

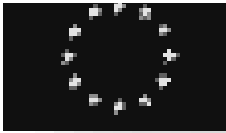
EUROPEAN COMMISSION
DIRECTORATE GENERAL ECONOMIC AND FINANCIAL AFFAIRS

Public Finance Management in the Southern Mediterranean countries

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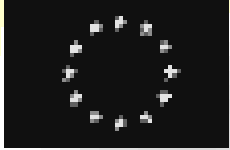
**OECD Governance Initiative,
Working Group for Public Finances**

Cairo, 1-3 October 2005



Public Finance Management (PFM)

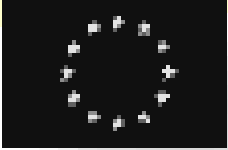




Why is PFM important?

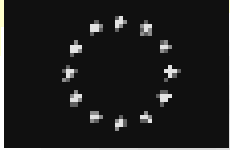
Essential tool for a government in the implementation of its policy objectives

- Aggregate fiscal discipline
- Efficient use of public resources
- Governance, fight against corruption, accountability
- Fiduciary reasons –budgetary support



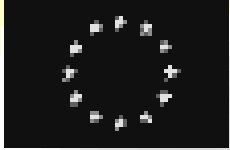
PFM diagnostic tools

- Country Financial Accountability Assessments (CFAA)
- Public Expenditure Reviews (PER)
- Reports on Observance of Standards and Codes (ROSC)
- Public Expenditure and Financial Accountability (PEFA)
- Others..
- + technical assistance by donors



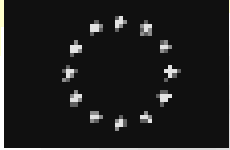
PFM in the MED countries - Challenges -

- I. Budget comprehensiveness and transparency
- II. Budget planning and formulation
- III. Budget execution
- IV. Accounting, data reconciliation and reporting



PFM in the MED countries - Challenges -

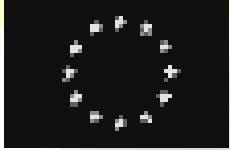
- I. Limited budget comprehensiveness and transparency
 - quasi-fiscal operations of public enterprises and banks
 - off-budget operations
 - classification of contingent liabilities
 - situation of local governments, social security and state-owned enterprises



PFM in the MED countries - Challenges -

II. Budget planning and formulation

- Medium-term expenditure framework
- Dual budgeting
- Public consultations



PFM in the MED countries

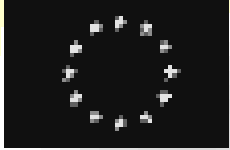
- Challenges -

III. Budget execution

- Single treasury account
- Sequestering (withdrawing from commitment and cash rationing)
- Execution and control of expenditures

IV. Accounting, data reconciliation and reporting

- Different types of accounting systems



Conclusions

- “Getting basics right” ... although basics may differ from one country to another
- Early reformers have already been successful in putting in place the main basic elements of a sound PFM

- Role of the GfD WG for PFM in addressing the challenges