and/or auditing professionalisation process from the beginning, albeit to varying degrees and objectives (Ballas, 1998; De Beelde, 2002; Ramirez, 2001). Such intervention typically involves a social management objective (Ballas, 1998) e.g. coordinating reforms between the State, profession and educational systems (Coenenberg et al., 1999), or providing a national institutional framework around the profession (Ramirez, 2001).

Richardson (2017, p.10) argued that the underlying motive of the State-Profession relationship is a reciprocal one and often characterised as “corporatism”. The profession enhances its status through the State`s ratification of its closure strategies and in turn, the State is able to distance itself from complex accounting issues by delegating them to ‘designated experts’ (Dedoulis & Caramanis, 2007; Richardson, 2017). Corporatism is based on the concept of a “modernist” state, which is *“interdependent with but separate from the institutions of the community, market, and the accounting profession”* (Dyball et al., 2007, p.419; Puxty, Willmott, Cooper, & Lowe, 1987). Arguably, this notion assumes the presence of a stable political environment, strong profession and well-established institutions (e.g., educational and regulatory), allowing varying degrees of functional interdependence between the State and the profession (with a greater autonomy in the Anglo-American model). This assumption might hold true in developed countries but less so in a developing country. The latter appear more prone to bouts of political instability, regime change and economic crisis, consequently affecting national accounting policies and accounting professionalisation projects (Hopper, Lassou, & Soobaroyen, 2017), and thereby emphasising the role of the state as a ‘regular’ intervener in professional, business and societal circles.

2.2 Accounting professionalisation and closure in Africa

In many African developing countries, the accounting professionalisation process is considered to be an integral part of the creation of an independent sovereign state (Johnson, 1982, p. 188). The State primarily supported market closure mechanisms to overcome the consequences of colonisation and to address national development objectives (Dyball et al., 2007; Poullaos & Uche, 2012; Sian, 2006). Notwithstanding the role of imperialism in shaping the birth of local accounting and auditing institutions and structures, these reforms focused, for example in Kenya, on the inclusion of accountants and auditors from different demographics (Sian, 2006). In Nigeria, the development of the professionalisation project was closely tied to the type of government (military/democratic) and their alliance with rival professional associations (Uche, 2002). Lastly, Mihret et al. (2012) outlined the case of Ethiopia’s profession which, post-independence, was structured as an instrument of communist ideology (all accountants were State employees). Following market-oriented reforms in the 1990s, the local profession became organised in line with the ‘Anglo-American’ model, with the UK-based Association of Chartered Certified Accountants (ACCA) exercising significant influence on training and certification.

Hence, and although colonial heritage might have affected the State-Profession relationship in African developing countries, the degree of State intervention has varied significantly since then. Professionalisation projects initiated in societies governed by a “dominant” state often lacked autonomy (Macdonald, 1995), reflecting a political model which seeks to exercise significant power over the steering of professional occupations, and with far fewer concerns about the functional benefits of a well-trained and adequately structured professional accounting body (Yee, 2012). At the same time, the role of the State in professionalisation projects is now increasingly challenged by the rising influence of transnational or ‘global’ regulatory arrangements which tend to favour a monolithic ‘Anglo-American professional’ model (Mihret et al., 2012; Richardson, 2017). Overall, Chua and Poullaos (1998,p.157) saw the embeddedness of the professionalisation process as an *“ongoing struggle in the economic, social* *and political sphere*". Changes to the broader political agenda and economic contexts can influence the State-Profession dynamic and, in turn, this may lead to State-led reforms within the profession through the instigation of new initiatives and market closure strategies. Arguably, such a dynamic has been relatively less documented (De Beelde, 2002; Poullaos & Sian, 2010) in the African context and underpins our study of the Egyptian case.

2.3 A political economy frame of analysis

Informed by the above, this paper draws from the cultural political economy framework (Hopper, Tsamenyi, Uddin and Wickramasinghe, 2009), which identifies three main regimes - colonialism, state capitalism, and market capitalism - and articulates how a pattern of social, cultural, economic and political factors shapes accounting in developing countries. Although Hopper et al., (2009) focused on management accounting practices, we contend that their framework can be used to analyse changes to the accounting profession and closure strategies during different political economy regimes. Among the factors identified in the framework, we focus on the role of politics, international finance and capital markets, the State, regulation and law and ethnicity/nativism.

Colonial regimes are characterised by imperialistic policies, dominance of colonial capital, minimal State regulation, and marginalisation of the locals (Hopper et al., 2009). The professionalisation literature does highlight the influence of these colonial contextual factors on the local profession, for instance, in terms of nativism/race, (Sian, 2006), and capital (Annisette, 1999). In the post-colonisation era, accounting professionalisation projects in developing countries, particularly former British colonies in Africa, have followed an almost similar pattern in their transition from one political-economy regime to the next: pre-independence/colonisation, post-independence – often as state-capitalism first – followed by market capitalism (Poullaos & Uche, 2012). This overarching pattern starts with the movement of British capital in settler and non-settlers' colonies, accompanied by a hegemony of the British accounting profession (Sian, 2006). These professional associations diffused their model by branding and designating their name (Parker, 2005) and their qualifications and, in doing so, enabled their members to dominate local professions (Mihret et al., 2012). At the time, members of UK professional bodies were predominantly white males, arising from the prevailing visible and invisible barriers related to race, gender, language, education and culture (Poullaos & Uche, 2012). For example, according to (Poullaos &

Sian, 2010), few natives in many ex-British colonies possessed the necessary level of education, financial means and the right profile to obtain an accounting qualification from the UK.

During the 1950s and 1960s, many colonial regimes were replaced by State regimes. State regimes often adopted industrialisation programmes, centrally-planned ‘nationalist policies’ and strong regulation, but often lacked capital sources and effective capital markets (Hopper et al., 2017; Hopper et al., 2009). The post-independence period led to the birth of an indigenous professionalisation project through the establishment of a national professional body (often State-sponsored or supported), and relying on the inputs of a few natives who were already members of foreign associations (Poullaos & Uche, 2012; Uche, 2002). This sometimes led to the introduction legislation to address any colonial-era closure rules on the profession, with the objective of qualifying more native accountants/auditors (Mihret et al., 2012; Sian, 2006). For instance, attempts at addressing racial imbalances within the membership of the accounting profession was a State priority in Kenya (Sian, 2006).

Although State regimes might initially be improving the economy in general, and indigenous professionalisation projects in particular, their continuity and progress seemed rather ‘utopian’ (Hopper et al., 2017; Hopper et al., 2009). For various reasons, this ideal State regime often evolved into a politicised State capitalist regime, characterised by one-party dominance, a dysfunctional State apparatus, a disregard for existing legal structure and mechanisms, divisions heightened on the basis of political affiliation, and fiscal crisis, leading to a dependency on external loans (Hopper et al., 2009). Consequently, these institutional dysfunctions hindered the development of the indigenous profession (Poullaos & Uche, 2012; Uche, 2002). Poullaos and Uche (2012) also highlighted a pattern of decline in the role of indigenous professions in favour of Anglo-American-based professional associations. This pattern has been identified across several developing countries, such as Kenya (Sian, 2006), Nigeria (Uche, 2002) and Ethiopia (Mihret et al., 2012), either at a later stage of the centrally-planned regime or upon entering the market economy stage (Poullaos & Uche, 2012).

Given the weak state of the economy, many developing countries typically moved to the third regime: market capitalism. Market capitalism is characterised by adopting privatisation policies, limiting government control, and attracting foreign investment by restructuring capital markets (Hopper et al., 2017; Hopper et al., 2009). Developing countries under market capitalism are pressurised to adopt certain development policies and economic reform programmes dictated by international financers (IMF, World Bank & foreign aid agencies). These changes, particularly the flow of foreign capital, led to the re-emergence of the Anglo-American professional model in the financial markets of developing countries (Richardson, 2017), often emerging through development and capacity-building programmes (Hopper et al., 2017; Catchpowle, 1998).

Typically, these economic reforms and the accompanying accounting reforms necessitated the involvement of ‘free market’ expertise, and notably the Big Four firms. In this regard, the Anglo-American profession regained its influence in Africa through several axes. Firstly, the Anglo-American profession - e.g., the Association of Chartered Certified Accountants (ACCA) - sought a central role in the national certification process of many African countries (e.g., Ghana, Malawi and Sierra Leone). Second, the increasing commercialisation of the profession, led by the Big Four and the push towards “global credentials” by transnational organisations[7], revealed the intent to harmonise the global profession based on the Anglo-American model (Cooper & Robson, 2006; Loft, Humphrey, & Turley, 2006). Finally, the Anglo-American profession, often represented by the international or Big Four firms, emerged through development programs, often funded by the International Monetary Fund (IMF) and the World Bank (WB), aimed at improving professional and economic capacity (Hopper et al., 2017; Perera, 2012). However, these one-size-fits-all reforms often challenge the internal dynamics of the local profession(s), which have largely remained subservient to the economic and political interests of particular groups within the profession (Chua & Poullaos, 1998; Ramirez, 2007).

In conclusion, we rely on the characteristics of these different political economy regimes to frame our analysis of the Egyptian professionalisation project, the different policies/strategies adopted by the State, the influence of international agencies/firms, and their consequences for the development (or lack thereof) of an accounting profession in Egypt.

3. Research methods

Primary data for this study were collected through a variety of sources depending upon the period under investigation. Primary data for the pre-1952 period mainly relied on Law 133/1951 and the 1946 Royal Decree, and insights from some of the interviewees. Secondary data for this period originated

[7] i.e. The International Federation of Accountants (IFAC) & The World Trade Organization (WTO)

from scholarly and newspaper articles. Access to government documents and archives entails obtaining multiple security clearances and there are severe restrictions in accessing historical evidence of this nature in the current political climate. Additionally, there is a dearth of electronic databases. For example, the earliest relevant newspaper article in the Alexandria Library Egyptian press archive was from the early 1980s. Last, we could not gain access to the ESAA's archives. More positively, and as we progressed into State capitalism (1952-1974) and market capitalism (1874-2004) eras, more primary data became available, such as the Syndicates' law and insights from interviewees who witnessed this era

In total 32 semi-structured interviews were conducted between 2014 and 2016 with a variety of stakeholders including current and previous board members of the Egyptian Society of Accountants and Auditors (ESAA), senior and junior auditors at international and local firms, regulators, and accounting academics (see Appendix 1). Only 27 interviewees agreed to the recording of the interviews due to concerns about confidentiality. Interviews were conducted in Arabic and one of the authors (a native Egyptian) transcribed and translated the interviews to mitigate issues related to differences in professional terminologies. Interviews took place in Cairo and lasted between 30 minutes and three hours, depending upon the interviewee's level of experience and seniority. In addition to primary data, secondary data included a number of proposed laws and administrative memos, which were provided subject to confidentiality. Some of these documents were used to ascertain the background on the profession and its historical evolution. This collection included more than 40 documents (mainly related to 1974-2004), such as current, expired and proposed Egyptian laws, Governmental decrees, ESAA bylaws, IFAC's documents (press releases, Statements of Members' Obligations - SMOs), newspaper articles, and reports from the IMF and World Bank.

Consistent with the interpretive nature of this research, semi-structured interviews allowed us to adapt the nature and order of questions and to ask interviewees follow-up questions to focus on sub-themes. Typical questions were about the current status of the profession, the current/historical obstacles facing its development, and the role of the different institutions (including ESAA) and the Egyptian State. This allowed the researchers to develop an understanding of the participants' views regarding particular themes and to establish cross-case comparability (Yin, 2013). Many of the answers referred to APL 133/1951 regulating the profession in Egypt and ESAA's role. Following procedures developed by Miles and Huberman (1994), we identified emerging codes/themes related to closure strategies, the different political economy regimes, obstacles faced by the profession, and the role of the State and its relationship with the different professional groups.

In the next section, the paper set outs the pre-independence regime, establishment of the ESAA and the advent of the 1951 legislation. Thereafter, we present the State-Profession dynamics in two subsequent political-economy regimes: State capitalism (1952-1974) and early stage of market capitalism (1974-2004). Finally, the paper examines the later stage of market capitalism with the emergence of a transnational regulatory regime (2004-2016). Each section starts by providing a background of the Egyptian political economy, followed by a discussion of the State-Profession relationship, and the resulting consequences for the Egyptian accounting profession.

4. The Beginnings of the Egyptian accounting professionalisation project

4.1. Political economy background (pre-independence regime)

Following the British occupation of Egypt in 1882, the Egyptian ruler Khedive Tewfiq issued a Commercial law in 1883 to regulate the formation of companies which also required the use of accounting records (Farag, 2009). After the first World War, British and foreign businesses flourished, and foreign expatriates, including many British nationals, followed these economic opportunities and settled in Egypt (Kayed, 1990). According to Tignor (2017), British capital invested in Egypt in 1911 amounted to £43 million, of which £29 million was invested in joint stock companies. Only a few of these companies were managed by resident British entrepreneurs, in contrast with *"some of the French firms and many of the Greek and Jewish companies, which were managed by persons resident in Egypt"*(Tignor, 2017, p. 21). Following the 1919 revolution, Egypt was declared 'independent' in 1922 as a constitutional monarchy, but this was subject to a sharing of power involving the monarchy, the British occupiers, and the new parliament (Abdalla, 2008; Goldschmidt Jr, 2008). Together, the British government and the Egyptian monarchy continued to intervene against confrontational nationalist governments (Brownlee, 2008), who regarded the current state of independence as being incomplete and merely allowing *"Egyptian representatives a measure of power-sharing with the British authorities"* (Abdalla, 2008, p.1).

By the end of World War II, the Egyptian economy was prosperous (Goldschmidt Jr, 2008, p.132; Louis, 1984). The Egyptian economy and private sector were of a considerable size at that time and included competing foreign and emerging Egyptian companies (Ikram, 2007). Around 1933, only nine per cent of the joint stock companies were held by Egyptians (Tignor, 2017). During the 1930s and 1940s, Egyptian governments, mainly El Wafd's, attempted to enact legislation limiting the favourable treatment of foreign nationals and companies (Davis, 2014; McDougall, 1949). In parallel, the Income tax law (no.14/1939) required companies to provide financial statements, which led a surge in demand for accounting and auditing professionals (Dahawy & Kamel, 2004). At that time, the financial statements of foreign companies operating in Egypt were prepared according to the accounting norms of their respective countries (Farag, 2009) and British expatriate accountants continued to have a significant degree of domination over the profession in Egypt (Barsum & Abdel-Aziz, 1986). Consequently, the British accounting system left its imprint on accounting practices in Egypt (Briston & El-Ashker, 1984). Interviewee No. 4, a managing partner at a long-established firm and ex-board member at ESAA added: *"In Egypt, the vast majority of our pioneer auditors and academics received their education in Great Britain"*. Amidst growing nationalistic sentiments, the local government sought to legally *Egyptianize* the investor base and management of joint stock companies by mandating that 40 per cent of the directors on company boards should be Egyptian (Tignor, 2017). This bout of reforms extended to the accounting profession, with the creation of the *Royal Egyptian Society of Accountants and Auditors* (ESAA) in 1946 (Royal Decree, 1946).

4.2. The Egyptian Society of Accountants and Auditors (ESAA)

ESAA`s mission was to regulate the accounting and auditing profession and to maintain its quality (Royal Decree, 1946, sec. 2). It was heavily influenced by the British model (Abd-Elsalam, 1999; Farag, 2009), in terms of organisation, membership admission requirements and certification process. Fourteen of the 16 members of the ESAA`s first board named in the Royal Decree were also members of the Institute of Charted Accountants of England and Wales (ICAEW). The society`s bylaws required that, of its 16 board members, at least nine had to be Egyptian nationals (Royal Decree, 1946, sec 7.) in line with the *Egyptianization* agenda. The remaining seven board members were British. Members of any English chartered and incorporated institutes were accepted as ESAA members if they resided in Egypt. Interviewee No. 6, an ESAA ex-board member, confirmed that the ESAA`s admission requirements were drawn from the British model: "*ESAA tried to imitate their British counterpart as much as possible. They regarded it as the best model to follow*".

Membership of the ESAA was open to business graduates who passed the intermediate and final ESAA exams and after a three-year training period at audit firms of ESAA members (Royal Decree, 1946). While the ESAA sought to align itself with the British model of professional certification/credentials, it also attempted to modestly expand its local membership base. It did so by waiving the experience requirement for some accountants, such as self-employed accountants or trainees at non-ESAA firms, if completed prior to 31 December 1945[8], and admitted Egyptian university accounting professors with ten years' teaching experience[9].

Therefore, the stated ESAA membership terms revealed a 'traditional' exclusionary strategy which ensured continued conformance to the Anglo-American (then British) model (Anisette, 2010). At the same time, a selective inclusionary strategy was implemented to increase, in a very limited manner, the number of native Egyptians, without being seen to compromise certification and perceived proficiency (all applicants were still required to pass the ESAA examinations). ESAA bylaws thus demonstrated an imitation of the Anglo-American professional model by retaining its British ties, similar to what Chua and Poullaos (2002) revealed in the professionalisation project in self-governed colonies such as Australia, Canada and South Africa. ESAA also sought to draw on nativism principles (Richardson, 2017; Sian, 2006; 2007), arguably as a means to secure legitimacy vis-à-vis Egyptian businesses and the growing nationalistic tendencies of the political class.

4.2.1. The Accounting/Auditing practice Law 133/1951

In 1950, El Wafd, a nationalist liberal political party, won Egypt's first free elections in eight years (Gordon, 1989). The Wafd government enacted a series of social and economic reforms and campaigned to oust the remaining British troops based in the Suez Canal (Gordon, 1989). Shortly thereafter, Accounting Practice Law 133/1951 (henceforth APL 133) was issued. APL 133 was seen as a way to

[8] A) Applicants with three years' training experience at accounting firms prior to 31 December 1945; B) Applicants who practiced public accounting in their own firms for five years prior to 31 December, 1945; C) Tax agents/inspectors with five years of experience prior to 31 December 1945; D) Accounting consultants at the Ministry of Justice with five years of experience prior to 31 December1945.

[9] The membership requirement for PhD holders currently is three years' experience of public accounting experience.

remove foreign dominance over the accounting profession by restricting accounting and audit practices to Egyptian nationals only. While the law still permitted foreign expatriates to practice i.e. those who were already working in Egypt, or an ESAA member at the time ("Accounting and Auditing Practice Law," 1951, sec 3, p.1,2) in a firm, the law mandated the replacement of a foreign auditor by another from any Egyptian auditing firm[10].

APL 133 can be seen as a clear challenge to the colonial dominance of the British profession and of the initial local professionalisation strategy set out by the ESAA. For example, the law established a Registry of Accountants and Auditors at the Ministry of Finance, setting certain criteria to practice. The registration requirements first appeared to be based on educational and practical experience. The law set out three alternative routes for Egyptians to obtain certification to practice and be included in the registry. The first route was through the ESAA. The law allowed ESAA members an automatic transfer to the public accounting register ("Accounting and Auditing Practice Law," 1951, sec. 11). The second route was for existing accounting and auditing practitioners, mainly based on experience and training criteria. Following three years' training at an accounting firm, the holder of an accounting Bachelor's degree would be authorised to audit all forms of business entities, except corporations, granted after an additional five years of practice ("Accounting and Auditing Practice Law," 1951, sec. 25). The third route was central to the Egyptian State's agenda, since its implications would have a long-lasting effect on the number and perceived competence of Egyptian practitioners. In lieu of the previously stated professional training period (three and five years), the law validated work experience in *"Equivalent occupations*[11]*"* ("Accounting and Auditing Practice Law," 1951, sec 9). Based on this exemption, applications from equivalent occupations, such as tax agents, could be registered and allowed to practice without practical experience or without having passed an examination in public accounting ("Accounting and Auditing Practice Law," 1951, sec. 10). Although the ESAA's establishment was an initial step towards occupational closure (with a partial recognition of nativism principles), this legislation did not grant it exclusive rights.

[10] 1. The replacement auditor must be an ESAA member at the time of the law enactment. 2. The percentage of Egyptians members should be at least 50 per cent. 3. The laws of the foreign auditor`s country allows reciprocity in the registration of accountants and auditors.

[11] Equivalent occupations include: a) Central Auditing Organization's auditor, b) Tax authority agents, c) Accounting teachers at public educational institutes, d) Chief accountants at any public and governmental organisations (Law 133, 1951).

Instead, APL 133 can be seen as feature of the State's power and politics in shaping 'their' national professionalisation project. In the Anglo-American model, the use of legislation and regulations is typically part of the final step towards ensuring a form of market closure and control over the provision of accounting/auditing services. In this case, APL 133 steered the Egyptian accounting professionalisation process towards combining three arguably distinct types of professionals with the same rights and privileges. These ranged from an ESAA practitioner, who is the 'product' of a British (Anglo-American model) which relies on examinations and practical training, to that of a public accountant, licensed through the third route. The *"Equivalent occupations"* claus*e* conferred the privilege of practice accounting-related vocations, although many of these practitioners had no prior public accounting experience. In the early 1950s, the government and supporters of the 'third route' believed that accounting experience from *"Equivalent occupations"* was sufficient to perform accounting and auditing duties adequately. When asked about the government's intentions in including *"Equivalent occupations"*, Interviewee No. 15, an accounting professor with over 30 years of experience, explained:

> *"After accumulating a few years of work experience at the Tax Authority, an agent can resign or retire and obtain the certification to become a Public accountant. The local priority was always for tax issues. They allowed alternative occupations to be certified to resolve tax conflicts with the Tax Authority. The auditing process was mainly conducted to serve compliance to regulations including tax laws"*.

By issuing APL 133, the government sought to achieve three objectives. First, it can be inferred that the primary objective of this law was to *Egyptianize en masse,* the auditing profession mainly through the Equivalent Occupations route. Second, the law also sought to respond to the needs of Egyptian State employees (e.g., tax officials), allowing them a post-retirement source of income. Third, the law established some degree of governmental control, by enacting organisational bylaws and establishing registration procedures through the Ministry of Finance. Interestingly, a similar legislative approach was advocated by the Ethiopian State in the late 1960s (Mihret et al., 2012) but was not implemented due to concerns about (i) the lack of sufficiently qualified Ethiopians, (ii) the fact that many individuals already had a practicing license but did not meet the expected minimum requirements, and (iii) the dominance of the sector by foreign accounting firms and holders of foreign accountancy qualifications. Whilst similar circumstances would have existed in the Egyptian case, it appears that the Egyptian government and supporters of the third route were not overly concerned about these potential pitfalls.

In summary, the issuance of APL 133 was not the product of ESAA lobbying, as normally witnessed in the Anglo-American professionalisation model (e.g. Kenya: Sian, 2007; Nigeria: Uche, 2002). The law was a product of the nationalist environment at that time, and served the government agenda, albeit with consequences for the professionalisation project. Interviewee No.5, commented on the consequences of the equivalent occupations clause: *"The market is now flooded with accountants certified through that clause".* This statement was echoed by interviewee No. 3, who perceived a threat to quality and the market. Currently, the Ministry of Finance registry comprises a total number of around 30,000 members, of which only 2,100 qualified via the ESAA route (Samaha & Hegazy, 2010; Wahdan, 2005). By enacting this law, it can be argued that the government and supporters of the third route ensured the enactment of a form of *revolutionary usurpationary closure*.

5. The Egyptian professionalisation under State capitalism (1952-1974)

In 1952, the 'Free Officers', a group of Egyptian army officers, led a Socialist revolution that brought fundamental change to the country`s political and economic systems (including the nationalisation of the Suez Canal in 1956). The government adopted a socialist, centrally planned economy whereby the majority of the private sector, which accounted for 72%-90% of the Egyptian economy`s investments, was nationalised (Amer, 1969; Kollaritsch, 1965; Zohny, 2000). This change applied to all national institutions, including the Egyptian accounting system and, in 1964[12], the Central Accounting Organization (CAO) was established to prepare public budgets and control State funds (Hassan, 2008; Mohamed & Habib, 2013). The CAO also became the responsible entity for auditing all public and governmental entities (effectively the now dominant economic sector in Egypt), and was additionally tasked with issuing applicable accounting and auditing standards (Kayed, 1990). This led in 1966 to the creation of the Uniform Accounting System (UAS), which dictated a unified chart of accounts for all public companies or government units performing an economic activity. This standardisation of information tied the accounts of individual economic units to the national accounts. For example, the UAS had only five cost-centre accounts; namely, production, production services, administration and

[12] According to law no. 52 (1946), the State Audit Bureau was responsible for auditing public institutions, which is comparable to the UK`s Exchequer and Audit Department (Mohamed & Habib, 2013). Following the nationalisation of the private sector, the government established "Public Organisations" to manage nationalised companies, with some chartered accountants accepting employment at the Public Organization`s Accounting Control Board as salaried employees (Kayed, 1990).

finance, marketing, and capital transactions. Interviewee No. 15 commented on the effect of the UAS on the Egyptian profession;

> *"The application of the UAS negatively affected the ability of Egyptian accountants to be creative and innovative. You had to stick with the five cost centres only. When the UAS was issued in 1966, it was supposed to be followed by a cost accounting system for each sector, but the war broke out in 1967".*

This new centrally-planned regime also influenced accounting education, with UAS being taught in universities (Amer, Khairy, & Enthoven, 1979; Hassan, 2008). Similar to other centrally planned economies at the time (e.g., China, Czechoslovakia and Ethiopia) the government became the biggest employer of accountants and auditors whose main role was to implement new socialist priorities (Mihret et al., 2012; Ping Hao, 1999; Seal, Sucher, & Zelenka, 1996).

In parallel, the new socialist regime sought to control occupational groups by creating professional syndicates (Youssef, 2003) such as the Syndicate for Accountants and Auditors (SAA) in 1955. The Private Associations and Foundations Association law no 32/1964 also mandated that civil society organisations would be under direct governmental control and ESAA was effectively disbanded (Farag, 2009; Springborg, 1978). Moreover, in 1972, the Syndicate for Commercial Professions (SCP) was established and the SAA subsumed within the new Syndicate. The membership of the SCP was open to any business, management or economics graduate. Interviewee No. 10, a managing auditing partner at a large local firm, added:

> *"The current Syndicate was established to include all commercial professions. We were under-represented with the Syndicate's current structure. We needed to have a separate Syndicate for accountants and auditors to include all our professionals".*

Syndicate membership merely involved the filing of a registration form as an administrative process with no examination or certification. During this period, many Syndicate members joined to ensure they receive a pension upon retirement, together with social benefits (Springborg, 1978). Whilst all accountants and auditors joined the SCP, this was purely an administrative re-structuring with no real involvement in professional or technical accounting matters, and the SCP failed to act as an interest group for accountants and auditors for the following reasons. First, the SCP included a broad range of 'commercial' professions, not only accountants and auditors, so it had to take into consideration the concerns of other commercial professions. Second, the SCP's financial resources allocated for professional matters were limited, while the UAS had relegated accountants and auditors to *"technicians who* [just] *applied the rules"* (Dahawy, Merino, and Conover (2002, p.211). Interviewee No. 3, an audit partner and an ex-official at the SCP, commented

> *"Accountants and auditors represented a small percentage of the commercial syndicate`s members since its inception and until today. It [the SCP] consists of approximately 750,000 members, accountants and auditors have about 30,000 members."*

Interviewee No. 6 further explained the implications of these numbers on the SCP`s operation:

> *"When you have that amount of people vs the limited resources, then the technical development of the profession would not be an attainable priority for the Syndicate. The social and financial programs for its members would be more important."*

The Egyptian accounting profession, subsumed within such a large of body of business professionals, effectively lost its independent status granted as part of the 1951 reforms. According to Kayed (1990, p.311), the SCP was also unable to exercise a regulatory role in accounting and auditing due to the government`s exclusivity on issuing regulations, and, second, there was *"a feeling that the establishment of a truly professional body might be regarded as a political activity"*. This concern about political affinity also arose in the case of Ethiopia (Mihret et al., 2012) whereby allegiance to the Communist ideology took centre stage, emphasising bureaucracy and technocracy rather than professional independence and identity. Agrizzi and Sian (2015) revealed a similar experience in Brazil, where the authoritarian government employed accounting associations/syndications to serve as its adjuncts in extending and legitimatising State policies.

In essence, the new Socialist agenda revisited the initial nationalist State strategy of creating a more indigenous and independent accounting profession. During the 1960s, the newly created public sector and the nationalisation of the majority of private companies changed the employment destination of most accounting professionals. Many of the private sector accountants and auditors joined the CAO, which became the largest employer of accountants and auditors in Egypt (Amer et al., 1979; Briston & El-Ashker, 1984; Hassan, 2008; Kollaritsch, 1965). Interviewee No. 6 commented on the presence of British firms and professionals: "*All the foreign auditors left Egypt around 1956. There was no reason to stay after the nationalisation policies*". Many Egyptian auditors moved their practices to other Arab countries and, by 1965, most of the international auditing firms had left Egypt (Abd-Elsalam, 1999; Hassan, 2008; Zerban, 2002). Nationalisation effectively froze the auditing profession in Egypt (Amer, 1969; Hassan, 2008; Kayed, 1990; Renshall, 1981) and significantly shrunk the market for public accounting. Hence, the remaining auditors largely consisted of those who were employed by the CAO and a minority who remained employed by small private firms, mainly to assist with taxation issues (Farag, 2009; Hassan, 2008; Kayed, 1990).

Although these reforms have been in response to the needs of the Socialist regime, the State's actions effectively undermined the development of the indigenous accounting profession. The disbanding of the ESAA led to a de-emphasis of technical knowledge. The State, via its new syndicate (SCP), also diluted the State-controlled syndicate of accountants and auditors into a larger cluster of professionals represented within the SCP (Longuenesse, 2009). Arguably, the rigid uniform governmental accounting model (UAS) also influenced the Egyptian auditors` mind-set towards a rather limited set of concepts of accounting, costing and auditing. With the vast majority of auditors employed in the public sector or the CAO, a standardised and rigid governmental accounting approach flourished at the expense of independent public accounting and auditing.

6. The Egyptian professionalisation project under market capitalism (early stage: the "Open doors policy"- 1974-2004)

After the 1973 Arab-Israeli war, Egypt switched its political orientation to the West, and attempted to reform its economy. In 1974, the government enacted an "Open doors Policy", aimed at attracting foreign investors and companies by relaxing some of the rigid socialist rules and introducing market-related legislation (Hassan, 2008), whilst maintaining a firm grip over market regulations (Elleithy & Nixson, 1998). With the return of the private sector, the demand for public accounting increased (Briston & El-Ashker, 1984). In 1977, the Ministry of Social affairs issued Decree no. 2280 to reinstate the ESAA, which had been disbanded in 1964 (Farag, 2009). However, the ESAA was designated as a non-governmental organisation (NGO), and hence subject to the same restrictive rules applicable to NGOs[13] relative to the entry and dismissal of individual members.

Following the 1979 Camp David Accord, substantial amounts of foreign investment and aid flowed into Egypt, which included funding towards the development of a local accounting and auditing profession (Carana, 2002; Momani, 2003). In the early 1980s, ESAA and the SCP held two major international conferences on the development of the accounting profession. The conferences included speakers from

[13] The ESAA was reinstated under the Civil and Private Association law, which places some restrictions on the rules governing the entry and the dismissal of citizens who joined the Association (cited from Interviewee No. 6).

the (then) Big Eight, academics from the UK/US, and government officials and experts, who called for the adoption of international standards and the development of training programmes (Kayed, 1990). As an outcome of these conferences, the Egyptian Institute for Accountants and Auditors (EIAA) was established with initial funding from the United States Agency for International Development (USAID), to create an *Independent Board for Accounting and Auditing standards* and to provide training programmes (Kayed, 1990). Responding to pressure from the World Bank (WB) and the International Monetary Fund (IMF) in 1992, the EIAA issued 20 new Egyptian Accounting Standards (EAS), prepared in consultation with a wide range of stakeholders (as confirmed by Interviewee No. 2), although these were already five years out of date at the time of issue (Abd-Elsalam, 1999). The newly created board included members of the CAO, the ESAA, the Central Bank, other government officials, and academics. However, due to a lack of resources after USAID funding was exhausted and to various legal issues, EIAA activities were effectively placed on hold (Kayed, 1990).

By the mid-1980s, the US government had grown frustrated with the poor outcomes from the substantial amount of aid and pressured the Egyptian government to take more serious steps towards market liberalisation (Momani, 2003). Following similar pressure from the IMF and the World Bank, Egypt initiated another round of economic reforms, and implemented aggressive neo-liberal financial markets and privatisation policies (Zohny, 2000). In 1992, the Egyptian government issued the new Capital Markets Law, which revived the inactive stock market. Interviewee No. 4 commented, "*There was an urgent necessity to issue a new law. The law directly affects the quality of financial reports and this was something critical for a country that wants to present itself properly to foreign investors".* These reforms also encouraged the creation of new strong private sector entities owned by both foreigners and Egyptians, and increased the demand for public accountants. However, the Egyptian professionalisation process born out of the previous regimes still produced and registered different types of practicing public accountants (following the three routes set out in APL 133). Interviewee No. 6 commented on the quality of the work by some Egyptian professionals: *"The quality of financial statements produced by them [Equivalent occupations] is low, they are used to governmental accounting"*. The flow of foreign capital was also followed by the return of international audit firms (Kayed, 1990; Longuenesse, 2009). Interviewee No. 10 commented on the return of Anglo-American firms: *"They are present and dominate the market. Although Law 133 grants the right to practice accounting and auditing to Egyptian nationals only, this refers to individuals [but] not firms".* The Big

Eight firms at the time reinstated their alliances with their old Egyptian partners who survived the Socialist era, while others sought to establish new alliances with Egyptian practitioners of well-established firms.

In summary, Egypt`s stated transformation to a market economy led to a significant switch in the state-profession dynamic, towards a renewed interest for a 'globalised' Anglo-American model. The changes in the capital market and the arrival of multinational businesses exposed the situation that the accounting and auditing profession in Egypt had been severely lagging behind since the Socialist times. Several development programmes sponsored by the IMF and USAID, in collaboration with the government, were initiated to develop the profession, but with little to no effect (Abd-Elsalam, 1999; Richards, 1991; Zaki, 2001). The State`s acknowledgment of this issue was reflected in the EIAA`s establishment and the reinstatement of the ESAA, as the Egyptian government realised the importance of a professionalisation project that is, at least visibly, independent from the state.

The restructuring of the capital markets in 1997 led to the development of new Egyptian Accounting Standards (EAS) that were more consistent with international accounting standards (Abd-Elsalam, 1999; Farag, 2009; Wahdan, 2005). For this purpose, the Egyptian government formed the Standards Setting Committee, headed by the Minister of Finance, and including representatives from the Capital Market Authority (CMA), CAO, the EIAA, and the ESAA[14]. The State maintained a structure that implied government control, but the ESAA assumed the main role in drafting the new Egyptian standards (UNCTAD, 2008). Interviewee No. 4, commented on the role of the ESAA in drafting the first Egyptian standards: *"The government needed to "Egyptianize" the international standards, ESAA was supposed to have a supporting role only, but in fact ESAA did all the homework"*. Overall, this stage of the political economy seemed to be consistent with a renewed corporatist relationship (Richardson, 2017) between the State and the profession (ESAA members only). However, the broader development of the profession continued to be hindered by the lack of political will, limited funding, the existence of socialist-era bodies (e.g., SCP, CAO) and the constraints levied by APL 133; in particular the different routes for registration as an accountant.

[14] The Egyptian Society of Accountants and Auditors (ESAA) joined IFAC in 1980 (ESAA, 2016).

7. The Egyptian professionalisation project under market capitalism (later stage: a push towards "transnational" market capitalism 2004-2016)

7.1. The 2004 proposed accounting profession law

In the face of continuing criticism, the Egyptian government acknowledged that an amendment to APL 133 was necessary to reflect its market-led agenda. The WB also highlighted the delay in updating the law : "The *draft of a new Accounting Practice Law has been under discussion for about five years. The delay in finalizing a new Accounting Practice Law has stalled efforts to improve accounting and auditing practices"* (World Bank, 2002, p.1). In 2004, a new neo-liberal-oriented government presented a new professional law to parliament for debate, which was supported by the Ministry of Finance, the reinstated ESAA, and related parties. It introduced fundamental changes, such as the creation of an accounting oversight board, and mandatory examinations and practical experience for licensing. It also expanded the ESAA's requirements in relation to the need for a rigorous certification process (e.g., examinations) and auditor criteria for auditing corporations. Interviewee No. 3 also commented on other main changes:

> *"The new proposed law raised many controversial points. It allowed the formation of audit firms as limited liability companies. Unlike the old requirements limiting practice to Egyptian certified auditor [as an individual]."*

Interviewee No. 6 highlighted other aspects in his view, particularly in relation to the removal of the nationality requirement:

> *"There was fierce debate on who should keep the auditor`s registry, the mandatory practical training clause and its application. Also, the elimination of the nationality requirement, which is consistent with WTO* [World Trade Organization] *efforts for free professional entry".*

The above draws attention to the fact that these proposed changes were very much driven by prevailing transnational arrangements on fostering global trade and the supply of services with little to no 'friction' such as nationality requirements (e.g., Richardson, 2017; Samsonova-Taddei & Humphrey, 2014). Interviewee No. 4 commented on the probability of its issuance:

> *"The proposed law was backed up by the government and the majority leader of the ruling party. In Egypt, this means that the probability of rejecting it is significantly low. However, there was a heated debate at the parliament".*

The state-owned *Al-Ahram*, Egypt's largest circulating newspaper, commented on the parliamentary debate . It cited issues such as which entity should be responsible for registration (e.g., SCP, Ministry of Finance), the legal structure of audit firms (e.g., individuals, limited liability) and, more potently in the current political debate, the risk of foreign control (i.e. Big Four) and domination over the Egyptian profession (Ali, Aouf, & Eissa, 2004; Eissa, 2004). Faced with severe opposition, the government withdrew the proposed law in 2006.

To appreciate the underlying causes and the lobbying which led to this outcome, the Egyptian profession can be seen to consist of two key groups. The first group represents the bulk of practitioners in Egypt, who are mainly auditors in small- and medium-sized firms certified through route two (certification through experience) and route three. The latter includes professionals benefiting from the "Equivalent occupations" clause, such as tax agents and CAO employees. The main clients for this large group of professionals are small and medium enterprises, who are mainly concerned with the tax aspects. Interviewee No. 6 elaborated on these parties who opposed the law: *"The Syndicate and the CAO were extremely opposed to the new proposed law"*. A few large local audit firms also opposed the law. Interviewee No. 10, a managing partner at a large local audit firm, commented:

> *"The overall quality of the profession is declining, we needed and we still need a new profession law that is based on examinations. But the proposed law was favouring the ESAA which is dominated by the Big Four firms. The lead partners of the Big Four firms controlled the presidency of ESAA for the last 30 years. Its executives and board members are often Big Four partners. They are engaged in head hunting of our qualified young auditors. An entity such as the Syndicate for Accountants and Auditors should oversee the matters of the profession".*

Rival smaller accounting and auditing societies also lobbied against the legal amendments. They perceived the proposed law as one that would entrench the monopoly of ESAA members and large international firms, and saw the reform as leading to the erosion of a sovereign Egyptian profession through the increasing accreditation of foreign accountants and auditors.

Indeed, since inception, and throughout the different political economy regimes, the ESAA appears to have maintained its same exclusionary measures. Interviewee No. 6 added, "*The ESAA was perceived by many as a closed circle. Many people did not like the ESAA maintaining its advantageous position in the proposed law."* In 2015, the total number of ESAA members was around 2,100. This is a small number relative to Egypt`s 98 million population and the number of licensed public accountants (approximately

30,000 registered auditors, (World Bank, 2015). Interviewee No. 16, a senior auditor at a local audit firm, commented on ESAA membership requirements:

> *"The requirements to join ESAA are quite challenging. Also, the exams are hard. Their training courses are insufficient. Their reply is that we are already auditors not students. They forget that I might have audited only small companies".*

In 2004, the ESAA updated its membership requirements to allow for greater interface with overseas professional associations. Members of selected international accounting bodies only had to pass two final examinations on Egyptian taxation and law to gain ESAA membership. These institutions were expanded to include other Anglo-American-based associations such as the Institute of Chartered Accountants in England and Wales (ICAEW), The American Institute of CPA`s (AICPA) and the Canadian Institute of Chartered Accountants (CICA). Interviewee No. 2, another ex-ESAA board member, also commented on relaxing ESAA membership requirements:

> *"The ESAA has taken steps to widen its base… and there are plenty of motives to join the ESAA, the membership in itself is a form of differentiation. For example, since the inception of the ESAA and up until 2004, the ESAA only acknowledged a training period spent at an ESAA`s member firm".*

The second group in support of the legal changes thus included the government, the ESAA, and auditors of large Egyptian audit firms, mostly affiliated with non-Big-Four international firms. This group viewed the current law as obsolete and hindering the development of the profession. They strongly backed the new proposed law. Interviewee No. 3, a partner at an international audit firm, was keen to emphasise the need for credentials as a way to exclude accountants originating from APL 133's third route and to protect his market: *"Without a proper certification process and with the existence of an outdated law, the profession is flooded with unqualified people."* However, even the World Bank saw the ESAA as a privileged elite (World Bank, 2002), particularly since the ESAA sought to retain the right for its members to automatically register with the Ministry of Finance. Interviewee No. 1, a former board member of the ESAA, commented on criticism towards the ESAA`s special treatment:

> *"Yes, we are special and we should be proud of that. We provide quality audit services. We have the technical resources to do that. We also provide internal training for all our auditors, junior and senior on the updated international standards".*

Interviewee No. 4, who was involved in preparation of the proposed law, added:

> *"Law 133/1951 grants to the unqualified "Equivalent Occupations" the right to practice. They probably have never issued an audit report before. The proposed law required examination, just like the ACCA and the CPA. Furthermore, whoever is already registered will continue to have the right to practice".*

Interviewee No. 3 elaborated on the possible reasons for the opposition of the law: *"It was rejected partially because of the CAO and the syndicate. [People with] equivalent occupations who had plans to practice auditing after retirement were furious. Also, the elimination of the nationality requirement did not make people happy".* The ESAA supporters assert that their members are the most qualified, based on its membership requirements; they further claim that most of its members work in large audit firms dealing with multinationals and are experienced in terms of how auditing operates internationally.

The rejection of the law was in the main motivated by politically sensitive reasons of sovereignty and nationalism, namely, that proposed changes would again enable (thus reminiscent of British-era occupation) a foreign domination of the auditing profession (Ali et al., 2004; Eissa, 2004). Interviewee No. 1, however, framed this in terms of a tension between so-called 'qualified' and 'unqualified' accountants: *"One of the main problems facing the Egyptian profession now, is the resistance of the unqualified auditors against the qualified".* Interviewee No. 2 provided a different view on reasons for rejection; namely, a projected dominance of the market by a few international firms:

> *"Yes, the organisational aspects... [e.g., examination created a bit of resistance, but it was settled. There was not much of a debate on our need for a proper [professionalisation] process. The core fight on that law was its implementation as part of the WTO [free movement of business and professional services]. The Big Four, ESAA and the government were in favour. They saw it as a step towards development. The other side argued that it would cause the profession to be controlled by international audit firms, given its current state. They viewed that the local profession should be protected first".*

In this regard, Chua and Poullaos (1998) referred to the closure strategy as a dynamic tool that could be used to achieve market monopoly through different strategies across different timelines. APL 133, which was intended to develop an indigenous profession that would be distinct from overseas professional accountancy bodies, grew, in time, to be the obstacle to its very development. The attempt for *revolutionary usurpationary closure* in 1951 succeeded in changing the structure of the accounting and auditing profession. This policy opened the doors to the profession for Egyptians, albeit arguably at the expense of the varying quality of accountancy and audit services due to the absence of a coherent approach to education, certification and training. Over time, however, the main consequence of APL 133 was that it turned "Equivalent occupations", the beneficiaries of its *revolutionary usurpationary* strategy, into a very organised and powerful group which lobbied against more *exclusionary closure* strategies. Institutions established during the socialist era (CAO, and SCP) also lobbied on behalf of this large group of equivalent occupations. While the CAO and the SCP are in effect state-controlled bodies, they did not represent the State`s agenda and rather reflected conflicting interests and views within the political class. In particular, the potential detriment to the business interests of a large number of local auditors trumped the government's and ESAA's concerns about the need to raise the quality of the profession in the changing economic landscape.

Hence, the case in Egypt is somewhat different from other developing country cases, where it is suggested that professional associations in developing countries, backed by international support, tend to prevail (Caramanis, 2002). Arguably, this resistance to the reforms did not stem from the need for a strong indigenous professional capacity. Instead, it appears to have been the result of an effective pro-nationalistic discourse to protect the interests of a large group of accountants and auditors and a concern that the reforms would benefit a smaller coterie of large firms and professionals aligned to global interests (i.e. Big Four firms, international institutions, and multinationals).

7.2. Using the EFSA's special registry as a form of selective market closure

In response to the resistance to these internationally-supported reforms (UNCTAD, 2008; World Bank, 2002), local regulators, such as the Central Bank of Egypt (CBE), elected to focus on the establishment of "Special Auditors` Registries". This acted as a counter-strategy to the withdrawal of the proposed 2004 law. In 2009, law no. 10 established the Egyptian Financial Supervisory Authority (EFSA) to merge the Egyptian Insurance Supervisory Authority, the Capital Market Authority, and the Egyptian Mortgage Finance Authority. Interviewee No. 5 added:

> *"After the failure to amend the practice law and the significant decrease in the professional level of Egyptian auditors, major concerns were raised regarding listed and influential companies and the quality of financial reporting in Egypt. Therefore, we established a new registry independent from the one at the Ministry of Finance. This registry has stricter requirements".*

Auditors registered with the EFSA`s registry have the right to audit a wide and profitable range of listed companies, and financial institutions, such as mortgage finance companies and banks' investment funds. The requirements for registration included additional conditions related to the individual auditor and to his/her firm[15]. Among the auditor`s requirements[16], the applicant must meet one of the following

[15] They include the following; A) Audit firm`s quality control, continued practical training and independence policies. B) A team of at least three auditors with five years' experience in auditing corporations.

conditions: either be an ESAA member, a member of an equivalent foreign professional association (e.g., AICPA, ACCA, ICAEW), a PhD holder in accounting, or registered at the CBE auditor`s registry and have audited at least one bank (EFSA, 2015). Hence, the EFSA`s requirements applied a selective closure designed to exclude auditors traditionally licensed under routes two and three (equivalent occupations) and in effect maintain dominance over a lucrative market for ESAA members. Interviewee No. 10, a managing audit partner at large local audit firm, commented on the EFSA`s registration requirements:

> *"The law [133/1951] gives the right to individual auditors, but some of EFSA`s requirements are talking about firm specifics. I think these Special Registries are tailored, if you look at them, they are filled with ESAA and Big Four auditors. There are some registries, such as the old insurance companies` registry, which only had about 30 people. The total number of auditors registered at EFSA is 300 auditors; most of them are from the Big Four".*

Interviewee No. 3, a partner at an international firm, defended EFSA`s selective measures:

> *"There is an assurance given by the fact that Special Registries are in place. The most influential segments in the economy are audited by qualified members on those registries. They don't have to be all ESAA or Big Four auditors. There are some local firms of academics and practitioners who are equally qualified. The problem is that an auditing license, easily given in Egypt, grants a very wide range of privileges."*

Similarly, Interviewee No. 6 further commented on the perceived motives for the EFSA`s requirements and the selective measures applied to Egyptian auditors: *"Clearly, there is a difference in technical knowledge between the Egyptian auditors. They are used to governmental accounting. The quality of their work was low; very few of them are up to date with disclosure issues and IFRS".*

The creation of the EFSA in 2009 was part of Egypt`s programme towards establishing financial market institutions. The government and the profession were aware that the inability to reform the main legislation would be poorly received by international institutions and adversely affect foreign investment and the development of the local stock market (UNCTAD, 2008). Hence, an administrative decision to create the Special Registries in the Egyptian case can be conceptualised as an attempt to achieve a form of *selective market closure*. In the absence of legislative support to achieve its closure strategy, the more powerful members of the local profession successfully promoted the idea that they are the safe keepers of audit quality for larger companies and entities, whilst at the same time protecting their existing market. This form of Egyptian closure depended on the executive power of the

[16] The applicant must be registered at the Ministry of Finance Registry (Auditors) for at least five years. He/she also has to be a member of the syndicate. The applicant also has to present five financial reports for five different companies he/she previously audited.

government using administrative, rather than legislative, action. Interviewee No. 2 added, *"In Egypt, and since day one, the culture of execution was based on ministerial decrees... There was a top-down approach… Things were moving, they created the auditor`s oversight unit at the Capital Market Authority (CMA) … to signal to the international community that we have a proper profession".*

In summary, EFSA`s Special Registry ensured that a perceived level of quality continued to be associated to ESAA members as well as members of foreign professional associations (i.e. AICPA, ACCA, ICAEW) whilst limiting other firms from accessing the arguably more lucrative market for auditing of listed companies. At the same time, this conveyed legitimacy and a measured response to the international community of investors, donor agencies (e.g. USAID) and WB/IMF.

8. Conclusion and implications

Responding to earlier calls to study the 'life cycle' of professionalisation projects in relation to a country's economic and political environment (Chua & Poullaos, 1998; Gillis et al., 2014; Richardson, 2017; Uche, 2002), this paper analyses the development of Egypt's accounting profession since 1946, and in the main unveils its dynamic relationship with the Egyptian State. Although the Egyptian professionalisation project initially drew from the British model of education and certification, APL 133 would significantly affect the profession's development in consecutive political economy regimes by enforcing a nationality requirement and expanding the ranks of the accounting profession with the so-called 'Equivalent Occupations'.

In the period 1952-1974, the implications of APL 133 and the political changes that accompanied the 1952 Socialist revolution de-emphasised the Egyptian profession, similar to events in Communist-era Ethiopia (Mihret et al., 2012). The main focus of the State was on devising a government accounting system to pursue its socialist agenda of central planning and control. In this State capitalism regime, there was no real place for an independent public accounting profession, leading to the fading of the ESAA during this period. The profession`s fate was torn between the Ministry of Finance, the Syndicate for Commercial Professions (SCP), the Syndicate for Accountants and Auditors (SAA) and the CAO. Each of these parties had its own priorities and the development of an independent and strong accounting profession was not considered to be crucial.

During the first stage of the market capitalism period – i.e. the 'open doors policy' (1974-2004) – the Egyptian government did not consider the need for professional laws and regulations. The majority of commentators (Farag, 2009; Hassan, 2008; Kayed, 1990; Wahdan, 2005; World Bank, 2002, 2009) suggested legal reforms were needed to improve the profession but this was resisted. However, the privatisation policies and the changes to the Egyptian stock market revived the Egyptian professionalisation project. The Egyptian government realised the importance of a public accounting profession to interact with the flow of foreign investments and the Egyptian stock market, leading to a corporatist relationship with the ESAA as a representative of the 'Anglo-American' model. In most African nations, the market capitalism era marked the re-entry point of the Anglo-American professional model and its dominance in the indigenous professionalisation project, e.g., ACCA's dominance over the Ethiopian accounting profession (Mihret et al., 2012). However, in the Egyptian case, whilst the government's new neo-liberal agenda was to align with an 'Anglo-American' professional model, a large constituency within the local profession (non-ESAA members) successfully lobbied against a change in key legislation. It was the fear of foreign domination over the growing Egyptian accounting and auditing market that led to a nationalistic orientation of Egyptian politics against the largely internationally-driven business interests of ESAA members.

Consequently, a new exclusionary closure strategy was needed to favour the 'superior' group within the profession. In order to secure a favourable position for the ESAA, the government administratively incorporated the safeguards it needed as part of the 'Special Registries' requirement. The stock market regulator (EFSA), established Special Registries, which served as a form of *selective market closure,* whereby registration requirements ensured that only the perceived 'superior' group was eligible to act as an auditor. These requirements favoured ESAA and other Anglo-American certifications[17] which, in turn, largely applied to international audit firms and their local affiliates and ensured that ESAA members' share in the audit market for large listed companies would be protected. The creation of such mechanisms of market closure shows the role played by some parts of the State in professionalisation projects in seeking to legitimise the country internationally whilst other elements of the State sided with the local (and larger) constituency of public accountants. According to the neo-Weberian closure theory, the rejection of the new professional law would have constituted a failure in the final step in

[17] The applicant should also be either; A) An ESAA member, a member of one of an accredited foreign professional association (e.g., ACCA, AICPA), or have a PhD in accounting from an accredited university. B) The applicant must be registered at the CBE registry and have audited at least one bank.

professional closure (Chua & Poullaos, 1993; Willmott, 1986). However, in the Egyptian case, the dominant players (i.e. ESAA and international firms) lobbied the government for secondary measures to maintain their privileged position. This also ensured that the government could signal to the international institutions that it was taking measures to strengthen its accounting and auditing practices.

From a developing country perspective, this study first highlights the role and influence of historicity in terms of the longer-term consequences of APL 133 and the socialist-era reforms on market-oriented attempts to develop a local accounting profession in Egypt. Second, as things currently stand, it remains unclear whether further reforms could lead to the development of an Egyptian accounting profession as a whole. One might instead envisage the gradual emergence of other forms of 'selective closure' within the profession, which would benefit a coterie of State-supported 'elite' accountants and auditors, often associated to the global 'Anglo-American' interests, at the expense of a wider professional constituency, and with concurrent negative implications for transparency, the public interest and the development of indigenous accounting practices. A key implication for accounting and auditing policy makers (whether at an international level or a national level) is to recognise the often-fragmented nature of the 'profession' and of the accounting/auditing market in a developing country context as it evolves through the different political economy regimes and the historical 'baggage' that has accumulated from one regime to another. In this respect, reforms at the national level (e.g., certification, registration, examinations) are likely to generate a multitude of effects on access to, and benefits from, particular markets for accounting and auditing services.

Overall, our paper contributes to the accounting and auditing professionalisation literature in the following two ways. First, it provides an empirical analysis of the evolution of the accounting profession in an African developing country, with an emphasis on the changes in State-profession dynamics throughout the reviewed period and its implications for current reforms. Second, it highlights a new theoretical variant of Weberian closure - *selective market closure* - whereby specific elements of the profession seek to co-opt the State to corner more lucrative and/or prestigious segments of the market. Our contributions thus resonate with Poullaos and Uche's (2012) argument that professionalisation processes in developing countries often lead to 'hybrid' outcomes, arising from (i) interactions between the State and the profession during (changing) national political and socio-economic priorities (e.g., Mihret et al., 2012), and (ii) Anglo-American interests seeking to (re)embed their 'global' professionalisation model in developing countries (e.g., Anisette, 2010).

Admittedly, this study relies on limited available documentation and published evidence, and the number of interviewees could be considered small. Nevertheless, the research accessed key professional and regulatory actors in the local context, who have been heavily involved in the Egyptian project over many years. In fact, we would argue that the (small) size of this largely influential group of practitioners is not an exception in African developing countries. The same individual(s) typically occupy different key positions of influence within the local professional, State, educational and regulatory arenas, with potentially problematic consequences for the development of the profession as a whole, - particularly if the overriding interest is an economic one. We encourage further research to identify 'selective' processes and practices in the accounting profession.

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Appendix 1: List of interviewees

No.	Position	Duration
1	A Partner at one of the Big Four firms & a current/previous ESAA board member	1 Hours, 5 Mins
2	A managing partner at an international firm, a current/previous ESAA board member	1 Hours, 4 Mins
3	An audit partner at one of the Big Four firms & current/previous ESAA board member	1 Hour, 20 Mins
4	A managing partner at a local firm &a current/previous ESAA board member	54 Mins
5	EFSA senior official	2 hours 40 Mins
6	A managing partner at an international firm & current/previous ESAA board member	3 Hours
7	An audit partner at one of the Big Four & a current/previous ESAA board member	32 Mins
8	An audit partner at one of the Big Four firms	35 Mins
9	An academic and a partner at a local audit firm	1 Hour, 35 Mins
10	A managing partner at a large local audit firm	54 Mins
11	An audit partner at an international audit firm	47 Mins
12	Previous senior auditor at an international audit firm	48 Mins
13	An audit manager at an international audit firm	1 Hour
14	An audit partner at an international audit firm	40 Mins
15	An academic and a managing partner at a local audit firm	50 Mins
16	An audit manager at a local audit firm	39 Mins
17	A senior auditor at an international audit firm	41 Mins
18	An audit manager at an international audit firm	35 Mins
19	A senior auditor at an local audit firm	34 Mins
20	A senior auditor at an international audit firm	46 Mins
21	A senior auditor at an international audit firm	33 Mins

22	An audit manager at a local audit firm	33 Mins
23	An audit manager at one of the Big Four firms	30 Mins
24	A junior auditor at one of the Big Four firms.	32 Mins
25	A previous senior auditor at two of the Big Four firms	34 Mins
26	A previous manager at one of the Big Four firms	56 Mins
27	An audit partner at one of the Big Four firms	43 Mins
28	A managing partner at a large local audit firm	30 Mins
29	A director of the EU-Egypt twinning programme	1 Hour 2 Mins
30	A senior auditor at one of the Big Four firms	35 Mins
31	A senior auditor at an international audit firm	32 Mins
32	A senior auditor at an international audit firm	30 Mins