

**Initiative on Good Governance for Development (GfD) in the Arab Countries:
Conclusions and recommendations of the thematic panels' meetings convened
during the Dead Sea Conference, 6-7 February 2005.**

**Theme Three
Governance of Public Finance**

Synthesis of Panel discussions and recommendations.

1. The Arab Republic of Egypt discussed the key requirements for effective management of public financial resources. These mainly deal with helping public institutions to function efficiently and create an appropriate climate for development. The following is an outline of these requirements:
 - Create an environment that is conducive to enhancing transparency and accountability.
 - Improve public treasury administration.
 - Improve the administration of public resources including the assets, inventory and government purchases.
 - Improve the management of public debt.
 - Formulate public financial policies in the framework of a comprehensive economic philosophy that could achieve economic growth, financial stability and good governance of national resources.
 - Apply mechanisms and advanced economic models that will help the decision-maker in administering public finance policy and expect improved performance in the budgetary process. Such policies should serve as an instrument of early warning to measure the impact of potential economic and financial changes.
 - Underline the consistence of the economic policy components by holding periodic meetings at the political and technical levels.
 - Continue to adapt the economic role of the government so that it could focus on establishing rules for stabilizing and controlling the markets without disregarding the social role of public finance policies.
 - Develop the public institutions and review the legislative, administrative and technical frameworks of their operation and develop the knowledge and skills of their human resources.

- Capitalize on the experiences of the advanced countries in this field and adapt into your system what is most suitable.
2. The experiences of the Netherlands, the OECD, Kuwait and the United States for consolidating the frameworks of good governance in the public finance sector were presented.
 3. Participating countries and organizations indicated that they were fully ready to cooperate with the Arab countries to achieve their objectives in this field.
 4. Participating Arab countries indicated their reform priorities and the challenges they face. These may be outlined as follows:
 - Instilling transparency in the public finance sector. The difficulty is in accessing information on public finance on one hand and in the methods of holding executive agencies accountable for their financial performance.
 - Lack of mechanisms for financial control in public institutions in some countries. It is not possible in these countries to locate the treasury funds as a result of separating the accounts from the provision of funds. In addition, public spending cannot be effectively controlled as a result of the different accounting systems utilized for investment and operating budgets.
 - The budgeting process is isolated from the macro-economic variables on one hand and from public demands and needs on the other.
 - There is a strong need for improving the institutional framework in the public finance sector. The need covers the legislative, administrative, technical and behavioral dimensions. There is also a need to improve the knowledge and skills of staff operating in the financial management field.
 - The members of the legislature need technical support to be able to analyze the performance of the financial sector and help monitor the execution of the legislation they enact.
 - Participating parliamentarians referred to the inadequacy of the disclosure criteria applicable in their countries; this hinders their ability to efficiently perform their role in controlling public spending.
 - Some countries underlined the need to adopt the performance budget system. However, other countries indicated that it was necessary to prepare the institutional and technical climate for enabling the adoption and successful operation of performance budgeting. Gradual development has its merits; though some countries are concerned that gradualism could be used as a pretext to avoid introducing the required reform.
 - All countries stressed the need for political support and for genuine and firm desire at the executive level for any reform to be achieved. These are two essential conditions that would motivate any effort in this direction.
 - Political support is also need to give priority to establishing the necessary legislative and institutional contexts for combating corruption in all its forms.

5. The Arab countries underlined the need for technical support and called upon by the industrialized countries, OECD, UNDP and organizations participating in the discussion to provided the needed assistance.