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# Accountants and economic governance in a dependent country

Conflicting legacies and new professional issues in Lebanon

Elisabeth LONGUENESSE

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## Abstract

*Purpose:* The purpose of this study was to sort out what was at stake in the fierce debates that raged after 1995 among Lebanese accountants about the conditions of membership to their new association.

*Approach and methodology:* It fits within the recent development of the sociology of professions. But because of the specific nature of accountants expertise, it is also concerned with broader societal issues and socio-political negotiation of interests, which underlie professional battles. Lastly, to understand what is at stake today, we had to take into accounts past legacies, struggles and competitions.

*Findings:* Before the creation of the LACPA in 1995, there was no unified accounting profession in Lebanon. Two bodies represented two types of work and practise (small offices doing mainly accountancy and fiscal consulting and service v. Anglo-Saxon oriented and English speaking audit and accountancy practises). After 1995, although the new body welcome OECF's advices, it could not adopt its principles. The absence of a high level degree in accountancy (comparable to DESCF), the diversity of academic trainings, made it necessary for LACPA to have its own certification exam. But conflicting Anglo-Saxon and French legacies will soon be absorbed in global change where economic governance is now submitted to the hegemony of financial markets.

*Research limitations:* The Lebanese case also reveals specific dimensions. The professional field is structured by overlapping conflicts of interest and power struggles which are simultaneously professional, social, cultural, political.

*Value of the paper:* It gives new insights to the accountancy profession in a non-industrial country, and has interesting theoretical implications for the sociology of professions and for political economy.

## Keywords:

accountancy, Lebanon, profession, governance, globalization, sociology

## 1. Introduction

Speaking of so-called developing countries (including those of the Middle East), “good” governance usually includes broad societal issues, like the “rule of law”, “political participation”, “transparency and accountability”, or “institutional capacity building”, considered as pre-conditions for economic development (see UNDP, POGAR).

Different categories of actors are concerned by these reforms. Among them, professionals are rarely mentioned, although some do play a decisive role. It is particularly the case of accountants whose mission is central to the implementation and control of legal and economic regulations. The study of professional change and struggles in the field of accountancy can therefore be a good indicator of reform impact and significance.

The structuring of the accountancy professional field as a set of institutionalized performances, inside and outside the firm for the sake of public interest and in State administration, reflects the historical form of capitalist development in one country. The comparison of historical experiences highlights significant differences in the modes and importance of state intervention, in the definition and status of the professional bodies and social entities on which it relies to supervise and control social and economic activities (Capron, 1993). Such differences are often observed in professional missions, in the degree and nature of professional autonomy, in the nature of state delegation and prerogatives, the mode of delivering professional credentials, etc.

The Anglo-Saxon liberal model is generally contrasted to most continental experiences (Walton, 1996; Hanlon, 1994). In Great Britain, the state used to delegate public control to private agencies, whereas in France and Germany, state civil servants were in charge of it. This had major consequences on the status and missions of professional bodies. The autonomous and powerful British accountancy profession contrasts the segmentation of the accountancy field in France, between “experts-comptables”, “commissaires aux comptes”, “inspecteurs des finances”, and different bodies of state auditors and tax controllers. Engineers used to monopolize management positions in firms in France as well as in Sweden and Germany whereas accountants were much less considered... (Ramirez, 2001, Hanlon, 1994). On the contrary, British accountants would be preferred to occupy leading positions in management.

The focus of this paper is on the development of an accountancy profession in Lebanon. It starts with showing the creation of a new professional body in 1995 and goes back to the historical circumstances of the structuring of a professional expertise, trying to understand what is at stake up to our days in professional debates.

In November 1995, according to law n. 364 of 1994, a new professional association was created under the name “*Niqâbat khubarâ‘ al-muhâsaba al-mujâzîn fî Lubnân*” (translated as *Lebanese Association of Certified public Accountants* in English, and *Ordre des Experts-Comptables Agréés au Liban* in French). Its objectives were defined in art. 4 as following :

“To protect the profession and strive for its improvement (...); to develop a spirit of mutual support (...); to realise scientific studies (...); to prepare and propose accountancy principles and audit standards (...).”

It was the outcome of a long struggle for professional recognition and replaced a previous “Union of Licensed Accountants” (*Niqâbat al-Muhâsibîn al-Mujâzîn fî Lubnân*), under the supervision of the ministry of labour. Nevertheless, the questions of who had a right to be

considered as a professional accountant, who should be accepted as a member in the new association and allowed to practise as a certified accountant, what type of practise was included in the field of “accountancy”, were not settled for many years after 1995. All along the second half of the 1990’s, controversies and arguments were frequent, and concerned the life of the association, the conditions of membership and election to the board, the lack of internal democracy.

The purpose of this study will then be to sort out as far as possible what was at stake in these debates<sup>1</sup>.

## **2. Professional issues and political economy**

My approach to the accountancy profession in Lebanon can be situated at the cross point of political economy and the sociology of professions.

On one side, it broadly fits within the recent development of the sociology of professions. I consider a professional group, as Abbott (1988) does, as the result of struggles to defend its boundaries with other professional groups for the control of its “jurisdiction”, that is the monopoly on its field of professional expertise. Alongside these struggles, societal constraints, changing balances of power and competing interests between economic and social actors are also of paramount importance to structure and organise professional work. Finally, specific historical legacies explain why the definition of a particular profession rarely fits from one country to another, why state-profession relations largely differ. This is particularly true of accountancy.

On the other side, because of the specific nature of accountants expertise, which concerns the State and economic regulations, its study should consider, more than for any other profession, broader societal issues and socio-political negotiation of interests which underlie professional battles. The work of accountants and auditors is directly linked to economic governance and its very definition depends on the type of service which is expected from them and the weight of the different parties concerned by an audited company, between management, shareholders, workers, clients, users, local community, etc. It may change according to social and economic policies and regulations. De Beelde (2003) has shown how post second world war Belgium invented a new profession by dissociating two bodies of auditors, the “*réviseurs d’entreprise*”, whose mission was oriented towards works council whereas the “*commissaires*” reported to the shareholders. In the very different context of Greece, on the contrary, a fierce conflict emerged in the 1990’s between an indigenous body of public auditors, whose mission had been defined in the 1950’s as the protection of “public interest”, and whose privileged status was close to civil service, and the local branches of international accounting firms, representing the interest of internationalised firms and foreign investors, on the monopoly of audit practise. The conflict eventually ended with the victory of the latter (Caramanis, 1999).

In Lebanon, where socio-political equilibrium is the result of a complex mixture of sectarian, social and economic interests in competition in the post civil war context of the reconstruction, the recent history of accountants highlights some of the issues at stake in reform policies. It also reveals the weight of specific legacies inherited from the colonial domination. In such a case, imported models play a major role in social change. The

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<sup>1</sup> This paper presents some of the findings of a longer study that should be published later in a book.

colonial power, in its effort to modernize the country and its institutions, tend to subordinate certain professions to its own interest and place them under control. Terence Johnson argues for instance that as

“the consolidation of the British empire in the second half of the 19<sup>th</sup> century roughly coincided with the rise of professionalism in Britain (...) (British professional associations) were increasingly involved in attempts to regulate professional practice in the Empire” (Johnson, 1973: 285-86)

and he considers that they “also fulfilled an imperial role as qualifiers” (1982: 204).

Accountancy is a good example of this process and Lebanon a case among others, though less known. Its specificity lies in the conflicting coexistence of two colonial professional heritage.

Dubar and Tripier (1998) have highlighted the importance of historical legacies by tentatively formalising a few professional types, each corresponding to a broad societal paradigm. They distinguished between “body profession” (*profession corps*), “brotherhood profession” (*profession confrérie*) and “illegitimate profession” (*profession illégitime*) models, referring respectively to the dominant paradigms of French catholic state-body, German and puritan collegial community, and individualistic liberal market: for the two French authors, these models still contribute to a large point to the shaping of professional culture and logics in spite of social and economic change, although the liberal individualistic model – which tends to undermine the legitimacy of professionalism – seem to become more and more hegemonic.

One may find that these ideal types stress more than necessary on cultural legacies, but we must admit that they are particularly stimulating for the study of the Lebanese case, atypical as it is. We’ll show indeed how different legacies are in conflict, dating back to the end of the Ottoman empire and the mandate period (1920-1943), when European powers (mainly France and Great Britain) competed to impose their strategic, political and economic interests to the region.

My hypothesis is that the conflicts that characterised the accountancy professional field in Lebanon from the 1960’s to the turn of the millenary are multidimensional: they certainly have much to do with personal, sectarian or generation interests but they also result from differences between professional models, and struggle over the definition of a jurisdiction. More than a competition on boundaries with competing professional groups though, what is at stake is a redefinition, in a changing world, of the missions of accountants, the relation between independent and corporate work, and professional status.

### **3. Lebanese accountants in history and society**

The complex situation that characterizes Lebanon is the product of its history and of the specific circumstances of capitalist development in a dependent country, from the last century of Ottoman domination, through the French Mandate and the Independence. The long civil war (1975-1990), the difficulties of the reconstruction, the conditions of foreign aids, the place of Lebanon in the world economy, all influenced in different ways the changes and evolution of commercial and economic legislation and professional practise.

In the course of recent history, the evidence of French influence through colonial domination was challenged by a less visible British influence in commercial and professional matters. The latter is today simultaneously enhanced and transformed with the growing internationalization of audit and accountancy.

The history of the development and structuring of accountancy in Lebanon offers in fact a unique example of a competition between two models, the model of the French occupying power, and the model of the dominant commercial power in the Middle East for half a century since the end of the 19<sup>th</sup> century, Great Britain. 50 years after independence, this old divide is eventually blurred, the professional field has undergone deep changes and new agendas have come to the fore as adjustment policies and foreign investments tend to impose the generalisation of international standards.

We will show that the creation of a new professional association of accountants reveals at once the persistence – though weakening – of the French influence and the increasing expansion of a global model under the pressure of international professional organisations dominated by the major audit firms.

To what point this competition of models is a mere expression of the much more important issue of economic policies and economic governance: between the expansion of financial markets and the hegemony of stockholders interests and the lost battle of economic independence, state control and social contract, accountants may well be confronted to an impossible dilemma.

### **1. The beginnings of modern accountancy in the Middle East**

As early as mid 19<sup>th</sup> c., in the framework of the Reform policy known as the Tanzimat, the Ottoman empire adopted a corpus of laws largely inspired by the French. Such an option for the French Roman legal model rather than the British common law can be explained by the specific Ottoman heritage of centralized state power and by the role of the state in a modernisation project initiated from above. In 1882, a law on shareholding companies imposed the appointment of auditors in charge of accounts revision (*commissaires chargés de la vérification des comptes*: Young, 1905). Stock markets were created whose main activity was in fact concerned with Public Debt administration.

After the dismantlement of the Ottoman empire, the new Mandatory authorities maintained the Ottoman legislation and simply complemented or adapted laws according to the new developments. It was not before 1942 that a new commercial law was promulgated which eventually abolished the Ottoman code still in force. It introduced definite provisions for the designation of auditors, but still no precise qualification was demanded, reputation and experience being more important.

Great Britain's share was nevertheless predominant in regional trade until after the first world war. Only in 1926 did France supersede its rival for imports from Mandatory Syria (Sluglett, 2004). Great Britain was also the first western country who invested in oil industry in the Middle East.

British companies (among which oil companies were the most important) dragged along in their wake the first audit firms from the beginning of the century. Significantly, those who are presented today in Lebanon as the pioneers of the accounting profession were all trained in British practices. Some of them had worked in Palestine and the most famous, Fouad Saba, a graduate from the American University in Beirut and member of British ACCA (*Association of Certified Chartered Accountants*, whose members work mainly in the Commonwealth; Annisette, 2000), had founded in 1924 the first independent Palestinian accountancy firm in Haifa (Ben Mahmoud, 2002). As early as the first years of the 1950's, Saba and Partners opened subsidiaries in Damascus, Baghdad, Kuwait and Amman. Fouad Saba was Palestinian and his British training may not be surprising. But

Jamil Attiyeh, who is said to be the first Lebanese to have founded, in 1945, an independent accountancy firm, had a Ph.D. in economy and finance from the University of Louisiana and was also a member of ACCA (Shamseddine, 1999)

Meanwhile French trained accounting technicians were educated in professional schools and employed mainly in commercial and industrial firms, rather than audit firms. The first independent “French” audit office is mentioned in 1954 when Elie Aoun, educated at the *Ecoles des frères* and graduated in accountancy from Belgium, founded the *Fiduciaire du Proche-Orient*.

The issue of professional training and education is central to professional competition in Lebanon. It has practical as well as symbolic implications. The French congregation *Frères des écoles chrétiennes*, who offered free schooling to children from poor social background were also the first to offer professional training (Riffier, 2000). They were in Lebanon the representatives of the “*Société de Comptabilité de France*”. Later, the *Ecole pratique de commerce et de comptabilité*, founded by Gervais Pigier opened in Beirut in 1920 and was to play a decisive role between 1950 and 1975 for the training of accountants. At the end of the 1950’s and the beginning of the 1960’s, several French trained accountants founded their own training institutes. The most famous, the *Centre d’Etudes comptables*, known as the *Centre Belge*, was founded in 1959 with the help and support of a Belgian institute. Many of the future Union leaders were trained in the *Centre Belge* (Longuenesse, 2002). The Belgian influence should then not be underestimated, even if it is difficult to trace, except in the use of expressions like “*reviseur*” instead of “*commissaire*”, which allows us to wonder if this has also influenced the representation of the auditor’s missions.

As for the small elite of those who were recruited in British accountancy firms, they were trained on Anglo-Saxon audit methods and generally were sent overseas to pass professional exams of “chartered accountant” in England or “certified public accountant” in the United States, which confirmed their elite status, as they benefited from the prestige of the accountancy profession in the Anglo-Saxon world.

Accountants could complete their education at a university level in law, commercial studies, and later in management, in two elite universities (Saint-Joseph University and the American University in Beirut, AUB) as early as the 1930’s, and in three universities of lesser prestige, Kaslik Holy Spirit University, Beirut Arab University (BAU), and the Lebanese (State) University (LU), after the 1960’s. At that time, the Lebanese state had created an official technician degree in accountancy.

Even more than the qualification that it is supposed to give, an academic degree is valued for its symbolic dimension. Training and education received in the different universities and colleges in Lebanon are until today diversely appreciated by the public, whose concern includes not only their intrinsic quality but also a certain idea of professional and cultural models that each institution carries, notwithstanding their social prestige and reputation. Many would say that BAU and LU are second level universities compared to AUB or St Joseph. But competition is as much between English and French culture, Arab and Lebanese nationalism, as it is between elite and mass education. Some will praise the more practical Anglo-Saxon training, its higher technical level, which the BAU would have inherited and be appreciated for, others the legal formalism of the French.

Eventually, if many stand for the idea of a British superiority in accountancy, the coexistence of both French and British tradition is often seen as offering a unique opportunity for Lebanese professionals to be more open to different methods and to international standards. Such an opinion is common among young French educated

professionals who think they possess an advantage that their English trained colleagues lack, as Lebanese regulations have borrowed from both systems (and the recent introduction of Value Added Tax is not their smallest argument!).

## 2. Institutionalisation, jurisdiction strives and conflict over professional models

The institutionalisation of an accounting profession in Lebanon was a complex process which started with the first professional associations in 1964 and can be considered as completed with their unification in 1995.

Up to 1964, one would not speak of an accounting profession but rather of different categories of semi professional groups, whose practise was very loosely regulated.

Some professionals had been through a more or less specialised training and obtained degrees soon to be recognized by the state. A small number had foreign credentials and were members of British professional associations (mainly ACCA). Those who were registered in court could boast of some sort of official recognition which could give them a kind of legitimacy (although not confirmed by any kind of specialised training certificate or professional credentials), but nothing like a national certification comparable to the French “*Diplôme d’Etat d’expertise comptable et financière*”, the American *CPA* or the British *Chartered Accountant* existed and no professional association that could pretend to speak on behalf of a non existent profession. A first attempt to draft regulation was worked on in 1952 which was inspired by the existing laws in ex-British colonies (Egypt, Jordan or Palestine) and another one in 1960. Both failed (Shamseddine, 1999).

Then, between the end of 1963 and the beginning of 1964, almost simultaneously, two associations were created which both claimed to represent the accountancy profession and, at least for one of them, to control professional qualification.

On November 17 1963, by decree of the ministry of social affairs, a “Union of Accountancy Office Owners” (*Niqâbat ashâb makâtib al-muhâsaba*) came into being, according to labour law provisions on trade unions, as the representative body for the defence of the interests of independent accountants. Three months later, on March 12, 1964, the *Middle East Society of Accountants and Auditors* was registered under the law on cultural and charity associations. Whereas the “Union” was a craft union of a guild type, whose objective was the defence of economic and social interests of its members, the “Association” pretended to be a professional body in the British sense, with strict membership provisions and the objective of “Rising the professional, cultural and educational level of the accountancy profession and preserving a high level for licensing graduates to practise legal accountancy”. Based in Beirut and founded by Lebanese and Palestinian professionals, it claimed a regional ambition. MESAA project was explicitly elitist and its members were almost exclusively British or American trained. On the contrary, in its first years, the Union welcomed all practising independent accountants whatever their level of education and training and their professional experience. The composition of the board of the two professional bodies make us think that the latter were on the whole of more modest social origin than the former, although more evidence would be necessary to confirm this hypothesis.

The two organisations adopted contradictory principles and an opposite strategy. For MESAA, the main concern was to be recognized by international professional bodies on an equal level, even if the price to pay was the exclusion of most local practising professionals, whereas the Union wanted to defend the interest of all and was mobilised for



their promotion. Such a difference was nothing but the expression of each one's position on a service market divided between foreign investors and joint venture capital on one side and small or medium local (mainly) family firms, on the other.

When in 1978, the Union applied for admission to IFAC, its application was rejected because of the absence of qualification condition for union membership. Its leadership realised the necessity of imposing training standards. With the agreement of the ministry of labour it changed its name to "Union of Licensed Accountants" (*Niqâbat al-Muhâsibîn al-Mujâzîn*) and no longer accepted a member without a technical or academic degree in accountancy, management or commercial studies. Two categories of members were defined: a) independent practising accountants, b) non practising accountants. The latter could be employed in public or private organizations, but not government administration. One year later, in 1979, the Union was eventually admitted to IFAC.

From the 1980's, the Union leaders, with the support of the ministry of finance contacted the French *Ordre des Experts-Comptables* for training assistance. This cooperation contributed to the elaboration of the first Lebanese National Accounting Code (largely inspired by the French *Plan Comptable General*) in 1983 and the creation of the Higher Council for Accountancy, in November 1984. A code of ethics was later worked out. In 1992, a 3 year period of training was imposed for new members before full membership admission as "independent practising member". The professional project was becoming more evident with the Union's increasing concern for professional issues and with the improvement of professional standards and the homogenisation of training, over purely corporatist economic interests. When the law on the new Syndicate was promulgated, the old Union was ready for its mutation.

In 1994, law 364 gave existence to a new body, which was supposed to replace the old Union. A founding committee was designated, composed of 10 members representing different social, sectarian and political groups and types of practises. One year later, the first council was elected. Two candidates were competing for presidency of the Association. One was the retiring president of the dissolved Union, who was confident on his re-election. A 60 year old Druze<sup>2</sup> of modest social origin, self-made man, trained in the Centre Belge, not at ease with foreign languages, he typically represented the old guard of Union leaders. The second candidate, 15 years younger, a Muslim Sunni "new man", represented a new generation rather than a different social class, trained at Beirut Arab University and post graduated at the American University – and probably different political allegiance. The latter eventually won, and was even re-elected in 1998, after a period of difficult internal crisis. From 2000, the life and functioning of the Association was stabilised and a new president was elected every two years, alternatively Muslim and Christian.

#### **4. Economic reforms and professional developments**

The structure of the professional field of accountancy reflects the structure of the national market but also the position of the country in the regional and international division of labour.

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<sup>2</sup> The Druze, a dissident muslim sect, are often considered, and consider themselves, with the Maronites, to be one of the communities constitutive of the identity of Mount Lebanon.

In the Middle East, notwithstanding regional differences, the market is strongly segmented and polarised between a tiny highly modern sector and a large small production local sector, and the accountancy professional field is all the more distorted between the representatives of the “fat four” and medium and small firms. Such polarisation also takes the form of an extraversion of the labour markets, the level of wages being determined on both extremes by foreign markets, for highly paid and highly qualified manpower on one side (including local partners of international firms) and non qualified and underpaid labourers on the other (Asian or African, male and female, workers) (Nahhas, 2001). Accountants revenues are also highly differentiated according to the identity of their client firms.

### **1. Post war reforms in a segmented market**

In Lebanon, the market is dominated by small and very small enterprises. In 2000, only 70 000 of the 265 000 economic establishments were registered at the chamber of commerce and 35 000 declared their revenues to the administration. Even shareholding companies are mainly family owned and the exact situation is difficult to know (Melki, 1996). The banking sector itself suffers from the small scale of Lebanese establishments: in 1991, 35% of the banking business was in the hands of the first five banks, the rest being shared among 72 establishments. Firm management and commercial relations are in fact mostly dominated by personal and patronage interests and rarely follow purely rational rules. In 2000, less than a dozen companies were registered at the stock market and a study of the Middle East economy did question the behaviour of a Lebanese business community dominated by family capitalism:

“The relatively small number (of listed companies, E.L.) is due partly to the reluctance of some family businesses to dilute their shares by going public or to commit themselves to the transparency and accurate accounting that this would entail. Many banks worry that if they were to go public, depositors might rush to withdraw their deposits should the share price fall too fast” (Economic Research Forum, 2000).

Such behaviour would confirm Perez’s suggestion that Mediterranean entrepreneurial cultures are impregnated with what he calls an “economy of relationship” (*économie de la relation*) distinct from the pure market transaction economy, where personal relations and social bond plays a major role. But the same author reminds us that trust and reputation are also central to modern economic governance (Perez, 2003).

In the aftermath of the civil war, the Lebanese economy had to adapt itself to the new regional and global context. An important effort of regulation and stabilization was nevertheless realised. But the huge spending for the country’s reconstruction increased tenfold the national debt in a few years, throwing the country at the mercy of international financing institutions and private or official foreign creditors. In 1995, Lebanon and the EC started negotiations for the establishment of an Association Agreement within the framework of the Barcelona process. The creation of OECL/LACPA came in that context of economic and institutional reform.

New legal regulations were promulgated mainly in three domains: the banking sector reform, privatisations and tax policy (Karam, 1993; Gemayel, 1997; Al-Saghir, 1999; Makdissi, 2004). Increasing foreign investment, the re-opening of Beirut stock exchange also meant a new demand for audit services.

In Lebanon, tax-evasion has always been high and accountants are often considered by ordinary citizens as the men who help employers to cheat and disguise their results to pay as little as possible. In an economy dominated by very small, often non declared (if not illegal) businesses, it is not surprising that accountants consider their job as a personal service to small entrepreneurs and behave as their “confidants” (as De Beelde showed it was the case in Belgium during the 1940’s ). Fiscal regularisation measures were a first step before the implementation of the tax reform. In 1994 the new income tax law reduced the taxation rate on benefits (from 26 to 10%) and on dividends (from 12 to 5%), and in 2001, the Value Added Tax (VAT) entered into force after it had been imposed by the EC as one of the measures to be taken within the framework of the Association Agreement, in the perspective of trade liberalisation and progressive suppression of customs.

For the biggest accountancy firms, an important increase in their activity resulted from the banking system reform and the radical measures of rehabilitation that the crisis of the banking sector had rendered necessary, from the reopening of Beirut stock exchange, and the privatisation of many public service agencies, which was seen as a means to reduce public expenses and contributed to the increase of foreign investment.

Eventually, the major reform for accountants was the introduction of International Accountancy Standards (IAS, later IFRS, International Financial Reporting Standards). As early as 1985, the Higher Council for Accountancy had recommended their adoption. The IAS were imposed by decree to the Central Bank and the larger firms starting from 1996, to insurance companies and other big firms from 1997, to medium firms from 1998 and to all types of commercial and industrial establishments from 1999.

Reform policies were pursued all along the last decade in spite of increasing indebtedness of Lebanon and the difficult economic situation. But like in other Mediterranean countries, enterprise reform and upgrading does not make great sense if it is not more precisely specified. Indeed, many changes which result from IT development as much as new regulations concern all economic actors and, as a consequence, all accountants, who find new opportunities of work and are charged with new missions. But if the issue of “good governance” can be discussed for large corporations and at a societal level for general economic regulations, in the world of small and very small firms where personal relations play a much more important role than rational decision, reforms may have only indirect consequences sometimes contrary to what is expected. When so many so-called informal economic activities are simply not declared, it is difficult for the state to control them and impose regulation and even when partially declared, the idea of a complete separation between private and public interest may be all the more difficult to impose that the confusion is exemplified at a very high level with a prime minister who is the main shareholder of the biggest works and banking holding in the country, in charge of the reconstruction program in the capital. One can understand the sensitivity of professional autonomy and the difficult role of professional institutions in that matter.

But the distinction between “private” and “public” practice and the issue of “independence” can also refer to different modes of structuring the profession, representations of professional missions, as well as more complex evolutions.

All these reforms were on the whole endorsed without any discussion by accountants, through their representatives, who presented themselves as the most qualified to help the state in formulating and implementing these “modernisation” reforms. Nonetheless, although generally welcome by most economic and professional actors, the perspective of Lebanon’s membership to GATS and WTO aroused fears on the part of some professionals, which were expressed in an article of their journal in 1998:

“The GATS agreement offers indeed an opportunity for the development of local accounting firms thanks to the acceleration of technology transfer, but one can fear that international firms will continue to attract the superior strata of the market, which could hinder the local profession for lack of financial resources” (*al-Muhâsib al-Mujâz*, 3, 1998, 41).

Such a voice was not very loud though and was not heard again. On the whole, one can say that the accountants were rather convinced of the necessity of opening markets and of their modernising role in the new globalised context.

## 2. A new profession for changin missions and redefined constituency

The explicit stake of the change introduced by law 346 of 1994 was twofold:

- first, the promotion and recognition of a profession whose legitimacy would be unequivocally founded on qualification and expertise,
- second, a legal protection against the risks to which accountants and auditors are exposed because of fraudulent company bankruptcy or embezzlement of their client companies.

More fundamentally, it was the restructuring and the control of a professional market of accounting services which was in question.

Paradoxically, the new law allowed a kind of nationalisation of the profession as it included a condition of nationality which had never existed before. Until 1995, nothing prevented a foreign professional from practising auditing in his own name and foreign audit firm could be represented in Lebanon by a non Lebanese (although this was rarely the case). The new provisions for LACPA membership now imposed a Lebanese partner.

The creation of a professional “Order” was a choice far from the Anglo-Saxon model: whereas in the former, membership is a sine qua non condition for (independent) practise, and the main mission of the body is disciplinary, the latter is more concerned with training. It is true, though, that the American example gives a slightly different illustration of the so-called Anglo-Saxon model, as the profession is more dependent on the state; whereas a Belgium order also has a more important training mission than in France. The “Order” model can nevertheless be seen as more adapted to professional mobilisation in the context of a national corporatist project (Tripiet, 1991) in a country that has gone through foreign domination and where professionals are eager to contribute to a national development project. Such specificity of post colonial situations may explain the strength of the corporatist model in countries which had been occupied by Great Britain as well as by France. Symetrically, if French influence seems to be a matter of fact in Lebanon, one can’t be satisfied by this too simple explanation of the choice of Lebanese professionals, even if many of them refer (among French speaking professionals) spontaneously to the French model: the English translation of *Ordre des Experts-Comptables* as *Association of Certified Public Accountant* (whereas engineers did not hesitate to speak of an “Order of Engineers and Architects”, using an English form of the French *Ordre* – just as the French Canadian do) is in itself an indication of the existence of (at least implicit) English references.

The founding committee did ask in 1994 for technical support from French, Canadian, US and British professional associations. The French were the only ones who answered positively. The leaders of the Association nevertheless insist on the fact that they differ from the French model on several points and are closer to the Anglo-Saxon one on others.

Accountancy laws are indeed inspired by French ones. But like the British or the Americans, the Lebanese do not separate accountants and auditors as the French do, and no government representative is member of any professional committee. The presence, for the first time, of ACCA participants at the 15th Accounting Congress held in Beirut in 2005 may be considered as an official recognition of the Anglo-Saxon influence.

More than that, the sensitive issue of membership, type of practice and professional status has never been clearly resolved and this may have to do as much with an hesitation between models and a difficulty to define the missions of the new accountancy profession, as with specific Lebanese problems.

In 2001, according to non-official LACPA statistics, it could boast 1700 members, of which 1200 were registered as full practising members, and 500 “non practising”. Added to that a small number of training young professionals as the new statutes imposed 5 years training before becoming a full member. 125 accounting and audit firms were said to be registered on a special company list. But these figures were contested by many older members who were critical of the lack of rigour of the Association’s membership policy and pretended that the effective number of qualified professional offices should be much lower. For unknown reasons, which allow all sorts of hypotheses, a directory of members was not published before 2005. At that date, the official list gave 1230 practising, 365 non practising and 291 trainees, and only 41 registered companies (including the branches of the big four). Registered training candidates were described as attached to 162 offices and companies. Five practices had five or more trainees. Noticeably, only one of the big four practices appears as having registered trainees, which probably means that the others don’t bother to register all their certified professionals.

The ambiguities of the new law and the controversies which they raised seem to confirm the hypothesis of hesitations between an Anglo-Saxon and a continental model. These hesitations actually lead to a highly confusing situation that is aggravated by the specificities of the local context and the gap between western references (whatever they are) and local realities.

The distinction between “full time” (*mutafarrigh*) and “part-time” (*ghayr mutafarrigh*) active member (*‘udw ‘amil*) which appeared in the statutes of the old Union of accountants disappeared with law 364. But in the section on “transitory provisions”, art. 61 mentioned a “non-practising members” register for members who would not be “practising” (*mâris*) six months after being accepted in the new organisation.

This article caused disputes on membership provisions which were still going on 5 years later, as many considered it as a means to introduce in the new body civil servants from the ministry of finance and thus to enlarge the constituency of the elected president against his competitor, in an internal electoral battle where many unvoiced interests and issues were at stake.

In 1998, a draft amendment was submitted to the parliament. It reintroduced a distinction between “practising” and “non practising” members with two separate lists. To be admitted as a “practising” member the applicant had to be a partner in an accountancy firm or an independent professional whereas “non practising” members were only defined as those who “do not practise in Lebanon”, which include expatriate professionals as well as employees in private firms, state agencies or government. The presence of salaried professionals and civil servants was eventually explicitly admitted. Both categories were represented in the board.

This distinction between “practising” and “non practising” can be related to the contradictory influence of French and British model, with the specificities of the Lebanese

scene, and with the development of new activities, from internal audit to financial and management consultancy. In fact, the French model of the professional order is limited to liberal practise, whereas most Anglo-Saxon accountancy bodies include a larger spectrum of specialisations and forms of practise. Besides, the evolution of accountancy professions at an international level in the last three decades, their growing internationalisation, the increasing hegemony of the American Anglo-Saxon model, the development and sophistication of management accountancy and internal audit, the new importance of consultancy missions, all contribute to weaken the boundaries between different types of expertise and between corporate and liberal work.

As big corporations were more and more open to accountants, IFAC actually federated from its creation in 1978 professional bodies of different types, accountants and auditors, government employees and salaried professionals in private corporations as well as institutions representing independent experts or partners in legal firms.

In Lebanon as elsewhere, the evolution of the market, the new regulations, the development of new technologies and new products, their consequences on modes of production and commercialisation, created a new demand for consultancy and business services, mainly in management, fiscal issues, and computer development. To respond to this demand, accountants develop new activities, new services and new products. Such evolutions are not particular to Lebanon and Lebanese professionals participate to a wide movement, even if it takes specific forms corresponding to the structure of the Lebanese market as well as to ongoing reforms.

These new concerns which inevitably change the definition of the profession itself are not the least difficulties to which the new professional body is confronted, precisely while it is supposed to give a univocal definition of its field of expertise.

## **5. Conclusion: a complex fabric of social and professional issues**

Before the creation of the LACPA, there was no unified nor clearly defined accounting profession in Lebanon, comparable to the engineering or medical professions. Independent professionals qualified in accountancy and legally authorized to certify public accountants or provide accounting services constituted a segmented set of professional occupations with different qualifications and statuses.

The late creation of a state degree in technical accountancy was not exclusive of other paths of qualification in some of the existing universities and on the job training was always considered as important. MESAA's effort of certification had no signification in itself except as referred to an external model.

As for the Union, competing with MESAA and confronted to the issue of certification, it had tried to impose its own exam, following in this the Anglo-Saxon model while working on a National code inspired by the French experience.

After 1995, although the new body welcome OECF's advices, it could not adopt its principles. The absence of a high level degree in accountancy (comparable to DESCF), the diversity of academic trainings, made it necessary for LACPA to have its own certification exam. Conflicting Anglo-Saxon and French legacies will soon be absorbed in global change where economic governance is now submitted to neo-liberal policy choices and the irresistible hegemony of financial markets. At the grassroots level of the Lebanese profession though, the gap between small practices and the branches of global firms or associates of international networks, though changing in form, will widen.

But the Lebanese case also reveals specific dimensions which I tried to explore and highlight. The professional field is structured by overlapping conflicts of interest and power struggles which are simultaneously professional (type of practise and content of work), social (urban v. rural, lower v. higher middle class origin), sectarian (Maronite v. Greek orthodox and protestant, Christian v. Muslim), cultural (English v. French education), political (supporters of the previous or the present prime minister, so-called loyalists v. “opposition”). These conflicts and struggles were first expressed through the competition between two bodies broadly representing two types of work and practise (small offices doing mainly accountancy and fiscal consulting and service v. Anglo-Saxon oriented and English speaking audit and accountancy practises) and two ideas of an accounting profession. The unification and enlargement which was brought by the creation of the new body in 1995 blurred the picture. The symbolically dominated professional segment represented by the former Union and its president, Wael Abou Chakra, was probably definitively marginalised, although some of its older and more experienced members, who had sometimes successfully passed higher academic degrees eventually knew how to regain a respected position. Today, the majority of members (and all the younger ones) hold higher degrees (now a condition for membership) and the social differences are at first glance less visible, although regional, cultural and sectarian differences may still be relevant. Muwaffaq al-Yafi, the first president of the new body, twice re-elected, graduated from the Beirut Arab University but completed his training in the American University; he is the managing partner of a Lebanese firm member of a medium sized international firm. His successor, George Abou Mansour, is a partner in Price Waterhouse Coopers Lebanese branch. On a strictly professional level, each would represent a different segment of the profession. On a broader socio-political spectrum, they probably are not very far from each other.

A new issue in question was the supposedly massive admission of civil servants (especially from the ministry of finance), which was interpreted in political and patronage terms, as the minister of finance, Fouad Siniora was a close friend of the prime minister (and businessman) Rafiq Hariri<sup>3</sup>. But when checking the 2005 directory, ministry of finance civil servants appeared to represent only a small part of non practising members, alongside bank employees and other large public or private corporation salaried professionals. Referred to Anglo-Saxon tradition, it is in fact neither strange nor scandalous that the Association admit highly skilled salaried professionals whose expertise correspond to its professional field and who fulfilled the conditions or successfully passed the certification exam. The contest over their membership might well then express a mixture of cultural, professional and social resistances to the new jurisdiction definition. To what extent can we say that such resistance also implies a more radical opposition on policy choices, remains to be proved.

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<sup>3</sup> Fouad Siniora was designated as the new prime minister after the general elections which followed the assassination of Rafiq Hariri on february 14<sup>th</sup>, 2005.

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