Diffusion of the Cash Basis International Public Sector Accounting Standard (IPSAS) in Less Developed Countries (LDCs) –The Case of the Nepali Central Government

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ABSTRACT

International Public Sector Accounting Standards (IPSASs) in particular the Cash Basis IPSAS issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) have become an alternative reform approach for Less Developed Countries (LDCs) lacking internationally acknowledged accounting regulations and standards. Claims have been made that the Cash Basis IPSAS has already been diffused to a large number of LDCs elevating the quality of their financial reporting. Drawing on diffusion theory, the paper explores the dissemination and implementation of the Cash Basis IPSAS in Nepal; a LDC which is considered as one of the front-runners in terms of embracing the Cash Basis IPSAS. The findings of the study have however raised concerns over the practicality of the Cash Basis IPSAS in the context of LDCs. Several provisions of the Cash Basis IPSAS have proved inapplicable in the context of LDCs as IFAC itself has recognised. The Nepali case further demonstrates that the adoption and implementation of the standard has become more rhetoric than reality in many countries. As such, the implementation of the Cash Basis IPSAS in LDCs has become an uncertain exercise with a diffusion trajectory that may lack clarity.

Keywords: Diffusion; Cash basis IPSAS; Government Accounting; Nepal; World Bank

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Introduction

Government accounting reforms in LDCs have been central to the public finance reform agenda of the United Nations (UN) since the beginning of the 1960s (Allen, 2009). However, since the 1980s, international organisations, such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB), have been the main promoters of government accounting reforms in LDCs. Reforms such as program budgeting and accrual accounting, which are also the key features of New Public Management (NPM), have been proposed for LDCs to improve transparency and accountability in resource allocation and service delivery (Goddard, 2010; Rahaman, 2010).

There has however been a change in the reform priorities of these international organisations in recent years as they now put more emphasis on the adoption of International Public Sector Accounting Standards (IPSASs) in particular the Cash Basis IPSAS issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). This is evident in a number of their country-specific reports such as the Reports on Standards and Codes (ROSC), the Public Expenditure and Financial Accountability (PEFA), and the GAP Analysis. IPSASs have been used in these reports as a benchmark through which to assess the strengths and weaknesses of accounting practices of LDCs. These standards have also been encouraged as an alternative reform approach to LDCs lacking internationally acknowledged accounting regulations and standards (Adhikari and Mellemvik (2011). Strong support for IPSASs also comes from the accounting profession (Brusca et al., 2013) which stands to benefit from increased opportunities in terms of jobs and consultancy assignments for their members.

The actual number of countries embracing the IPSASs has remained controversial, it is claimed that approximately 29 countries, mainly the LDCs, have so far adopted the Cash Basis IPSAS and 15 more countries are considering its adoption in the near future (IFAC, 2010; PWC, 2013). However, others have indicated that the number of governments that have actually implemented the Cash Basis IPSAS is far more limited and that in fact not a single government has actually fully implemented the requirements of the Cash Basis IPSAS

(Wynne, 2013). Those LDCs, which have adopted the Cash Basis IPSAS may have considered the standard as a means through which to achieve the required capacity and competence for an ultimate transition towards accrual accounting and the accrual based IPSASs (IFAC, 2011). As such the cash basis of IPSAS may become a point of departure in the sequencing of public sector accounting reforms, with accrual accounting as the final reform destination (Bietenhader and Bergmann, 2010; Ball, 2012).

Given the development of the widespread acceptance of IPSASs in LDCs, but the relatively low level of actual adoption, this paper aims to explore the diffusion process of the Cash Basis IPSAS in Nepal; one of the front-runners among LDCs in terms of declaring the adoption of the Cash Basis IPSAS (World Bank, 2011). In September 2009, the government of Nepal announced that a cash basis Nepal Public Sector Accounting Standard, corresponding to the Cash Basis IPSAS, would be developed and implemented in Nepali budgetary entities within the next five years. This has yet to be achieved by the Nepali public sector. Two achievements have been the translation of the Cash Basis IPSAS into the local language and the selection of two ministries for pilot implementation (Adhikari, 2013).

This paper aims to explore how the ideas of the Cash Basis IPSAS have evolved and been disseminated in the country and the challenges that have been experienced in practice. The fact that similar modernisation discourses are used to promote this type of reform agenda across many countries, but with significant challenges being encountered during implementation, has made public sector accounting a fertile ground for researchers in recent years (Hyndman et al., 2013; Guthrie et al., 1999). Calls have been made to extend public sector accounting research so as to generate broader insights into such challenges and to understand the ways the reforms are actually being implemented across countries (Broadbent and Guthrie, 2008). In fact, studies on the adoption of IPSASs in LDCs have appeared even more important at present given that the IPSASB is developing a separate conceptual framework for public sector accounting.

The paper draws on diffusion theory to explain various aspects of the adoption and implementation of the Cash Basis IPSAS in the Nepali central government. In particular, this study seeks to explore the internal and external circumstances promoting the adoption of the IPSAS, awareness of the Cash Basis IPSAS among government accountants, and the decision, implementation and confirmation of the IPSAS. Prior studies have demonstrated the relevancy and the appropriateness of diffusion theory for the study of on-going public sector accounting reforms in developed countries (Ezzamel et al., 2014; Lapsley and Wright, 2004; Christensen and Parker, 2010; Jackson and Lapsley, 2003). Our contribution in this paper is to apply the theory to understand and explain public sector innovations in LDCs, particularly in Nepal. The remainder of this paper is organised as follows: section two outlines the aspects of diffusion theory which we have used as a framework for the study. Section three succinctly addresses our research methodology. The following section overviews the evolution, dissemination and implementation of the Cash Basis IPSAS in the Nepali central government. The last two sections provide some discussion and concluding remarks respectively.

Rogers' Diffusion Trajectory: A Theoretical Framework

As stated previously, a range of public sector accounting studies have drawn on diffusion theory to explore the emergence of new accounting approaches (Ezzamel et al., 2014; Christenses and Parker, 2010; Jackson and Lapsley, 2003; Lapsley and Wright, 2004). Its application in the public sector has been used in accounts of the adoption of accrual accounting as part of New Public Management (NPM) and New Public Financial Management (NPFM) reforms (Hood, 1995; Guthrie et al, 1999). The diffusion of accrual accounting in the public sector however has become a diverse process involving multiple external and internal factors and formal and informal channels of communication (Lapsley and Wright, 2004). Christensen and Parker (2010) state that the existence of such complexities in the diffusion process has been a key feature of public sector organisations. As such, calls have been made to trace the factors impinging on such diversity so as to extend our knowledge of public sector accounting reforms (Broadbent and Guthrie, 2008).

Rogers (2003) outlined various stages in his attempt to elucidate a diffusion trajectory. This model was further elaborated by Ezzamel et al. (2014) in their study of the use of resource accounting and budgeting (RAB) in the UK central government. At the beginning of the diffusion process are 'prior conditions', which include, among others, the recognition of problems and defects with the existing practices, as well as the desire to be innovative and adopt modern practices. These conditions are supposed to render a central role in determining the receptivity of a specific context to an innovation. The second stage of the diffusion model is concerned with ‘knowledge of the innovation’ amongst the policy and decision makers. Without the existence of such ‘prior knowledge’, it is argued, the articulation of innovation would rather be ambiguous and may even not take place. At the third stage of diffusion lies ‘persuasion’. The likelihood of key stakeholders being persuaded to embrace innovation is however based on the perceived benefits that are to be derived from the innovation, the likely costs and the extent that the innovation corresponds with the organisation’s values and beliefs. It is at this stage that organisational actors generate either positive or negative attitudes toward the innovation. The persuasion stage is followed by ‘the decision on innovation’, which can be of a diverse nature ranging from approval to rejection and from later adoption to continued rejection. The decision to embrace the innovation may also lead to a pilot or trial adoption with a view to assessing its appropriateness and coping with its unintended consequences. The next stage of diffusion is implementation of the innovation. Undertaking innovation is a complex, problematic and uncertain exercise. At this stage, innovations are tended to alter, modify and reinvent so as to comply with the requirements of the specific settings. The diffusion process may therefore be more of a ‘back and forth’ movement rather than a straight forward process. At the last stage of the Rogers’ diffusion trajectory is confirmation, which can have two opposing impacts on the diffusion process. Either the adopters begin to realise the benefits of the innovations and institutionalise them, or they reject the use of such innovations, as they are unable to realise the intended benefits.

The public sector accounting literature focusing on LDCs has outlined external promoter led innovation, regardless of the perceived need of such innovation by public sector managers in LDCs (Bjornenk, 1997; Adhikari et al., 2013). Suppliers of much needed resources and technical expertise to LDCs, such as the World Bank and the IMF, have their own conditionality for the use of such resources by LDCs, which they try to impose using a plethora of mechanisms, for instance, coercive, mimetic, and normative mechanisms (Adhikari et al., 2013; Harun et al., 2012; Neu et al., 2009). However, the actual level of adoption of the Cash Basis IPSAS shows that these strategies have not always been successful. Having said this, we argue the relevance of diffusion theory in our study to explain the internal and external factors related to the adoption and implementation of the Cash Basis IPSAS in the Nepali public sector.

Research Methodology

This is a case study (Silverman, 2010; Stake, 2000) attempting to describe and explain the adoption and dissemination of the Cash Basis IPSAS in the central government of Nepal. The case study allows the researchers to theorise the research settings using a range of data collection techniques including document analysis, interviews and field observations (Yin, 2003). In this study, we have drawn on two approaches, document analysis and semi-structured interviews to develop our empirical sections.

Our document analysis mainly involved the collection and review of the World Bank's reports on public sector accounting and auditing standards for Nepal, joint reports of the Ministry of Finance (MoF) and development partners on the portfolio performance review, and the Accounting Standard Board's (ASB) Nepal Public Sector Accounting Standard (NPSAS). In addition, we have reviewed the media reports on government accounting, newsletters of the ASB, the Financial Comptroller General Office (FCGO), and the Public Expenditure and Financial Accountability Unit (PEFA). The document analysis provided us an initial insight into on-going activities relating to the Cash Basis IPSAS in the country. More importantly, it turned out to be valuable in terms of identifying and selecting our interviews the key officials, government and professional accountants rendering an influential role either directly or indirectly in the country's efforts to embrace international accounting standards. One of the authors, who had previous experience of working in Nepal, conducted 25 semi-structured interviews. Key interviewees included senior and junior accountants at the FCGO and its district offices (the so-called 'District Treasury and Controller Offices (DTCOs), officers at the MoF, and professional accountants at the ASB and the Institute of Charted Accountants of Nepal (ICAN). The interviews lasted on average 45-90 minutes and were tape recorded and subsequently transcribed. At the next stage, the data assembled were assorted referring to the stages outlined in the Rogers' diffusion trajectory and then the narratives were constructed. The fact that we cross checked the data gathered through the document analysis and interviews has helped us reassure the reliability and validity of the empirical evidence presented in this paper.

Adoption of the Cash Basis IPSAS in Nepal: Empirical Evidence

A process of innovation passes through a series of stages before the reform becomes accepted practice (Rogers, 2003). Considering this, we strive to explain the way the Cash Basis IPSAS has been adopted and implemented in the Nepali central government and the stages it has completed using Rogers' diffusion trajectory. We begin by outlining the prior conditions which constructed a conducive environment for the adoption of the Cash Basis IPSAS. We then proceed to address the sources promoting the IPSAS, the factors persuading the stakeholders to accept the reform, the decision to adopt and the manner the IPSAS has been attempted to be implemented by the Nepali central government.

Prior Conditions for the Cash Basis IPSAS

At the beginning of the Rogers' (1983; 1995; 2003) diffusion model or trajectory are 'prior conditions' impacting upon the evolution of new ideas in a particular context. The extent that organisations are receptive to new ideas is based on three conditions. These are previous practices, identification of needs or problems and willingness to innovate. These three factors all seem to have been influential in Nepal's attempt to implement the Cash Basis IPSAS. The approach to cash accounting, which the Nepali Government has adopted since the late 1960s, is rather inconsistent with the requirements of the Cash Basis IPSAS. For instance, advance payments and inventories are treated as expenditures rather than being recognised in the year when the associated resources are used. Third party payments, such as commodity grants and loans, technical assistance from development partners and other direct payments made by donors are not included in the current financial reporting system. Both the government and international organisations have identified the need to improve existing financial reporting practices, thereby creating a conducive environment for the adoption of ideas included in the IPSAS. This is also evident in a number of joint country studies in which the Nepali Government was recommended to consider international accounting standards and the accrual basis of accounting as an alternative and to improve existing public sector accounting practices (World Bank, 2002; ADB, 2005; IMF, 2007).

Individuals tend to seek information concerning innovations and extend their support to those reforms that correspond to their interests, requirements and perceptions (Rogers, 2003). Education and training play a key part in an individual's attempt to search for innovations. There has been an increase, in recent years, in the number of Nepali government accountants who have undertaken courses and training in public sector accounting abroad. According to our interviewees, in the last five years more than fifty Nepali government accountants, at different levels, undertook postgraduate courses or PEFA training in Australia, Norway, the Netherlands, Japan and Germany. This cohort of accountants, the so-called 'innovative' accountants, exposed to developments in other countries started championing improvements in accounting practices with a view to promoting transparency and accountability. Some of them have even lobbied for the adoption of the Cash Basis IPSAS due to its claimed widespread adoption by other developing nations. The Nepali situation resembles the Irish case, in which a cohort of civil servants who undertook postgraduate courses in public management in New Zealand – one of the fastest adopters of NPM and NPFM reforms (Guthrie et al., 1999) - was involved in propagating the need for accrual accounting (Hyndman and Connolly, 2011). In Ireland, as in Nepal, this was a road not taken. Such an opportunity to be exposed to accounting developments in other countries can therefore be an important source of innovativeness. The FCGO officer, who has undertaking a PEFA training abroad, as part of the World Bank's capacity development program commented;

'I have been persuading the senior officers/accountants at the FCGO and the MoF to admit the importance of streamlining our accounting system. Government accounting is changing across countries. We should study how other developing countries have approached government accounting reforms. One immediate alternative could be the adoption of the Cash Basis IPSAS'.

The fact that the FCGO is represented on several standing committees of the ASB may also have contributed to promoting awareness about IPSASs among government accountants. Since the establishment of the ASB in 2003, many government accountants have had the opportunity to represent the FCGO on such committees of the Board and to work jointly with professional accountants. In addition, government accountants have consistently been included as part of the ASB and the ICAN delegations to the South Asian Federation of Accountants (SAFA) summits and meetings. Such collaboration has become valuable in terms of explaining to government accountants the importance of high quality reporting for financial decision-making. SAFA organised a workshop for government accountants and officers to convince them of the importance of adopting international accounting standards and to facilitate the harmonisation of public sector accounting across South Asia. In its report, (SAFA, 2006), SAFA clearly highlighted the steps that the South Asian Governments should undertake to commence a move towards the adoption of international accounting standards. A senior accountant at the FCGO who is a board member of the ASB remarked:

'We [government accountants] should be more open towards embracing globalised accounting ideas in particular the IPSASs, which are meant to improve financial reporting of public entities. We need a more realistic plan so that we would be able to arrange infrastructures such as IT and training, among others, prior to adopting the IPSASs'.

Brusca et al. (2013) state that collaboration between government officials or accountants and professional accountants can be a key stimulus influencing the public sector to follow the international trend in accounting developments. Such has apparently become the case for the Nepali central government in that the close working relationship between certain government accountants and professional accountants has contributed to encouraging an element of innovativeness among government accountants.

Knowledge of the Cash Basis IPSAS

Rogers (2003) states that change agents use their skills and expertise to create a desire among organisational actors to embrace new practices. In the context of Nepal, the ASB and the World Bank have ostensibly played a key role in permeating knowledge about IPSASs among the Nepali public sector officials and professional accountants. The appointment of the new secretary of the ASB (holding a PhD in public sector accounting from a western country) in 2005 is seen as the beginning of the Board's involvement in the IPSAS project. A Chartered Accountant who was on the executive committee of the Board recalled:
"At the very first Board meeting after the appointment of the new secretary, the IPSAS project was brought forth on our agenda. We had not discussed anything about IPSAS before that. We agreed in the same meeting to initiate a feasibility study of IPSAS".

At the beginning of 2006, the Board formally launched a feasibility study of implementing IPSASs in Nepali public entities by mobilising its own limited resources and expertise. After a few months, however, the Board received a grant from the National Planning Commission (NPC) under the World Bank sponsored Economy Reform Project (ERP), to complete the IPSAS project. This funding allowed the Board to organise a series of seminars and workshops in which representatives from various government agencies such as the MoF, the FCGO, and the Auditor General's Office (AGO) were invited and provided with adequate information about the various aspects of the Cash Basis IPSAS and the impact the standard could have in improving financial reporting. In addition, a separate IPSAS committee was formed within the Board chaired by the retired Financial Comptroller. The committee, which consisted of two professional accountants and representatives from the MoF, the FCGO, and the Company Register Office (CRO), was tasked with recommending changes to the Cash Basis IPSAS so as to make it applicable to the Nepali public sector. The committee sat for a year and eventually presented the Board with a draft of the cash basis Nepal Public Sector Accounting Standard (NPSAS) corresponding to the Cash Basis IPSAS. An ICAN member on the committee recalled:

"We wanted to study both the cash and accrual basis IPSASs and their applicability in Nepal. However, limited resources meant that we had to drop the study of accrual IPSASs. We proposed changes to the Cash Basis IPSAS to reflect the specific Nepali requirements and also referred to the standard as the 'Nepal Public Sector Accounting Standard (NPSAS)".

The World Bank's 2007 report comparing Nepali public sector accounting practices with international standards also had a significant role in generating knowledge of IPSASs among Nepali officials and government accountants. Through this report the Bank was able to create an argument that the Cash Basis IPSAS would not only contribute to tackling the deficiencies in Nepali cash accounting, but would also improve the quality of accounting information so it was able to meet the minimum agreed requirements for cash accounting at the international level. The Bank appointed three chartered accountants as local consultants to disseminate the findings of its gap analysis amongst key government stakeholders. According to our interviewees, these local consultants were very active in explaining to the stakeholders the main features of the Cash Basis IPSAS, for instance, consolidation and third-party payments and the way they can be adjusted in financial statements. These consultants held several meetings with government officers and accountants at the MoF and FCGO in their attempt to convince them of the merits of the Cash Basis IPSAS. An officer at the FCGO commented;

"We had a long discussion with the chartered accountants appointed by the World Bank. They explained to us that we could still continue with the existing cash accounting, but we would be able to prepare high quality financial statements that were accepted at a global level using the Cash Basis IPSAS. I had previously thought that this standard was meant for overall change in the accounting system".

Based on the above quotation, an important aspect of the World Bank's approach was to explain to the government officials and accountants that the Cash Basis IPSAS is not meant to overhaul the entire accounting system, but just to improve the reporting mechanisms and the format of the financial statements. The standard has been presented as the most cost effective approach to streamlining accounting practices, as well as an approach that can be adopted with the minimum of capacity development programs and other costs, compared to the demands of other reforms, for instance accrual accounting.

Persuasion for the Adoption of the Cash Basis IPSAS

Rogers (2003) states that individuals tend to generate either favourable or unfavourable attitudes towards reforms or innovations at the stage of persuasion. The bulk of the public sector accounting literature has demonstrated that generating favourable attitudes towards reforms depends on the ability of the promoters of such reforms to convey the superiority of the innovations or new practices compared with existing practice (Rogers, 2003; Ezzamel et al., 2014; Neu and Ocampo, 2007). Although the efforts of the ASB and the World Bank are distinct in terms of diffusing the IPSASs ideas in Nepal, the imperative to adopt the Cash Basis IPSASs, however has been mainly driven by World Bank initiatives. The possession of much needed resources and technical expertise, which the country lacks, has provided the Bank with the opportunity to convince the Nepali stakeholders to accept the Cash Basis IPSAS in principal, although the willingness to adopt this reform has yet to be demonstrated in practice (as in many other LDCs).

The World Bank had first recommended the country to embrace public sector accounting standards in 2002. This recommendation was vague in that it did not precisely mention which standards to adhere to and how they would be implemented (the Cash Basis IPSAS was first issued in January 2003). The ADB had also offered similar recommendations in 2005 emphasising the imperative of accounting standards without mentioning the specific standards that the country should go for (ADB, 2005). Studies have demonstrated that the World Bank's public sector reform priority to LDCs has altered in recent years in particular after it started sponsoring the IPSASB's standards setting projects (Bietenhader and Bergmann, 2010; Adhikari and Mellemvik, 2011; IFAC, 2010). Once the Cash Basis IPSAS was formally issued in 2003, the Bank has identified the Cash Basis IPSAS as the best accounting solution for LDC governments arguing that its adoption would help these countries improve their governance and accountability mechanisms (World Bank, 2010). Recent reports published by Nepali government agencies have illustrated the Bank's coercive pressures for a migration towards the Cash Basis IPSAS (GoN, 2008; MoF, 2014). Interview participants claimed that such a pressure for the Cash Basis IPSAS which evolved in a form of a simple recommendation in 2007 has now become one of the Bank's key lending requirements to the country. In the last few years, the Bank has been successful not only to get the professional accountants, the ASB and ICAN on board, but also to gain the support of other donors and development partners such as JICA, DANIDA and DFID. An officer at the MoF remarked;

"Most of the donors these days provide funding or support collectively through the multi-donor trust fund (MDTF) chaired by the World Bank. Projects that have been considered important for the country are incorporated in the MDTF. And the adoption of the Cash Basis IPSASs is one of the MDTF projects."

Notably, such external pressures, which have serious implications in organisations' attempts to ensure resources and technical expertise have become a key characteristic of public sector accounting reforms (Jackson and Lapsley, 2003; Lapsley and Wight, 2004). According to our interview participants, the World Bank has been holding a joint meeting either annually or half yearly to decide on the amounts each donor can contribute to projects enlisted in the MDTF, including the IPSAS project. The government is also required to share at least a portion of the funding on each project embedded in the MDFT with a view to increasing its participation and ownership in the development endeavours (World Bank, 2011). The absence of such ownership has been alluded to as the core reason for the failure of earlier Nepali public sector accounting reforms, including the accrual accounting reforms (Adhikari et al., 2013).

For the IPSAS project, the government has been obliged to contribute US$. 1.4 million to the MDTF; amounts which account for almost 25% of the total funding agreed for the project (World Bank, 2011). As part of developing competence for use of the Cash Basis IPSAS in the country, the Bank has also approved financial support to the ASB and ICAN. Implicit within this support is the requirements for these professional institutions to facilitating training, seminars, and workshops for government accountants on a regular basis (World Bank, 2011). Our interview participants mentioned that these institutions have been using the seminars and workshops, which they organise for government accountants, to imply the widespread use of the Cash Basis IPSAS in other developing countries and to rationalise its superiority over the existing accounting practices.

Decision, Implementation and Confirmation of the Cash Basis IPSAS

Rogers (2003) states that the decision to embrace innovation can take various forms ranging from continuation to later approval and from controversy to rejection. Moreover, deciding on innovations can be both a complex and controversial endeavour given the involvement of various stakeholders and their attempt to represent their interests in the decision process. The decision to adopt the Cash Basis IPSAS has also remained contentious in Nepal not only delaying its implementation, but also questioning whether the standards were practical for implementation by Nepali public entities. Although there are no arguments among the stakeholders regarding the need for IPSASs in Nepal, the way the government has declared its adoption has led to dissention by government accountants. The fact that the ASB has been delegated the task of pronouncing the standards has been a primary reason for this disagreement. This is also the case in other countries, for example, South Africa which also has an 'independent' Accounting Standards Board which has issued a range of accrual based accounting standards, although central government ministries still report on the modified cash basis (Wynne, 2013).

Ezzamel et al. (2014) state that the actors who are against the innovation decisions are tended to be more active at the implementation stage striving to alter, modify, and reinvent the very essence of the innovation. This is of evidence in the process of implementing the Cash Basis IPSAS in Nepal. Not only that the government accountants are against the involvement of the ASB in government accounting, the majority of them are also hesitant in implementing the standard (i.e. NPSAS) developed by the ASB. Their argument is based on the fact that apart from some minor amendments in preface and introduction and minor revisions in areas such as reporting currency, cash and other receipts, and reporting entities, the NPSAS pronounced by the Board is just a replica of the updated version of the Cash Basis IPSAS. An account officer at the FCGO commented;

"Why do we not directly adopt the Cash Basis IPSAS outlining the provisions that would not be applicable in Nepal and providing guidance on how such provisions should be tackled".

Government accountants have also raised concerns over the fact that they should be in a better position to reflect on the specific settings in which accounting operates than other stakeholders and professional accountants. As such, we have during our interviews observed a unanimous voice among government accountants that they should be provided with the opportunity to develop the standard and drive the implementation process. According to interviewees, government accountants have embarked on negotiations with professional accountants and the World Bank urging for changes in the agreed plan and roadmap for the articulation of the Cash Basis IPSAS. Notably, such negotiations led by the government accountants have already resulted in a change in the transfer of the authority or responsibility from the ASB to the FCGO in articulating the Cash Basis IPSAS in budgetary entities.

An experimental implementation of innovation is considered to be a practical means of coping with uncertainties inherit in particular innovations (Rogers, 2003). That the implementation of the Cash Basis IPSAS would be a challenging task for government accountants given their lack of technical competence has been acknowledged by the FCGO (MoF, 2014). Although the IFAC have also recognised that the Cash Basis IPSAS in its current for is challenging for many LDC governments (IFAC 2010). The FCGO has therefore assigned its Public Expenditure and Financial Accountability (PEFA) unit - a unit within the FCGO established to facilitate reforms in other areas of public finance - the duty of piloting the standard in two ministries, i.e. the Ministry of Physical Planning and Transport Management and the Ministry of Woman, Child, and Social Welfare. It has also been agreed that the decision on the implementation of the standard across public entities would be made only after two years evaluating the success of the pilot projects. Commenting on the agreement between the World Bank and the FCGO a senior accountant at the FCGO stated;
"*We have drawn a timeline and roadmap for the implementation of the Cash Basis IPSAS and we are organising a joint meeting with the Bank twice a year to update our progresses*".

The role of the ASB has now been confined to providing an independent assessment and oversight of the piloting phase of the standard. In addition, the ICAN has been authorised to establish an accounting technician board, which includes in its agenda the introduction of training on IPSASs to junior- and senior-level government accountants. The implementation plan of the Cash Basis IPSAS, in particular the attempt to stretch its adoption over years however has not remained without critics. Questioning the way the implementation of the Cash Basis IPSAS is being scheduled in Nepal, a certified accountant commented:
'I do not know how it is possible to develop and implement accounting standards by avoiding professional accountants. The FCGO has not recruited a single charted accountant and I do not think most of the government accountants have the capacity to understand the very

essence of the standards and their requirements. They (government accountants) just want to prolong the implementation of the standard".

The late adoption of innovations has often been equated with an attempt to abandon or re-invent the very essence of such innovations (Rogers, 2003). The fact that the professional accountants are excluded and the way the FCGO is stretching the implementing of the Cash Basis IPSAS has led to the questioning of the successful implementation and confirmation of the standard in Nepal. As such, concerns have already been raised whether the Cash Basis IPSAS would experience a similar fate as other public sector accounting reforms of the 1980s and 90s, for instance, program budgeting and accrual accounting that have been declared but subsequently abandoned being more difficult to introduce than expected.

Discussion

Drawing on the factors embedded in the Rogers (2003) diffusion trajectory, the paper has demonstrated prior conditions creating a conducive environment for the diffusion of the Cash Basis IPSAS, knowledge of the Cash Basis IPSAS among government officials and accountants, the promotion of the adoption of the IPSAS, and the decision, implementation, and confirmation of the Cash Basis IPSAS in the Nepali central government. The awareness of the problems in the existing cash system has led to a degree of receptivity to new accounting in the country. Despite the receptivity, uncertainties regarding the approaches to improving the accounting practices have contributed to extending the period of stability in Nepali government accounting. In fact, the underlying principle and objective of Nepali cash accounting has remained intact since its inception in the 1960s (Adhikari and Mellemvik, 2011). This stability has however been challenged in recent years through an attempt to converge the accounting system with the Cash Basis IPSAS. The opportunity to attend courses and training on public sector accounting aboard and to participate in the standards setting process of private enterprises by representatives of the FCGO and the MoF has proved valuable in facilitating knowledge and innovativeness among many government officials and accountants about the Cash Basis IPSAS. In this way, some of the officials and accountants have become more cosmopolitan in their outlook and more aware of the importance of adopting international accounting standards by the public sector. They have also developed interpersonal channels communicating the need to reform the prevailing accounting system (Rogers, 2003). In addition, the efforts of the ASB to facilitate the IPSAS project and in parallel the World Bank's gap analysis comparing the existing accounting practices with international accounting standards have proved to be key impetuses in accelerating the momentum towards the Cash Basis IPSAS.

The role of the World Bank (i.e. supplier of accounting innovations) is visible in terms of persuading the Nepali policy makers to accept the Cash Basis IPSAS. Studies have shown the importance of prior knowledge in persuading the key stakeholders to embrace innovation (Rogers, 2003; Ezzamel et al., 2014; Lapsley and Wright, 2004). The way the country has been persuaded to embrace the standard and the attempts to implement the standard through the ASB mean that the Cash Basis IPSAS has become more a supplier led innovation. The fact that suppliers promoted innovation is rather difficult to avoid as evidence on prior studies have shown (Lapsley and Wright, 2004; Bjornenak, 1997). Not only has the World Bank put forward the Cash Basis IPSAS as one of its lending requirements, but has also mobilised professional accountants to persuade key stakeholders of the superiority of the IPSAS compared with prevailing accounting practices. The professional accountants, who were employed by the World Bank as local consultants, rendered a role in rationalising the need for the Cash Basis IPSAS in the country. Such attempts by consultants to persuade organisations to accept the innovations which they have promoted are also clearly evidenced in other countries (Ashraf and Uddin, 2013; Christensen and Skærbæk, 2010). The problem is that the consultants may distort actual international experience, exaggerate the benefits and understate the challenges of the particular reforms that they are promoting.

Despite this promotion, the implementation of the Cash Basis IPSAS in Nepal has not however been a straightforward process. Of various outcomes of the implementation processes (Rogers, 2003), the Nepali case reflects an immediate rejection leading to later adoption of the standard. The fact that the ASB has been handed over the task of producing accounting standards has become a source of dissension among government accountants jeopardising its implementation. Public sector accounting studies have illustrated the importance of a coordinated approach involving the participation of professional accountants, government officials and accountants, and resource providers for the successful implementation of reforms (Harun et al., 2012; Pollanen and Loiselle-Lapointe, 2012). It is only through such collaboration the required accounting skills, expertise, and experience for the adoption and use of the accounting standards can be made available and utilised (Ball and Pflugrath, 2012). There has been envisaged a lack of such cooperation in Nepal particularly between the government accountants and professional accounting institutions, i.e. the ASB and the ICAN, in the development and implementation of the Cash Basis IPSAS. The fact that the World Bank is more concerned with involving professional accountants in the diffusion and implementation of the standards has further contributed to exacerbating the relationship between these two groups of accountants. This has resulted in on-going negotiation between government accountants on the one hand and the ASB, the ICAN, and the World Bank on the other hand undermining the implementation and confirmation of the Cash Basis IPSAS in Nepal. The implementation of the Cash Basis IPSAS in the Nepali central government has not only been prolonged, but also become uncertain as it will now be based on the results of the piloting of the standard in only two ministries.

The contribution of this study is to bring out the fact that the diffusion of some public sector innovations, like the Cash Basis IPSAS in LDCs can be understood more as rhetoric than reality. LDC governments are prepared to accept such reforms, under pressure from the World Bank and other donors, but in reality they do not accept the value of the reforms and so their implementation is delayed at best. As stated by Rogers (2003) the diffusion trajectory which extends from prior knowledge to conformation is therefore not automatic in the context of LDCs. Illustrating Nepal's attempts towards the implementation of the Cash Basis IPSAS, the study has clearly demonstrated that the diffusion of the Cash Basis IPSAS in LDCs does not necessary lead to the implementation of the standard in their specific settings.

As elucidated by the Nepali case, a range of problems can evolve in the process of implementing the Cash Basis IPSAS in LDCs. This is however not surprising given the fact that the execution of innovation often consists of an element of uncertainty (Rogers, 2003). One major problem can be to represent and balance the interests of diverse stakeholders in the articulation of the standard. There is of evidence that the adoption of the accounting standards cannot be advanced appropriately without the involvement of professional accountants (Ball and Pflugrath, 2012). The World Bank has been using professional accountants and the institutions they represent as the main disseminators of IPSAS ideas in LDCs. LDCs are encouraged to appoint professional accountants in key financial positions on the public service. At the same time, what has been witnessed form the Nepali case is that government accountants are often reluctant to hand over their inherent authority of setting regulations/standards in the public sector to professional accountants and other stakeholders. As such there is a need to search for an appropriate mechanism through which to establish trust and encourage a broader participation of different stakeholders so as to make the implementation of the Cash Basis IPSAS a successful endeavour. Equally important is to ensure the conditions necessary for the diffusion of the standard, which include, amongst others, an explicit plan and time frame detailing the articulation of the standard, adequate training to accounting staff, supporting IT, and a clear division of responsibilities among the key stakeholders, for instance, government accountants, bureaucrats, auditors, and professional accountants, who may have a key role in the implementation of the standard. As demonstrated by the Nepali case, the diffusion of the standard without addressing such conditions may prolong the implementation process thereby elevating a degree of uncertainty about its confirmation.

Conclusion

International financial institutions, campaigning and facilitating the adoption of neo-economic liberalism, focus their attention on economy, efficiency, effectiveness and output measurement amongst various issues of economic rationality. Although it may be claimed that accrual accounting generates most of the necessary information for economic rationality (Parker and Gould, 1999), the cash basis of accounting can also facilitate this kind of rationality. As a result, changing the existing, the so-called 'outdated' cash-based accounting systems in LDCs has become one of the main priorities of the World Bank and the IMF (Adhikari et al., 2013). Although they have accepted that for most countries, at least, in South Asia and sub-Saharan Africa a move to accrual accounting will not be practical for the foreseeable future. They have been deploying various strategies to highlight the importance of replacing the traditional cash-based accounting system with a view to increasing economic rationality of the public sector in LDCs. In the context of Nepal, foreign training programs for the country's bureaucracy and financial support to professional accounting institutions have been utilized to identify the weaknesses of the existing cash basis accounting system and to make the participants aware of accounting reforms undertaken by the public sector of western countries. LDCs are therefore urged to sequence their public sector accounting reforms beginning with the adoption of the Cash Basis IPSAS and moving towards accrual accounting in the longer-term.

Despite the receptivity of many LDC governments to embrace the Cash Basis IPSAS, its implementation and confirmation have continued to be questioned. The Cash Basis IPSAS has proved to be an uncertain exercise. Although this case study from Nepal may not be adequate to generalise to the accounting environment of other LDCs, it has to some extent reflected the underlying reality of the implementation of Cash Basis IPSAS more widely. The study argues that the adoption of the Cash Basis IPSAS by LDCs does not necessarily mean that the standard is actually being implemented. Certain requirements of the Cash Basis IPSAS, for instance, full consolidation, reporting external assistance and third party payments, just to name a few, have proved impractical (IFAC, 2010). There have also been ambiguities regarding how the implementation process should be carried out in LDCs. This is evident in a range of other LDCs, not least in Nepal (World Bank, 2010). Wynne (2013) claims that “at least 31 governments in Africa have tried to adopt this standard, but its key requirements had not proved practical”. The IFAC has already made an announcement that it would undertake a revision of the Cash Basis IPSAS, although no progress was subsequently achieved due to funding constraints (IFAC, 2010; Wynne, 2013; Parry and Wynne, 2009).

What is worrying is that, despite the acknowledged short-comings of the Cash Basis IPSAS, international financial organisations and the accounting profession continue to promote it in LDCs as international best practice. This paper therefore emphasises the need for the identification of good accounting practices for LDCs rather than forcing them to adopt symbolic acceptance of the Cash Basis IPSAS. An example of such a good practice can be the promotion of modified cash accounting. Wynne (2013) argues that modified cash is the basis of accounting for more than 90% of governments around the world. According to the IFAC (2010), a large number of governments in Latin America have moved away from the use of pure cash to a modified version of cash in the last decades disclosing, in addition to cash receipts and payments, receivables, payables, borrowings and other financial liabilities, non-cash assets, accruing revenues and expenses, amongst others. More interestingly, in their study of the use of IPSASs in South Asia, Adhikari and Mellemvik (2010) state that the modified version of cash accounting, embracing some non-cash elements and accrual transactions, is being implemented in all countries of the region. We argue that proposing that LDCs move back to the pure cash basis of accounting (as with the Cash Basis IPSAS) cannot be an optimal reform trajectory for LDCs. An incremental approach to public sector accounting reform should be adopted encouraging LDCs to extend the use of a modified version of cash accounting. Such an approach may not only contribute to addressing the actual accounting requirements of LDCs, but will also facilitate the on-going public sector accounting reforms in these countries into a reality.

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