Connecting Voices (CV) Middle East and North Africa (MENA) is a regional initiative and partnership that promotes governance and improved financial management practices in the public and private sectors. The ultimate aim is to support the demands of citizens throughout the Arab World for jobs, better governance, a voice in public affairs, and social and economic inclusion as reflected in the World Bank’s MENA Regional strategy.

CV MENA plans to seize on the windows of opportunity currently available in the region. It will support capacity building in the area of financial management, facilitate the development of a professional community, as well as the sharing and transfer of knowledge both within countries and within the region as a whole. CV MENA will help foster greater transparency and accountability, thereby engendering enhanced public trust. In addition, building public and private sector financial management capacity will also help attract and provide comfort to much-needed foreign direct investment in the region.

The Exchange is a major annual forum that provides a channel for dialogue, enabling countries to share experiences and promote societal-governmental consensus building. It fosters intra-regional cooperation and stimulates interest in improving public financial management and corporate financial reporting in MENA. The Exchange facilitates knowledge-sharing from transitional democracies and showcases successful experiences from fragile and conflict states.

The Exchange starts where financial management diagnostics leaves off, supporting the creation of an enabling environment for reforms to move from concept to reality. It helps catalyze innovative activities to develop regional public goods and enables the World Bank to fulfill its mission as a “Solutions Bank.”

A Boot Camp is a practical concept. It involves gathering a group of decision-makers and experts to address a particular issue through focused and intensive discussion that takes into account both technical and non-technical factors. After thoroughly examining the issue, the group develops possible solutions and a work program to help implement them. The experience is documented in a Solutions Paper—a brief note describing how a specific challenge or problem was addressed in a collaborative and pragmatic fashion. The Boot Camps, together with the Solutions Lab and discussions in Maarefah (“knowledge” in Arabic), feed into the design of the Exchange and CV MENA’s workprogram.

In partnership with the World Bank’s Global Development and Learning Network (GDLN), CV MENA connects participants across the MENA region (once each quarter) to focus on finding solutions on topics related to internal and external audit and corporate financial reporting. The Solutions Lab realizes that an answer is not necessarily the solution: a time-tested “best practice” may not be optimal in a particular situation because it may not be politically or socially feasible at the time. The Labs help our clients fashion an attainable solution—an alternative answer to the problem—by bringing in other perspectives and different, yet relevant, experiences from other countries. The Labs also feed into the design of The Exchange.

Maarefah responds to the need to implement, sustain, and build on the results of The Exchange, as well as to extend these benefits to those unable to personally attend Boot Camps and Solutions Labs. Maarefah (“knowledge” in Arabic) is a Community of Practice (CoP) that serves as a forum for ongoing dialogue and continuous peer-to-peer and expert knowledge exchange. The CoP—established by the Financial Management Unit of the World Bank’s Middle East and North Africa Region in 2011 as a response to popular demand for change, accountability, transparency, and inclusiveness—is designed to serve as a robust base for extending the dialogue and refocusing it on the needs of CV MENA.

www.cvmena.org
cvmena@worldbank.org
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Good cooking involves more than state-of-the-art equipment, fancy utensils, colorful cookbooks from around the world, or even being educated at the best international culinary schools. Rather, cooking is primarily about passion, practice, patience, and experimentation. It is about listening, smelling, and learning from other cultures. It requires a willingness to take risks, accepting that failure is part of the process, and understanding the nature of trial and error. A good cook is someone who can go into a kitchen with the bare essentials and come up with a satisfying meal. It helps if s/he has good technique, is able to spot fresh food in season, and has ideas about how to incorporate ingredients into a dish. Many famous cooks start cooking out of necessity, but later this necessity becomes a pleasure. A chef in a restaurant can reach the top of the field, but will require a trained team that can produce fine meals every day. Good chefs believe in their team. Most importantly, good chefs understand that cooking is part art and part science.

As the sketch on the cover of this magazine depicts, public financial management (PFM) reform is quite similar to cooking. You need to start with basic and essential reforms, then gradually move to intermediate and advanced reforms. In cooking you need to find your way around the kitchen before planning a big party or cooking complicated dishes; in PFM as well, it is unwise to launch multiple large-scale projects at the same time as this is technically challenging, entails intensive coordination with multiple stakeholders, and does not allow for absorptive capacity to grow as the reform initiative expands.

All good cooks know that no matter how good their technique (e.g., knife skills), the quality of their dish can be affected by other elements—such as humidity and weather—that are in many cases beyond their control. Likewise, with regard to PFM reform, there has been a growing recognition that success depends on the non-technical context—that is, political, economic, institutional, and organizational factors. They are usually the elephant in the room: most practitioners know how important they are, but tend to pretend that they do not exist and that can have serious consequences. A skilled and politically savvy Minister of Finance—a “chef”—to champion and lead the reform is crucial, although wise chefs realize that their team and other stakeholders are also key to successful reform. Most importantly, good PFM reform practitioners understand that reform is part art and part science.

In our cover story, while we recognize that circumstances vary from country to country and that PFM reforms are complex to design and implement, we share some useful principles for PFM reform that we have drawn from personal experiences and readings. We then interview Richard Allen about his new book, *The International Handbook of Public Financial Management*, and his views on the status of PFM reform in the developing world. We also interview Renaud Seligmann, Manager of the West and Central Africa Financial Management Unit, to discuss PFM reform from the front lines of development. Manuel Vargas, Lead Financial Management Specialist in MENA, reflects on the development of financial management systems, specifically the internal audit function, for social safety net programs. Then we shed some light on two PFM Bank-funded operations in MENA.

As I wrote in the last issue, for us the most important thing is to learn from you about your priorities and areas where we can help you solve some of the problems you face in financial management. For this reason, we developed the Connecting Voices website, the online Community of Practice Maarefah, and this quarterly magazine. To continue the conversation on PFM reforms in MENA and other topics, we plan to hold our annual conference, The Exchange, in the United Arab Emirates on June 10-12. The Exchange provides a channel for dialogue, enabling MENA countries to share experiences and relevant practices in financial management. In reflecting on the focus for this year’s Exchange, we note the important role that financial management institutions play in both the public and private sectors in facilitating the achievement of poverty reduction and boosting shared prosperity in strong MENA countries. That’s why our Exchange this year will have the title “Strengthening Financial Management Institutions – Strengthening MENA.” We will be sending the invitations for The Exchange on April 1, and we look forward to welcoming you in the UAE.
Public Financial Management
The Public Expenditure and Financial Accountability (PEFA) Program was founded in 2001 as a multi-donor partnership between seven donor agencies and international financial institutions to assess the condition of country public expenditure, procurement and financial accountability systems, as well as to develop a practical sequence for reform and capacity-building actions. A Steering Committee comprising these agencies manages the Program, while the Secretariat implements the PEFA activities. Phil Sinnett is the Head of the PEFA Secretariat (see Interview, page 7).

The Strengthened Approach to Supporting Public Financial Management Reform

The PEFA Program builds on the principles of the Strengthened Approach to Supporting Public Financial Management Reform, which is embodied in three components and closely aligned with the Paris Declaration on Aid Effectiveness.

- A country-led agenda, i.e., a government-led reform program for which analytical work, reform design, implementation and monitoring reflect country priorities that are integrated into governmental institutional structures;
- A coordinated program of support from donors and international financial institutions, i.e., in relation to both analytical work, reform financing and technical support for implementation; and
- A shared information pool on public financial management, i.e., information on PFM systems and their performance which is commonly accepted by and shared among the stakeholders at the country level, thus avoiding duplicative and inconsistent analytical work.

PEFA Goals

The goals of the PEFA Program are to strengthen recipient and donor ability to: (i) assess the condition of country public expenditure, procurement and financial accountability systems; and (ii) develop a practical sequence of reform and capacity-building actions, in a manner that: encourages country ownership; reduces the transaction costs to countries; enhances donor harmonization; allows monitoring of progress of country PFM performance over time; better addresses developmental and fiduciary concerns; and leads to the improved impact of reforms.

PEFA in MENA

Twelve countries in MENA have used the PEFA framework to measure performance of their PFM systems (see Table 1 below).

Table 1: PEFA reports in the Middle East and North Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Date of Report</th>
<th>Lead agency</th>
<th>Other agencies Involved</th>
<th>Status of Assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>National</td>
<td>Jul-2010</td>
<td>EU</td>
<td>WBG</td>
<td>Final</td>
</tr>
<tr>
<td>Egypt</td>
<td>National</td>
<td>Oct-2009</td>
<td>EU</td>
<td>WBG</td>
<td>Final</td>
</tr>
<tr>
<td>West Bank and Gaza</td>
<td>National</td>
<td>Mar-2007</td>
<td>WBG</td>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>West Bank and Gaza</td>
<td>National</td>
<td>Jun-2013</td>
<td>WBG</td>
<td>EU, MFA France, UNDP</td>
<td>Public</td>
</tr>
<tr>
<td>Iraq</td>
<td>National</td>
<td>Jun-2008</td>
<td>WBG</td>
<td>DFID, USAID</td>
<td>Final</td>
</tr>
<tr>
<td>Jordan</td>
<td>National</td>
<td>Apr-2007</td>
<td>EU</td>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>Jordan</td>
<td>National</td>
<td>Sep-2011</td>
<td>EU</td>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>Kuwait</td>
<td>National</td>
<td>Aug-2010</td>
<td>WBG</td>
<td></td>
<td>Final</td>
</tr>
<tr>
<td>Lebanon</td>
<td>National</td>
<td>Jul-2011</td>
<td>EU</td>
<td></td>
<td>Final</td>
</tr>
<tr>
<td>Morocco</td>
<td>National</td>
<td>May-2006</td>
<td>WBG</td>
<td>EU</td>
<td>Public</td>
</tr>
<tr>
<td>Oman</td>
<td>National</td>
<td>May-2013</td>
<td>WBG</td>
<td></td>
<td>Final</td>
</tr>
<tr>
<td>Syria</td>
<td>National</td>
<td>Mar-2006</td>
<td>IMF</td>
<td>WBG</td>
<td>Final</td>
</tr>
<tr>
<td>Tunisia</td>
<td>National</td>
<td>Jun-2010</td>
<td>EU</td>
<td>AfDB, WBG</td>
<td>Public</td>
</tr>
<tr>
<td>Yemen</td>
<td>National</td>
<td>Jun-2008</td>
<td>WBG</td>
<td></td>
<td>Public</td>
</tr>
</tbody>
</table>

Source: www.pefa.org

Note: AfDB= African Development Bank; DFID= Department for International Development (United Kingdom); EU= European Union; IMF= International Monetary Fund; MFA France= Ministry of Finance; UNDP= United Nations Development Programme; USAID= United States Agency for International Development; WBG= World Bank Group.
CV MENA: What was your first PFM job, and what did you learn from it?
PS: When I joined the Treasury of Liverpool City Council as a trainee accountant, the first task I was given was to enter accounting codes on invoices—which I have to confess made me feel rather unhappy, as it did not seem to be making much use of the degree I had spent the previous three years studying for. However, after a few weeks of coding, I was told to write out (in my neatest handwriting!) the City’s Balance Sheet for the Treasurer to sign, and then the ‘Garbage in, Garbage out (GI-GO)’ principle occurred to me – if the apparently menial task of coding individual invoices is not done accurately, the summarized financial data the Treasurer was signing for publication would also be inaccurate. As I am not by nature a “detail-oriented” person, this was an important lesson for me.

CV MENA: You have worked quite a while in Africa as a PFM practitioner. What are the lessons you have learned there about the conditions for successful PFM reforms?
PS: Without a doubt, the importance of what we now tend to call the “political economy” factors – in particular the importance of leadership at both the political and technical levels. “Good” ideas/practices and blindly obvious technical solutions go nowhere without champions.

CV MENA: One of the initial objectives of the PEFA program when it was launched in 2001 was to enhance donor collaboration and country ownership in the area of PFM reform. Do you think it has succeeded?
PS: Yes, but rather more slowly than might have been anticipated. Overall, there has been some reduction in the number of PFM reviews undertaken by individual donors, and even when a separate review is required (perhaps to satisfy fiduciary requirements), a recent PEFA Performance Report is often used as a key information source. As for country ownership, I would say two things: (1) country authorities are increasingly using the results of a PEFA assessment to realign or refocus their reform efforts (and sometimes incorporating particular PEFA indicators into their internal monitoring and evaluation [M&E] systems); and (2) particularly for repeat assessments, government engagement in the process frequently demonstrates real commitment and enthusiasm.

CV MENA: A substantial number of countries have undertaken successive PEFA assessments in the last 8-9 years. Taking stock of this, are we seeing progress in performance of PFM systems worldwide?
PS: I do think so, in that the trend is – slowly – upwards, but there are setbacks and also differences across regions. A Secretariat analysis of repeat assessments two years ago demonstrated that more ratings were improving than were deteriorating.

CV MENA: The PEFA Framework is increasingly used to measure PFM performance at subnational levels, including the municipal level. What are lessons learned so far?
PS: In fact, almost one-third of the 350+ PEFA assessments have been undertaken at a subnational level, although the Framework has been used in two different ways – in some cases, to assess an individual district (or province, or municipality) as a precursor to specific reform program; in others, to take a sample of districts to gain an understanding of the situation across an entire country (for example, in Uganda recently, 10 of 87 Districts were assessed). The main lesson would be that while the Framework is applicable, several indicators need careful interpretation to ensure that they are measuring things within the control of the subnational government, as opposed to nationally specified requirements. The Secretariat has issued guidance on this. Another point would be to recognize diminishing returns from too large a sample, as might have been the case in the Uganda example I mentioned.

CV MENA: The MENA region has been quite slow in using the PEFA Framework, but it seems that it has been catching up fast. What is the situation now in MENA? Is there something specific in the way MENA countries are approaching the tool?
PS: As a general comment, the region appears to be responding positively to the demand for greater accountability, and PEFA is a tool that can assist in this process. To date, 12 of the 21 countries in the region have had an assessment – although not all have published the reports.

CV MENA: Kuwait and Oman have conducted PEFA assessments. Do you see a potential interest in other GCC countries for using the tool?
PS: I think so. Kuwait is an interesting example of a country that had a PEFA assessment “done to it” rather than in collaboration with the authorities, and nothing really happened for some time after the report was completed. However, quite recently the authorities have really engaged with the document and are making considerable efforts to internalize the work and use the findings to refocus their reform program (and they are likely to initiate a repeat assessment in the not too distant future).

CV MENA: The PEFA Framework is being revised. What can you tell us about the rationale for this change, the process, and the status?
PS: A combination of factors led to the decision to revise the Framework. First, since it was developed almost 10 years ago (based on the heavily-indebted poor countries [HIPC] indicators), “generally accepted good practice” – which is the basis for “A” ratings – has evolved in several aspects of PFM. Second, much has been learned from the 350+ completed assessments, as we can see by the more than 200 “clarifications” that the Secretariat has produced to assist assessors in the field, and that have been edited into the Framework. Third, some of the indicators do not really capture a significant PFM feature that is appropriate for a “high-level overview” of the system, and conversely, there are also gaps. Technical task teams drawn from the PEFA Partners have worked on particular groups of indicators over the past 15 months, culminating in proposals that were submitted to the Steering Committee in December. The Secretariat is now refining this work and in March will present to the Steering Committee a revised Framework that will be tested for feasibility before being released for stakeholder comments. Depending on the extent of the comments received, there will be further pilot testing in the final months of the year, and – all being well – the Steering Committee will launch the revised Framework early in 2015.

CV MENA: How can the PEFA Secretariat help PFM practitioners in MENA?
PS: I am tempted to turn this question around – what can PFM practitioners in MENA do to help the Secretariat, as we are keen to ensure that the revised version is sufficiently sensitive to the different practices that are found around the world. So when the draft Framework is released for comment (probably in June), I sincerely hope your MENA colleagues will take the time to ensure that the coverage and rating criteria are appropriate for your region—and if not, let us know!
Audits – An Effective Tool to Strengthen Local Governance

Decentralization trends

Decentralization has increasingly become a defining feature of public policy in several developing countries, and continues as a powerful force for institutional change in the 21st century. Central governments (and provincial governments in federal systems) have been transferring political, administrative and financial powers, as well as responsibilities to local governments with the objective of empowering them to address local development and service delivery needs. The commonly-accepted, theoretical rationale for decentralization is to attain allocative efficiency with respect to differing local preferences for public goods and services. The principle of subsidiary in traditional public finance theory maintains that the delivery of services is most efficient when done by the administrative or political unit closest to the public served (Oates 1972). Accordingly, local governments are best placed to know and accommodate the service delivery requirements of their citizens.

In addition, decentralization is seen as a critical instrument for strengthening the accountability relationships between various levels of government, as well as between the state and its citizens. Thus, even though decentralization is a multi-dimensional phenomenon, empowering local governments by providing functional and fiscal powers and responsibilities is a common rationale for many developing countries in adopting decentralization as a public policy objective. Despite the clear advantages of decentralization, central governments often hesitate to decentralize due to fears that handing over functions and funds to local governments may result in the inefficient use of scarce resources due to the perceived low capacity of local governments. Also, there is the fear that corruption is more widespread at the local level than at the central level and that decentralization may actually increase the overall level of corruption (Prudhomme 1995). Though this is often a misplaced notion, it focuses attention on the role that higher level governments need to play in setting the enabling conditions to strengthen decentralization.

The role of audits in ensuring government performance at all levels

In a decentralized setting, the role of the central governments (and provincial governments) changes from being a provider of services to that of setting the policy framework, as well as monitoring and oversight of local governments (Junaid, Litvack and others 1998). In this context, independent annual external audits of local governments provide an effective instrument to higher-level governments to exercise their oversight responsibilities as well as to strengthen the accountability framework of local governments.

The term “audit” is derived from the Latin word “audire” which means to “hear”. Since ancient times, audits have been seen as an important function of the state, providing the assurance that public funds have been utilized for their intended purposes. Chanakya, the Indian philosopher who lived around 300 BC mentions auditing as an important part of statecraft in his treatise “Arthasasthra”. The latter half of the twentieth century saw the increasing relevance of Supreme Audit Institutions (SAIs) in most developed and developing countries. With their independence underwritten by Constitutional safeguards, SAIs have played a significant role in helping Parliaments and public bodies exercise oversight over the use of public money.

Strengthening the audit function at the local governmental level

Although the impact of the audit function has been very prominent at the central level, there is enough evidence to show that an effective audit can prove to be a strong deterrent to corruption and provide a fillip to integrity in local government spending as well. For example, increasing the probability of external audit of local governments in Indonesia from 4 percent to 100 percent reduced the share of missing expenditures by eight percentage points (Benjamin Olken 2007). Similarly, research conducted in Brazil showed that releasing the audit findings of municipalities had a significant impact on the incumbent Mayor’s chances for re-election (Ferraz and Finan 2008). The importance of auditing is recognized by all stakeholders. However, audits have yet to become the strong instrument of local government accountability that they might be. Local government audits are plagued by several institutional weaknesses that reduce their effectiveness. In most countries, SAIs have the mandate to implement local government audits. However, since SAIs also have the mandate to audit the central government and its agencies, local government audits often are at the bottom of their audit plan priorities. Central audit agencies usually carry out compliance audits that check whether public money has been utilized in accordance with the Public Financial Management (PFM) rules and procedures.
Local governments are entities with their own revenues, expenditures, assets and liabilities. Financial audits are necessary at this level to provide assurance to a broader range of stakeholders including citizens, creditors, and so on.

**Local government audits: Who is responsible?**

Another issue faced by some countries is the multiplicity of agencies implementing the audit of local governments. This can result in a serious duplication of effort and reduce the accountability of local governments in responding to audit comments. Even where audits regularly occur, the audit findings are seldom shared outside of the government with other stakeholders, such as citizens. Parliamentary Committees, such as Public Accounts Committees, seldom pay attention to local government audit findings, as these are often lumped together with audit findings of central government department ministries and departments. These institutional issues need to be addressed to enhance the effectiveness of the local government audit process.

Fortunately, most countries are realizing the importance of having a robust audit system in place as a critical ingredient to implement decentralization. At the global level, widely accepted frameworks such as the Public Expenditure and Financial Accountability (PEFA) are bringing the subnational element of PFM into their scope. This is expected to focus greater attention on the issue relating to strengthening local government audit.

**The need for financial statement and compliance audits at the local level**

There is an increasing realization among audit institutions that financial statement audits are required — even in cases where compliance audits exist. Indeed, each serves a different purpose. This distinction is also helpful to audit institutions in addressing the demand for local government audits on an annual basis. In addition, where audit institutions are not able to match the demand for annual audits due to their capacity constraints, partnering with the private sector audit industry may be a feasible alternative — provided that the SAI puts in place adequate arrangements for the quality assurance of the audit process (please see Box 1 on the Bangladesh Local Government audit strategy). The SAI should also take the initiative to coordinate among different audit agencies at the central and provincial level so that local governments are not subject to multiple audits during the same time period.

For their part, local governments should take the initiative to use the audit report as an instrument for enhancing their accountability to citizens. They can do so by publishing audit findings and follow-up actions through their website and/or community or citizen meetings. SAIs should also take steps to present audit findings relating to local governments to Parliaments at the central and provincial level. This should be done as a separate agenda item so that such local audits receive greater attention. Reform of the local government audit process is an area that requires coordinated action among various arms of the state, including central and local governments, SAIs and various other audit agencies, civil society groups, Parliaments and international development organizations. Bringing the various elements and stakeholders of the audit process together is often a very difficult task, and requires a coherent and coordinated effort. Preparation of a local government audit strategy by the Ministry of Local Government in partnership with the SAI could be a good first step to initiate the audit reform process. Such a strategy also helps to bring about consensus and clarity of purpose among the various stakeholders, enabling the audit reform process to progress in a systematic manner.

**References:**


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**Box 1: Bangladesh: A Public-Private Partnership for Local Government Audits**

Integrating social accountability with traditional forms of public sector accountability, such as the independent annual external audit, was a key innovation in the World Bank-supported Bangladesh Local Governance Support Project (LGSP). However, the Comptroller and Auditor General (C&AG), who has the constitutional mandate for the external audit of public sector institutions in Bangladesh, was not able to fulfill the responsibility with regard to Union Parishads (rural local governments). Capacity constraints meant that the C&AG could not implement the annual external audit in a regular and timely manner.

The project supported the C&AG in addressing this issue through the preparation of an “Audit Strategy” that resulted in a public-private partnership between the C&AG, the Ministry of Local Governments, and the Institute of Chartered Accountants of Bangladesh. As a result, services of auditors from the private sector were procured on a contractual basis. They were to be responsible for implementing the annual external audit of Union Parishads, with the C&AG providing the quality assurance of the overall audit process.

The outcome of this innovative approach was that the annual external audit of the Union Parishads began to be implemented within a reasonable time period after the close of the financial year. The audit report was made available to the local government and its stakeholders, thereby enhancing the overall framework of local accountability.

*Source: World Bank Project Documents and Author’s Notes.*
Public Procurement Reform in Iraq: A Long and Difficult Road

Introduction

Over the course of a six-year period from 2006-2011, the Government of Iraq (GOI), with support from the World Bank, undertook an ambitious effort to reform its public procurement system and legal framework. Among other actions, an InterMinisterial Task Force (IMTF) was created, consultations were held with civil society and the private sector, and a comprehensive new law was drafted based on international best practices. Yet, after years of work, change and implementation have proven elusive. This Quick Note aims to analyze why progress has been limited in Iraq. It offers recommendations for how the approach to procurement reform in Iraq, as well as in other challenging situations, can be adapted moving forward.

Overview

In some ways, the challenges to reforming Iraq’s public procurement system mirror the usual obstacles in implementing public sector reforms. However, given the country context, this case also presents unique and important lessons that can help inform future decision making on public procurement reform in other conflict states. One key takeaway from the World Bank’s early engagement in Iraq was the difficulty of trying to address public procurement reform in isolation. The experience showed that a complete reform and overhaul of a country’s procurement function is unlikely without addressing issues of instability, corruption, and weak capacity. The future success of public procurement reforms in Iraq (and other conflict states) will depend on the country’s willingness to build a foundation for change that addresses each of these factors in the governance environment.

A second lesson from Iraq was the critical role and influence of change agents. Subsequent reform efforts will benefit immensely from having a detailed stakeholder analysis to help identify reform champions to guide reforms through the process from beginning to end. Finally, the Iraqi experience showed the importance of adapting gradual fixes in tackling early results. Iraq’s experience illustrates that the initial pursuit of smaller (and often easier) reforms, such as issuing new bidding documents is often more impactful than attempting to fix the whole system at once. This kind of measured approach, which prioritizes and highlights early successes, can help create broader demand for services over the long term that would facilitate larger reforms.

Country Context

Home to the world’s third largest oil reserves, Iraq has a rich natural endowment and the potential to finance ample infrastructure, improve services, and promote shared prosperity. Yet, as numerous studies have found, poorly managed natural resources can actually hamper development by contributing to corruption, conflict, and poor governance. In Iraq, these kinds of challenges exist but are also compounded by over thirty years of war, sanctions, and instability. It was within this challenging context that the GOI found itself tasked with a massive reconstruction effort in 2003-2004. To ensure that the incoming aid and funds were spent effectively and efficiently, the GOI needed to reform decades-old systems of service delivery, public contracting, and public financial management. Additionally, implementation of these reforms would require substantial enhancements in the capacity of public officials to both manage and oversee billions of dollars in reconstruction and development projects. Faced with these challenges, the GOI reached out to the World Bank to reform the legal framework governing public procurement.

Public Procurement in Iraq

Public procurement in Iraq is a major component of the national economy, cutting across nearly every area of planning, program management, and budgeting. In 2013, Iraq’s approved budget was valued at US$118.3 billion, in addition to an expected US$10 billion in supplementary budget items. Of this total of nearly US$130 billion, over 40 percent (or US$51 billion) is to be spent through the public procurement system. With Iraq’s projected gross domestic product (GDP) valued at US$221.8 billion for September 2013, public procurement was expected to represent about 23 percent of GDP for the year. As a rough proxy for the current magnitude of public procurement in the country, this figure shows the scope and power of procurement in the Iraqi economy.

Doing business with the GOI presents considerable challenges and high fiduciary risks. Issues with corruption and transparency in Iraq, as evidenced by the country’s consistently low rankings in international surveys have exacerbated these challenges. Existing institutional weaknesses have manifested themselves in particular in the governance and performance of the country’s public procurement system. A 2012 World Bank report on Oil Revenue Management for Economic Diversification and Public Expenditure Review cited unsatisfactory procurement procedures as one of the main bottlenecks in budget execution in Iraq. The 2012 Investment Climate Assessment (ICA) for the country confirmed a similar finding, citing the widespread corruption in public contracting as a major contributor to the perceived weakness of Iraq’s business climate.

Reform of the Iraqi public procurement system is needed and relevant, but it is also quite challenging. The World Bank’s engagement in procurement reform in Iraq began in 2006 with a request from the GOI to assist in reforming the legal framework governing public contracts. At the time of this request, public procurement in Iraq was based on outdated and sometimes contradictory rules. Furthermore, the procurement process was subject to vast discretion by procuring entities.
Toward a New Procurement Law

The issuing of waivers and use of direct contracting were commonplace. Recognizing the negative effects of these poor practices, the government solicited World Bank support for a new law based on internationally recognized best principles, i.e. transparency, value for money, efficiency, competition, equity and accountability. To manage the reform of the public procurement legal framework, the GOI formed a 25-member Inter-Ministerial Task Force (IMTF) including key ministries and representatives from the Kurdistan Regional Government (KRG), the Shura Council, the Council of Ministers’ (COM) Economic Committee, the Integrity Commission, the Board of Supreme Audit, and academia. In 2006, a team of international and local procurement lawyers were hired to assist the IMTF in drafting the law. Workshops were held in Baghdad, Erbil, Beirut, and Amman with participants from the public and private sectors with civil society representatives to raise awareness and discuss the process. Incorporating inputs from all stakeholders, the drafting of the new procurement law was completed in late 2007. The Shura Council approved it in December 2009, and submitted it to the COM for approval.

Stalled Progress

However, after these positive developments, progress stalled. The draft law remained in internal review with a Committee of the Council of Ministers (COM), for almost two years. Concerns were raised internally about the perceived lack of flexibility in the new law. Though the law had been drafted to allow officials the proper amount of flexibility, some policymakers were not satisfied since the new law did not explicitly authorize all of the “exceptions” that had been previously commonplace. Rather, some feared that the law would tie their hands and prevent the awarding of contracts on an exceptional basis. In October 2011, the Council of Ministers decided to delay the approval of the new draft law in favor of a set of regulations. During the same year, the Council of Ministers recommended abolishing the existing legal framework (i.e., CPA Order 87 of 2004) without passing any other law to replace it. These decisions would create a legal vacuum in public procurement. With no legal foundation for procurement decisions, a highly disorganized system emerged where exceptions were encouraged. This left Iraqi procurement open to abuse, waste, and corruption. Efficiency of public expenditures and effective resource management suffered.

Prominent examples of bad practices included:

- An overreliance on uncompetitive procurement methods;
- Waivers from the COM for procurement processes and contracts;
- An administrative procurement complaint system established under the Ministry of Planning that is not operational, nor independent;
- Increased allegations of fraud and corruption cases;
- The use of deferred payment methods that are not internationally recognized;
- Collusion of bidders; and
- Illegal contract selling through 100 percent subcontracting.

For the Iraqi public, these poor practices had tangible consequences. The system was in direct tension with the public’s expectations for transparency, accountability, and efficiency. The lack of a clear legal framework for public procurement also discouraged foreign investment, since foreign investors were uninterested in coming to invest in Iraq if they had no type of legal assurance that bidding would be competitive, and that their bids would be treated equally and fairly.

The Gradual Approach

After the COM’s decisions, the country went through several conflicting and incompatible attempts by different stakeholders to develop different legal instruments. With an unclear legal framework, the reform strategy needed to be adapted to better fit the conditions on the ground. While the World Bank remained committed to the same goals of modernizing public procurement in Iraq, to succeed in its objectives, there was a need to adopt a more gradual approach. With this mindset, progress on other aspects of the reform has been achieved. In 2010, the Government of Iraq developed standard bidding documents that were piloted in five ministries, and disseminated among all implementing agencies on the Ministry of Planning website in 2012. They also developed new sector bidding documents, aimed at ensuring fair, nonrestrictive, clear and comprehensive bidding requirements. In 2013, a national implementation manual and a national training strategy were developed, and capacity building efforts in procurement ramped up. Further training and professional development were initiated to enhance performance through capacity building.

Recent reform efforts in Iraq have also featured a renewed focus on transparency. Iraq’s Governance Action Plan for 2013-2014 calls for the creation of one single portal/gateway for procurement notices. The portal will enhance transparency in the government procurement system by providing more public information—both through the publication of bidding notices and the announcement of bidding awards. While these reforms, with a focus on capacity building and transparency, are certainly not all-encompassing, they represent a viable path forward under difficult circumstances.

Concluding Thoughts

This case study illustrates the nature and complexity of procurement reform, particularly in a post-conflict state. Iraq will face serious challenges due to its political environment, conflicting vested interests in the executive branch, and weak credibility. These are compounded by a lack of top-level support for reforms. Procurement reform also becomes particularly challenging since public procurement reform means tackling corruption. Thus, it is no surprise that procurement reform in Iraq require patience, deliberativeness, and tolerance. Prioritizing interventions, managing the political economy of reform with a focus on stakeholder analysis (who to engage in reform) will be key to success.

Most importantly, reform will require strong political leadership and robust decision-making structures for policy-making, oversight and guidance. Reforms tend to take time in any environment (though especially in this one). There is a need to prioritize interventions, look for opportunities for success, and adopt gradual fixes. It is likely impossible to fix the whole system at once. Instead of trying for a one-time fix, stakeholders should focus on translating reform priorities into actionable implementation.

(left: The World Bank’s Procurement Team together with Iraqi Procurement Practitioners).
Three Types of Obstacles to Governance Reform

The first obstacle is the lack of political will.

Political will to pursue governance reform exists when there is support from enough political leaders to pursue the policy change. Necessary conditions include: a sufficient set of political actors representing a broad-based constituency, a common understanding of a particular problem on the public agenda, genuine intent of political leaders to support reform, and a commonly perceived potentially effective policy solution. The challenge in securing political will by removing or deflecting resistance from the “iron law of oligarchy,” whereby there is a persistence of power elites, a persistence of bad rulers, and persistence of bad rules. Communication can play a critical role in securing political will. Organized groups can pressure policymakers and government officials through public interest lobbying by the following means: rallies and demonstrations by a broad cross-section of society to air issues, backroom negotiations with targeted policymakers to uncover hidden interests, framing the issues by the mass media to mobilize political will and provoke the nation’s leaders into action.

The second obstacle is the challenge of developing organizational will.

Organizations and institutions are often averse to change or, at best, they move change at a glacial pace. The middle managers in the organization have been described as “a layer of clay through which nothing passes.” Communication approaches that create a sense of urgency for change, engage the entire organization in moving forward and develop trust among the leaders, middle managers and the staff will help mitigate the hazard of feeble organizational will. Appreciative inquiry, an approach described by Kevin Barge (2008, p. 198) allows middle managers to comprehend the urgency for change, empowers them as equal partners, provides them a pathway for change and addresses their concerns regarding vulnerability.

The third obstacle is the absence of public will.

Public will translates into public support which results in policy change and reform. There are many reasons why public will is stifled, voiceless, or simply absent among the people, government officials and policymakers. Reforms often occasion long-term benefits to many, but also provide short-term gains to a few elite groups. If the costs of reform are known but the benefits are not well understood, potential “losers” with access and representation in the political system can oppose and derail the reform. This dilemma is well described by Gaetano Mosca (1939) Mosca proposed that “The domination of an organized minority over the unorganized majority is inevitable. The power of any minority is irresistible as against each single individual in the majority, who stands alone before the totality of the organized minority. At the same time, the minority is organized for the same reason that it is a minority.”

Source: “People, Politics and Change” The World Bank 2011, Cecilia Cabanero-Verzosa and Helen Garcia
Corporate Financial Reporting
Interview conducted by Gabriella KUSZ, Senior Financial Management Specialist, MENA Financial Management Unit, The World Bank

CV MENA: With extensive experience in public accounting, international development, and financial management — what was your inspiration / motivation in taking on the role of Chief Executive Officer at IFAC?

Choudhury’s career spans over 35 years and includes roles as a preparer, controller, user of accountancy information, corporate finance, and as well as key positions within the World Bank. Having seen accountancy from so many different perspectives, Choudhury is a firm believer in the integral role the profession plays in making society work. Just as integral as the medical, engineering or legal professions, the accountancy profession is necessary for the well-being of society. Choudhury noted that the opportunity to act as CEO of IFAC inspired and continues to inspire him as it offers an opportunity to be at the center of the accountancy profession and to help guide its future direction.

CV MENA: Roughly a year into the position of Chief Executive Officer of IFAC — what, if anything, has most surprised or inspired you so far? In these early days, what have been some of your most memorable experiences?

Stepping into his role at IFAC, Choudhury noted that he was most impressed by the tremendous opportunity which IFAC has to influence the accounting profession worldwide. Most interesting to him has been the challenge of seeking to capitalize on this opportunity while leading a relatively small organization with limited resources which provides accountability to its stakeholders and seeks to build consensus on its priorities. Choudhury noted that he was most pleasantly surprised by the tremendous commitment, talent, hard work and expertise of IFAC’s staff and volunteers.

CV MENA: As a former Vice President and Controller at the World Bank, what are your views on the Bank’s role in advancing global and in-country accountancy development, including accounting professionals in the private sector and government?

Choudhury believes that the World Bank and other development agencies recognize and agree that development of a strong accountancy profession is important for the development of both the public and private sectors. However, he commented that “accounting reform tends to fall ‘under the radar’ as the resources required to strengthen the profession are perhaps too small and, as such, never reach a critical mass which may justify the transaction costs of providing financial support.” Choudhury emphasized IFAC’s appreciation of the World Bank’s convening power and knowledge contributions on the subject; however, he noted that it would be helpful to see an increase in the flow of funds going toward Professional Accountancy Organization (PAO) development—which, in turn, supports the development of the profession. Choudhury noted that “estimates put the amount of funds needed to raise PAOs in developing and emerging nations to a reasonable standard of maturity to be roughly USD $100 million over a ten-year period.”

IFAC CEO Fayez Choudhury estimates “that the amount of funds needed to raise PAOs in developing and emerging nations to a reasonable standard of maturity would be roughly USD $100 million over a ten-year period.”

CV MENA: Are there any particular themes or focus areas that you intend to emphasize as part of your leadership of IFAC?

Under Choudhury’s leadership, IFAC is actively working to promote four key areas:

• Developing High Quality Standards - IFAC will continue to support the International Auditing and Assurance Standards Board (IAASB), the International Public Sector Standards Board (IPSASB), and other independent standard-setting boards in the development and promotion of international standards. This will offer all countries access to high quality tools enabling reliability and consistency in reporting.
• **Quality and Capacity Building** - IFAC will support its Member Bodies in enhancing compliance with IFAC Statements of Membership Obligations (SMOs) and enhancing their capacity to support accountability development within their respective countries. In regard to the public sector, IFAC will seek to support the countries and institutions in their move toward proper accrual-based accounting.

• **Developing the Profession** - IFAC will facilitate sharing the many high quality knowledge products produced by its Member Bodies via its newly opened knowledge platform. Additionally, under this theme, IFAC will seek to stimulate topical thinking and discussion.

• **Global Representation and Advocacy** - IFAC will help to address the many emerging issues facing the global accountability profession by identifying key issues and creating a platform for constructive and informed debate on these topics. Early topics may include the role of the accountant in civil society, the issue of accountability in the public sector, and the role of rating agencies.

CV MENA: In your opinion, what are some of the greatest challenges facing the global accounting profession? How is IFAC working to position itself and its members ahead of these challenges?

One key challenge facing the global profession is in demonstrating our value. Choudhury noted that in many countries, amongst larger firms the audit has been commoditized and is seen to have limited value. The profession must stand up and raise awareness of the important role audit plays in protecting the public interest, providing reliable financial information and enhancing the health of the capital markets. Within the SME sector, many times accounting standards are seen to be too complicated or their value again is not well understood. Again, the profession needs to answer these comments by demonstrating the value of accounting standards properly applied in the production of SME financial reports not only to the SMEs themselves but to the providers of capital and other stakeholders to ensure that they understand the value of high quality financial reporting. In the public sector, this challenge of demonstrating value has led to under-appreciation of the role of good accounting and reporting within government and agencies. Work must be done to counteract this. Choudhury and IFAC are working to address this challenge by supporting national and regional PAOs in their efforts to communicate the role and importance of accountability and accountancy professionals. Additionally, IFAC works through its various committees including its Small and Medium Practices (SMP) Committee, Professional Accountants in Business (PAIB) Committee, and its PAO Development Committee to educate stakeholders and others regarding the importance of PAOs and the profession.

CV MENA: The global financial crisis and ensuing uncertainty about the strength of global economic frameworks highlighted disparities between public and private sector reporting standards. In your view, how can we have greater consistency of transparency and accountability within financial reporting internationally?

Research following the sovereign debt crisis demonstrated linkages between the crisis, the risk of default, and the transparency and reliability of financial information. Choudhury noted that an entity in the private sector which desires financing either goes to a bank or lists on the stock exchange – both of which require it to report on an acceptable accounting basis. This differs from the public sector where if there is a desire for financing, a government will issue bonds necessitating a bond rating for successful issuance. However, rating agencies appear to accept whatever information is provided to them and do not take accountability for the information provided, even when they seem to know it is not based on accepted accounting bases. Choudhury commented that getting public sector financial reporting right is essential to making sure sovereign debt is properly priced and issued.” As such, it is his belief that rating agencies need to take a more active role in ensuring that this occurs.

CV MENA: The 2013 IFAC Small- and Medium-sized Accounting Practices (SMPs) Quick Poll indicated that, although still at the top of the challenges, fewer SMP small business clients are burdened by economic uncertainty, whereas more faced difficulties in accessing finance. How can IFAC help?

SMPs are a large part of the IFAC community. The SMP Committee and the Quick Poll are two ways in which IFAC works to understand and support this demographic of the profession. Additionally, through the International Auditing and Assurance Standards Board (IAASB) and the issuance of International Standards on Review Engagements (ISREs), IFAC works to provide high-quality standards which may be better suited for the assurance needs of SMP’s SME clients. Finally, Choudhury noted that these challenges are not unrelated to the broader global challenge of ‘demonstrating value.’ For SMPs, this means projecting the value of financial reporting in SME financing arrangements and in their assessment of creditworthiness.

CV MENA: IFAC Membership is a key goal for many PAOs in the MENA region. How is IFAC seeking to help PAOs in the region to understand the requirements of IFAC Membership and align with these requirements?

IFAC maintains the Compliance Advisory Panel and Member Body Development function which work intensively with aspiring as well as current IFAC Member PAOs to help them meet the SMOs. The IFAC Membership process balances the two elements of quality and inclusiveness – seeking to include as many PAOs as possible within IFAC Membership, but only after IFAC is confident that they have committed to appropriate levels of quality. In recognition of the interest and need for strong PAOs in the MENA region, IFAC places high priority on its work in MENA and its support to the region’s PAOs.

CV MENA: The Arab Spring has been followed by continued calls for transparency and accountability in government and the public sector. How have IFAC and the International Public Sector Accounting Standards Board (IPSASB) sought to help governments in the region answer these calls?

Unlike the private sector, governments do not have market pressures influencing their adoption of high-quality international standards. Additionally, as accounting standards reform is a very technical issue, it is not necessarily something which resonates broadly amongst citizenry. As such, Choudhury believes that the way forward is through a concerted campaign amongst IFAC, the World Bank, the International Monetary Fund, Civil Society Organizations (CSOs) and PAOs in direct dialogue with governments to facilitate international standards implementation. IFAC is presently working in coordination with key entities to identify countries where there is interest and to undertake targeted efforts to promote awareness building, planning, adoption and technical assistance for standards implementation.

CV MENA: We congratulate IFAC and the international donor community on their Memorandum of Understanding to Strengthen Accountability and Improve Collaboration (MOSAIC) initiative. Please share with us the progress of MOSAIC and your thoughts on how this important initiative may support the further development of MENA PAOs.

MOSAIC has been successful in bringing together stakeholders and offering a forum for discussing experiences in PAO development. The next issue for MOSAIC is scaling up impact. Choudhury noted that MOSAIC recently released its PAO Global Development Report, and has created a step-by-step methodology for developing PAOs to help donors and others in this effort. Forthcoming will be a MOSAIC website complete with an e-marketplace for matching PAOs with interested donors so as to help facilitate the flow of technical assistance and support to PAO development – both within the MENA region and throughout the world.
Strengthening the Education of CFR Professionals

Riham HUSSEIN
Financial Management Specialist, MENA Financial Management Unit, The World Bank

The Corporate Financial Reporting (CFR) workstream within the Middle East and North Africa Financial Management (MNAFM) Unit focuses on several levels to strengthen CFR education so that it may be of the best quality possible for the region. MNAFM is working on several projects to enhance the quality of CFR education and accountancy more narrowly. These projects include education in universities, examination, continuing professional development, and compliance with education regulations.

Development of knowledge on the subject of CFR and accounting more specifically typically occurs in several stages. Gaining entry into the profession usually involves set requirements which facilitate commencement of a program of study in accountancy. After entrance, candidates are generally required to study the accountancy curriculum and pass an examination to ensure that they have achieved a desired level of knowledge. Upon entrance into the profession, experience in practice is important and continuing education ensures that the accounting professional remains up to date with new developments in the profession.

Education in CFR and specifically in accountancy is governed by the International Accounting Education Standards Board (IAESB) International Education Standards (IESs). IESs “assist professional accountant organizations, regulators, employers, academics, and students by prescribing principles for the learning and development of professional accountants.” (IAESB Fact Sheet, February 2013). They seek to unify standards globally to reduce differences in the quality of accounting professionals.

Education in Universities
Education in universities is the first important step in the gaining of knowledge by future accounting professionals. Organizations such as the United Nations Conference on Trade and Development (UNCTAD) have outlined the key elements of a model curriculum (revised in 2003) to facilitate implementation of strong university accounting education curriculum.

Through its IES, the IAESB outlines the key elements of technical competence, professional skills, and professional values, ethics and attitudes that should be achieved as part of professional education. These provide standards which guide implementation of high quality accounting education in countries around the world.

MNAFM is presently supporting this area for the academic community in Iraq under the project entitled, “Iraq Technical Assistance and Capacity Building Fund,” and the component: “Strengthening Accounting Higher Education Curriculum and University Capacity in line with International Standards and Good Practices”. This project will include not only assessing the current state of the accounting curricula and suggesting enhancements, but will also ensure that the relevant stakeholders, including university faculty, are able to benefit from the outcomes of the project. MNAFM also has an Institutional Development Fund (IDF) project for the Jordan Association of Certified Public Accountants (JACPA). Part of the funds are going toward assessing the quality and uniformity of the accounting and auditing curricula at universities and providing them with an outline so that they can improve the curricula according to international standards and good practice.

Examination and Practical Experience
After the initial professional development phase in which an individual has attained entry into the profession, the individual is required to attain a certain minimum period of practical experience to ensure that they are able to apply their knowledge in practice of the profession. Upon completion of academic training and practical experience, the IES and international good practice dictate passage of an examination to enter the accounting or auditing profession and to give formal certification to an individual in order to practice in that profession. This assessment tests an individual’s competence and ensures that all practicing members have the correct level of requirements in order to meet their client’s needs and deliver quality services. Through an IDF grant to the Palestinian Board of Public Accountancy, MNAFM worked to restore the licensing-by-exam process for external auditors in the West Bank and Gaza. There was a complete review and re-writing of the exam given to professionals wishing to enter the audit profession, which ensured that the areas in accordance with international standards were included. Training materials were created in order to better prepare individuals taking the exam.

MNAFM is also working on an IDF grant to the Yemeni Association of Certified Public Accountants (YACPA). The latter has one of its components focused on improving the accountant and auditor examination and licensing procedures in line with international standards.

Education for Professionals – Continuous Professional Development (CPD) and Compliance with Education Regulations
One of the areas of weakness throughout the MENA region is continuous professional development for individuals. This is an important area as it ensures that accounting professionals retain their knowledge and stay up to date on the development of new accounting standards which will enable them to provide high quality services to their clients. Most professional accountancy organizations have a program to monitor and evaluate whether their members are attaining the right amount of continuous professional development, and this may form part of a quality assurance program.

As a code of ethics is implemented for professional accountants, a system of investigation and discipline can be set up which will then be used to ensure that all accountants are adhering to the regulations. MNAFM is working on enhancing CPD through its IDF grant to the Palestinian Board of Professional Accountancy and the Palestinian Association of CPAs (PACPA). This project includes the development of a quality assurance program which will help ensure that all members are receiving the right amount of continuous training.

MNAFM’s IDF grant to YACPA also includes both the setting up of a system of quality assurance (for member individuals and firms), as well as the development of training modules and toolkits which can be used in a system of CPD.
Growth Slowdown Heightens The Need for Reform

"Ongoing regional tensions, together with a challenging (albeit slightly improving) external environment, have hit the economies of the Middle East and North Africa (MENA) region hard. Economic growth is slowing, fiscal buffers are depleting, unemployment is rising, and inflation is mounting in seven of the region’s most vulnerable economies—Egypt, Tunisia, Iran, Lebanon, Jordan, Yemen and Libya.

Short-term policy actions such as increasing public sector wages and subsidies—aimed at reducing social tensions—exacerbate the situation, which is driven by long-standing structural weaknesses, including labor market rigidities, complicated and opaque regulations, infrastructure deficiencies, regressive and inefficient subsidies, and inadequate social safety nets. While these countries face an unstable political and macroeconomic environment, the growth slowdown after the Arab Spring creates a unique opportunity to address these structural problems to both create fiscal space and restructure the economy towards job creation and inclusive growth."

Source: The MENA Quarterly Economic Brief (January 2014) was prepared by Lili Mottaghi (Economist), in the Chief Economist Office of the World Bank, under the guidance of Shanta Devarajan (Chief Economist, Middle East and North Africa region).
Islamic Finance Infrastructure

Countries in which citizens have easy and smooth access to Islamic finance products typically maintain a strong infrastructure that is supportive of Islamic finance. This infrastructure includes three components.

- **An appropriate legal and financial framework.** Frameworks that incorporate international accounting standards, modern corporate governance codes, and bankruptcy laws designed in accordance with good international practice provide a clear, understandable, and effective system under which Islamic finance and its products can be created and offered to the market. Transparent and well-crafted legal and regulatory frameworks that incorporate pro-Islamic finance aspects are inherently beneficial to the development of this sector. In addition, by reducing legal ambiguities and minimizing redundant or inefficient activities, they reduce the cost of Islamic financial products and enhance their competitiveness in the financial markets.

- **Sufficient numbers of qualified staff.** To ensure adherence with Shari’ah concepts and principles, the staff of Islamic finance institutions, external audit firms, and regulatory bodies need to be highly qualified and knowledgeable in a range of areas: the commercial law that underpins Islamic finance, the requirements of Shari’ah and the regulations that govern Islamic finance, the requirements of the International Accounting and Auditing Standards, and the impact of Islamic finance on business strategy. In addition, they should have the ability to apply Islamic finance principles to the analysis of Islamic financial products and services and the entrepreneurial ability to design products and solutions for the Islamic finance services industry.

- **Appropriate supervisory and regulatory institutions.** Countries must also invest in the development of supervisory and regulatory institutions to support Islamic finance oversight and regulation. For example, if central banks are to play a role in the micro- and macro-prudential surveillance of their country’s growing Islamic financial sector, they must have the systems, processes, and procedures to undertake such tasks. And if the country’s insurance regulator is to oversee the emergence and growth of Shari’ah-compliant insurance companies, it needs channels of communication and access to Shari’ah advisors. It may also need to modify its inspection and review processes and provide additional education for its staff.

Countries that have this kind of strong Islamic financial infrastructure tend to have high Islamic finance indicators, competitive Islamic financial instruments and products that are affordable for all economic sectors. They also have a high degree of customer satisfaction and protection. Thus, when all these pieces of a country’s Islamic finance infrastructure are well developed and operate in harmony, they provide a sound foundation for Islamic finance activities to flourish.
Meet Yasmine!

Yasmine EL-RAMLY
CPA / Certified Information Technology Professional (CITP)
Senior Technical Manager, Firm Services and Global Alliances, American Institute of Certified Public Accountants (AICPA)

We were first introduced to the AICPA’s Yasmine EL-Ramly through her participation in and presentation on “Facilitating PAO Development with a View to Strengthening the MSME Sector” as part of the 2013 CV MENA Exchange Conference held in Amman, Jordan. This week CV MENA Magazine had a chance to catch up with Yasmine and learn more about her and her goals for promoting women’s leadership within the accounting profession in the Middle East and North Africa and throughout the world.

Yasmine’s experience combines a rich multicultural background with a deep interest in accounting and human capital concerns. Since joining the AICPA in 2010, she has enjoyed serving the accounting profession by supporting practitioners in CPA firms, creating tools and events that address their top concerns, and that help them build a more inclusive environment. Before joining the AICPA, Yasmine worked for CPA firms of different sizes: a local, a national and then a big four firm. Yasmine has experienced first-hand the challenges that CPA firms of various sizes face, and she understands the importance of easing the burden of running a practice by providing practical solutions to today’s challenges.

Yasmine oversees the women’s initiatives at the AICPA, which is dedicated to the advancement of women into leadership positions and the successful integration of their personal and professional lives. Having worked for organizations that had few or no female leaders, she has a deep appreciation for this issue, as well as its regional and global dimensions. For example, she notes that “in the USA, women and men have been graduating from accounting programs in equal numbers for the last 30 years, but women make up less than 9 percent of Chief Financial Officers (CFOs) and 19 percent of partners in CPA firms nationwide.” There has been progress made in this area since 1989 when the AICPA created the special task force for upward mobility of women, but still more work remains to be done.

Yasmine’s background spans many cultures. She grew up in France and made regular visits to family in Egypt before relocating to the United States to pursue a graduate degree at North Carolina State University and her CPA license. She has also studied in Canada. Yasmine is a native French speaker and is fluent in English and conversational in Arabic. Given this work experience and multicultural background, “I became well aware that the most valuable asset for an organization is its human capital. The accounting and finance professions are both knowledge based, and it is so important to cultivate this capital in the younger generation. Organizations that recruit a diverse workforce, including women and minorities, are drawing from as wide a talent base as possible and fostering an inclusive environment for all of its staff members.”

Yasmine’s goal for the upcoming years is to develop valuable resources for non-US organizations and firms and to use the AICPA Women’s Global Leadership Summit (www.cpa2biz.com/leadership) Summit to give women around the world—including those in the Middle East and North Africa region—the opportunity to enhance their individual, leadership and business skills.

The AICPA Women’s Global Leadership Summit is presented by the AICPA Women’s Initiative Executive Committee with Media Partners AWSCPA and CPA Canada. The objective of this conference is to focus on leadership, boardroom diversity, and best practices to enhance the skills and potential of women leaders within the financial community. As part of this summit, speakers will provide training and information on how women can secure their future in this complex industry.

This summit will also provide women leaders with a unique opportunity to gain new insights and to learn directly from other successful professional women. The sessions and workshops will offer a full scope of perspectives—from women finance leaders in firms, business and industry, not-for-profit organizations, academia and government.

The American Institute of Certified Public Accountants: The AICPA is the world’s largest member association representing the accounting profession. It has more than 394,000 members in 128 countries, and more than a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments.

The AICPA develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology.

Through a joint venture with the Chartered Institute of Management Accountants, it has established the Chartered Global Management Accountant designation to elevate management accounting globally.

Source: AICPA.org
“Every dollar that a corrupt official or a corrupt business person puts in their pocket is a dollar stolen from a pregnant woman who needs health care; or from a girl or a boy who deserves an education; or from communities that need water, roads, and schools. Every dollar is critical if we are to reach our goals to end extreme poverty by 2030 and to boost shared prosperity.”

Jim Yong Kim, President, The World Bank, at “Speak Up Against Corruption,” a panel discussion hosted by the Integrity Vice Presidency in Washington (December 24, 2013).

“Development assistance models tend to focus on limiting the power of elite actors through institutional means like anti-corruption bodies or formal legal and judicial institutions. Unfortunately, in too many cases, powerful elites are able to ignore or capture these institutions. Aid effectiveness can be enhanced by shifting the focus to the interests of elite actors, identifying where the interests of certain elites might be served by advancing selected reform, and working to draw those elites into alliance and collective action with others. This is easier said than done. Advancing reforms will still involve a struggle against powerful actors defending the status quo. But the chances of success are brighter when other powerful elites are on the reform side. In this context, it is important to understand the interests of powerful elite groups, and identify scenarios where they have a shared interest in advancing a set of particular reforms.”

Source: World Bank Blogs: The Quest for Aid Effectiveness
Submitted by Zahid Hussain on 03/05/2014.

“Revenue authorities around the world are taking steps to streamline and modernize payment systems. Taxpayers in 76 economies can now file tax returns electronically from virtually anywhere on the planet. The use of the latest technologies to enhance the quality of public services boosts transparency and, for many tax authorities, it is also allowing a broadening of the tax base, a development with beneficial macroeconomic implications.”

Augusto Lopez Claros, Director, Global Indicators and Analysis, World Bank Group.

“One of the hallmarks of a great manager is the ability to identify the right person for the right job and to train employees to succeed at the jobs they’re given. But unfortunately, most managers assume that if each person working on a project is well matched to the job, then the organization in which they work will be, too. Often that is not the case. One could put two sets of identically capable people to work in different organizations, and what they accomplished would be significantly different. That’s because organizations themselves— independent of the people and other resources in them—have capabilities. To succeed consistently, good managers need to be skilled not just in assessing people but also in assessing the abilities and disabilities of their organization as a whole.”

“Meeting the Challenge of Disruptive Change” by Clayton M. Christensen and Michael Overdorf.
Transparency, Accountability and Participation
Mainstreaming Citizen Engagement in Projects

The Importance of Citizen Engagement (CE) in Development Today

The last decade has seen a perceptible shift in the way that ordinary citizens are engaging with their governments around issues of development and governance. From the uprisings of the Arab Spring, to the most recent protests in Ukraine and Venezuela, men and women across the developing world are mobilizing to demand a greater voice and participation in decisions that affect their lives and greater responsiveness and accountability from service providers and the state. Backed by the growing number, influence, and range of ‘social intermediaries’ (such as non-governmental organizations [NGOs], community-based organizations [CBOs] and the media) and supported by new modes of communication (cell phones, internet and social media), this enhanced ‘citizen engagement (CE)’ is increasingly seen as an irreversible global phenomenon. At the same time, there is emerging evidence that CE can lead to improved development results under the right conditions. A process of sharing information with people, involving them in decision making and routinely gathering feedback from beneficiaries of development programs can help create a positive feedback loop that governments can use to become more responsive and accountable (see Figure 1). This in turn can lead to better targeting, smarter design of projects, improved monitoring of performance, and lesser waste and corruption. While the evidence is still limited and often mixed, there are several impact analyses and cases studies that have found a positive impact of CE on greater fiscal transparency and improved tax collection; inclusion of citizen preferences in municipal, sectorial and national budgets; reduced project costs and corruption; as well as overall increased responsiveness and accountability on the part of states.[1]

CE – A Corporate and Regional Priority for the World Bank

It is no surprise that development institutions like the World Bank Group are making CE a corporate priority. While engaging with citizens is not a new area for the Bank [2], it is, for the first time, preparing a Corporate Citizen Engagement Strategy in order to mainstream CE in Bank-supported policies, programs and projects, as well as to contribute to building country systems for CE to enhance the sustainability of government-citizen interaction. During the 2013 Annual Meetings, Bank President Jim Yong Kim further committed to incorporating beneficiary feedback in all Bank projects with clearly identified beneficiaries. Similar commitments and indicators around CE have been incorporated in the Bank’s Corporate Scorecard and the International Development Agency IDA Policy Matrix. The Bank’s Middle East and North Africa (MENA) Region has made CE a special priority in the aftermath of the Arab Spring, and has volunteered to be the first region in which 100 percent mainstreaming of CE within operations and country programs will be undertaken. The last three years have fundamentally transformed the environment for citizen engagement in the MENA region. A variety of non-state actors — including Civil Society Organizations (CSOs), youth and women’s groups, ombudsman offices, unions, media organizations, charitable and faith-based organizations, academia and research organizations — have been energized and are seeking to enhance their legitimacy and voice. Social media have channeled this energy by compelling governments to address calls for change and inclusiveness. The ongoing transformation is challenging traditional approaches to development by governments and development partners. It is this imperative that is motivating the Bank’s region-wide CE mainstreaming pilot in MENA.
Figure 1: Citizen Engagement – A Feedback Loop between Government and Citizens


Figure-2: Examples of Entry Points for Citizen Engagement

CE at Country and Sector Levels

- Enabling legislation (e.g., freedom of association, right to information)
- Supporting transparency and accountability of institutions
- Participatory budgeting, budget transparency and monitoring
- Open data support (legal, legislative, technology, demand-side)
- Enabling environment for civil society growth and participation
- For a for national or sector dialogue

CE at Program and Project Levels

- Consultations
- Disclosure, outreach, and feedback systems
- Participatory decision making
- Third party monitoring
- Grievance redress mechanisms
- Community and participatory monitoring
How will this mainstreaming of CE be undertaken?

As part of the roll out of this regional CE pilot, a multi-sectoral task force has been set up including specialists from the Bank’s social development, information and communications technology (ICT), governance, and knowledge and learning units. Through conversations with country and sector management teams, a total of 38 operations covering ten countries have been selected [3] for mainstreaming CE.

In terms of entry points for CE within these projects, a range of approaches and tools are being used. They can broadly be categorized and applied at two levels: (i) at the country systems and strategic levels; and (ii) at the program and project levels (see Figure 2). Entry points for the former include legislation to support greater information exchange, budget transparency, and support for civil society institutions.

At the program and project levels, entry points include consultation, information disclosure, community and participatory monitoring and assessment, and robust grievance redress mechanisms. Each operation will be supported by a CE Leader selected on the basis of their skills, on the one hand, and on the project’s CE needs, on the other. In all cases, the effort will be to match the best tool and entry point to the project’s unique context and design.

The roll out of the CE mainstreaming in MENA will not be without risks. Governments might be hesitant or skeptical about using CE, especially in a region where there is not much history of participation. They may see CE as extra work, not worth the effort, not in their interest, or even threatening. The same may in fact be true of citizens themselves, who may be skeptical or simply lack capacity to engage. But, a proactive approach that highlights the fact that CE is about improving outcomes and government performance rather than about criticism and blame—and which builds on successful practical examples such as the recent Citizen Report cards in the Morocco municipal solid waste sector (see Box 1)—should help to demonstrate the value of CE.

The MENA region is undergoing a historic transition today, where citizens are calling for change and a desire to engage with governments on issues important to their lives—jobs, equality, opportunity, and security. Enabling this inclusive CE will only be achieved by breaking down barriers that inhibit open dialogue and by making the voices of those historically left out—women, youth, remote rural communities, and ethnic minorities—to be heard. Through its convening power, knowledge, and financial resources, the World Bank is uniquely positioned to help them make their voices heard and bring different stakeholders together to facilitate meaningful CE. While the results of this endeavor at mainstreaming CE will only bear fruit in years to come, they will undoubtedly help take steps toward a new and more inclusive model of development in the MENA region.

This article draws considerably from the forthcoming paper: Mainstreaming Citizen Engagement in Projects - A Guidance Note for World Bank Staff Working in the Middle East and North Africa Region

REFERENCES:

- World Bank (forthcoming). Mainstreaming Citizen Engagement in the Middle East and North Africa – A Guidance Note for Bank Staff, MNA Social Development Unit, World Bank, forthcoming

[1] See for instance Barret and Gaventa (2010), and World Bank (2013). This is not to suggest, however, that every CE process leads to positive results—the outcomes of CE are context-specific and depend on many factors and can sometimes remain ineffective, or worse, lead to conflict and unrest.

[2] For instance, the 2004 World Development Report for the first time emphasized the importance of empowering people to engage in policy-making and monitor service providers, while the Bank’s 2007 Governance and Anticorruption (GAC) Strategy called for an increased integration of transparency, accountability and participation measures in World Bank projects. It also emphasized the importance of building the capacity of non-state actors such as CSOs, parliaments and the media.

[3] Two criteria were used for project selection: (i) projects with scale up potential to integrate CE into country systems; and (ii) projects with directly affected citizens and a critical mass of beneficiaries to inform the design and implementation of the project.

Box 1: Citizen Report Cards in the Morocco Third Municipal Solid Waste Sector Development Policy Operation (DPO)

Governance is one of the key policy areas supported by the WB financed Third Municipal Solid Waste Sector DPO in Morocco. In particular, the operation seeks to strengthen demand-side governance by improving accountability of service providers, and providing citizens and civil society with new and effective opportunities for engagement and voice. The current operation builds on the experience and lessons of the two prior phases, which included a two-pronged consultation process, a communication strategy, and the introduction of Citizen Report Cards.

The Citizen Report Card (CRC) was introduced as a pilot in the urban municipality of Temara in the Rabat metro area. The core objectives of the CRC approach were to improve both the municipality’s and residents’ knowledge of sector issues, and to provide residents with sound, representative data they could use when engaging with municipal representatives on service improvements.

The CRC:
(i) collected factual and perception-based information from residents through a statistically representative survey on service coverage and quality;
(ii) disseminated survey findings to municipal residents through numerous fora including open town hall meetings between municipal representatives and residents; and
(iii) developed a municipal-resident compact on priority areas for change and improvement based on the public discussions and agreements reached at the town hall meetings.

The pilot CRC gathered a wealth of data and new information on service coverage and quality, on how much residents value the service, on residents’ knowledge of waste-related pollution and health issues, and on residents’ interest in and receptiveness to new solid waste management approaches such as recycling.
How Can Citizen Participation Enhance Value for Money?
Public Participation in the Budget and Audit Processes (PPBA)

Carolina VAIRA
Operations Officer
Social Accountability Practice, World Bank Institute

Keith MCLEAN
Lead Social Development Specialist
Social Accountability Practice, World Bank Institute

The emergence of new information and communication technologies (ICT) in the last years—coupled with a more assertive civil society and an increased willingness from governments to engage with citizens—has prompted a fundamental and positive shift in the way that governments interact with the public, and has led to increased openness. This trend towards “Open Government” is characterized by increased disclosure and access to information on the use of public resources, as well as heightened citizens’ expectations and demands for open data. This new global trend toward open government and greater citizen engagement in public decisionmaking has also affected Supreme Audit Institutions (SAIs) which are increasingly looking for innovative ways to engage citizens and leverage the capacity of civil society so as to enhance the overall impact, relevance, and legitimacy of audit processes.

With the move toward greater budget transparency (open budgeting), it is now relatively easy to verify budget allocations and assess the broad alignment with stated public policies and public expenditure priorities. In the MENA Region, an example of this trend occurred in Morocco where citizens’ budgets have been introduced, providing simplified budget data that are easier for citizens and civil society to understand. However, far more difficult to ascertain, but crucial to ensure improved development outcomes, is whether funds allocated in the annual budget are actually reaching the intended beneficiaries, that is, “Where does the money actually go?” Evidence from years of Public Expenditure Tracking Surveys and audits suggests that this is an important question.

In many countries, Supreme Audit Institutions have started to leverage the capacity of citizens and civil society organizations (CSOs) to help answer this question. This includes innovations such as multi-stakeholder and collaborative (joint) monitoring of public expenditures to strengthen public oversight. For example, in the Philippines and much of Latin America, SAIs are now pioneering different citizen engagement models to increase the effectiveness of performance audits, thus enhancing value for money in the use of public resources. This has not been without challenges. Engaging citizens throughout the audit process is fraught with potential complications due to the formal mandate of SAIs and the general lack of capacity of both SAIs and CSOs to collaborate in a meaningful and results-oriented way.

A new program on Advancing Public Participation in the Budget and Audit Process (PPBA) launched by the World Bank Institute Social Accountability Practice is helping to bridge this divide by helping SAIs and CSOs to establish an effective working partnership to enhance performance audits. It uses a four-pronged approach.

Firstly, the PPBA facilitates an open space where diverse representatives from civil society (frontline CSOs and think tanks, and economic journalists) interact with SAIs and other government institutions around opportunities and challenges in the audit process. These sessions aim to raise awareness of the possible entry points for collaboration. Capacity workshops complement discussions in order to build SAI and CSO capacity to collaborate and deepen their understanding of social accountability tools.

Secondly, PPBA supports the creation of multi-stakeholder country-level coalitions that develop and execute action plans and implementation of pilots to tackle the factors hindering value for money in the public sector.

Thirdly, simple toolkits are developed to support joint and participatory monitoring activities, and innovations are identified which can then be scaled-up nationally. Last but not least, monitoring and evaluation is incorporated into the entire process to facilitate knowledge capture and knowledge sharing among stakeholder groups and across countries. Despite being a relatively new program, PPBA has recorded early success, especially in Tanzania and Nepal, and is being scaled up rapidly based on increased demand from Bank teams, CSOs, and SAIs.

In Tanzania, multi-stakeholder dialogue and capacity building workshops have been instrumental in solidifying the interest of the National Audit Office of Tanzania (NAOT) in introducing participatory audits. A multi-stakeholder coalition with members of NAOT, members of the Public Accounts Committee, CSOs, and media has been established to make this agenda a reality; an action plan has been developed and is under implementation. In Nepal, where the PPBA program is in more advanced stages, a new compact between citizen groups and the Office of the Auditor General of Nepal (OAGN) is emerging. For the first time in Nepal, the OAGN has actively begun to consult CSOs on performance audits.

The new trend of collaboration between SAIs and CSOs around the audit process promises to strengthen the audit phase of the budget cycle, and provide critical ground-level reality into performance-based auditing. It is a new frontier in citizen empowerment and social accountability that promises to help ensure that governments become and remain truly open, responsible and accountable to citizens.
World Bank Announces a US$8 million Grant to Support Civil Society in Yemen

In response to the Government of Yemen’s request to support Civil Society Organizations (CSOs) and strengthen their role in the state building process, the World Bank Board of Executive Directors has approved a US$8 million grant to Yemen’s Civil Society Organizations Support Project.

“Yemen faces a complex set of development challenges that we need to tackle collectively,” said Mohammed Al-Sadi, Minister of Planning and International Cooperation. “CSOs are an important part of this effort as they have proved their effectiveness in complementing government services.”

The project consists of two mutually reinforcing components that will strengthen the enabling environment for CSOs at the national level and build their capacities to participate in development projects in which citizen engagement is part of the core design. A key objective is to simplify the registration regulations governing the non-governmental sector to increase transparency and ease the entry of new CSOs. The project will also provide training in social accountability and small grants for putting the learning into practice.

“Global experience shows that the role of CSOs in periods of transition is considered vital as they can mediate between the state and citizens,” said Franck Bousquet, World Bank Urban and Social Development Sector Manager. “This new project supports the building of a constructive partnership between the government and CSOs.”

The project engages a diverse group of beneficiaries. Its stakeholders include the Ministries of Planning and International Cooperation, and Social Affairs and Labor, along with participating CSOs. The Universities of Sana’a and Aden will implement the capacity building program and will play a key role in transferring knowledge relevant to social accountability.

“CSOs in Yemen are among the most vibrant in the Middle East and North Africa region,” said Wael Zakout, World Bank Yemen Country Manager. “A growing number are working on economic, social, human, and humanitarian rights, and we believe they have an important and integral role to play in the future development of the new Yemen.”
Governance has been an explicit part of the Bank’s developmental agenda since the latter part of the 1990s, although elements of good governance have always played a role in the institution’s work on development. These ranged from project-focused work on financial management and procurement to the various sector governance components embedded in many of the Bank’s adjustment and sector operations since the 1980s. More recently, the Bank has evolved toward a more explicit acknowledgment that inefficiencies and weaknesses in the institutional environment have a direct impact on the achievement and the quality of development results.

In MENA, governance is a critical part of the regional strategy and plays an important role at the sector and topical levels in all four pillars of the regional strategy (Figure 1). A credible system of ‘good governance’ has various dimensions which, in broad terms, include:

- **Political accountability**, which refers to political competition including broad-based political parties, adequate transparency and regulation of party financing, and, among others, disclosure of parliamentary votes.
- **Checks and balances**, essentially focused on ensuring separation of powers, including an independent and effective judiciary and other institutions of accountability, legislative oversight though parliaments with independent oversight institutions such as Supreme Audit Institutions, Anti-Corruption Agencies, etc.
- **A robust civil society and media**, which is an essential part of ensuring good governance. Obviously freedom of expression and open media are key elements here. Together with civil society organizations, they act as watchdogs to monitor public and private agencies and the use of feedback mechanisms from citizens such as citizen report cards, surveys, etc. An effective private sector interface is also essential and involves a variety of mechanisms and agencies ranging from effective business regulations, good public-private dialogue to collective business associations, etc.
• **Effective public sector management** is another key dimension with a focus on a strong and results-oriented public administration, ethical leadership and safeguards regarding assets, conflict of interest rules, effective financial management, procurement, and regulatory agencies.

• **Decentralization and local participation** with appropriate accountability and effective citizen oversight and participation is likely to improve service delivery and greatly enhance the effectiveness of implementation of government policies and strategies.

**Governance Challenges**

While not an exhaustive list, these dimensions provide a set of basic principles and mechanisms that comprise the foundation of good governance. Most countries in the world have varying strengths and weaknesses relating to governance systems, such as weak institutions and procedures, low performance, poor quality of services, inefficient public spending and low capacity. Other breakdowns might include excessive administrative discretion and malfeasance, political corruption, the broader issue of state capture, patronage, nepotism, secrecy and information asymmetry.

**Regional Context**

As compared to the rest of the world, MENA’s governance indicators (Figure 2) are notably weak and are particularly pronounced in areas such as transparency, civil liberties, media freedom, participation and social accountability. As a consequence, overall government accountability is weak and public sector service delivery does not meet the expectations of citizens. There has been little improvement on governance indicators since the Arab Spring (see for example Figure 3) which points to deeply rooted governance issues that are difficult to overcome.

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**FIGURE 2:** Global Integrity Indicators

*Source: Note: AC= Accountability; LAC= Latin America and the Caribbean; MENA= Middle East and North Africa; NGO= non-governmental organization; SAR= South Asia region.*

**FIGURE 3:** Corruption Perceptions Index

*Source: Note: CPI= Country Policy and Institutional Assessment; ECA= Europe and Central Asia; LAC= Latin America and Caribbean; MENA= Middle East and North Africa; MIC= Middle-income countries; OECD= Organization for Economic Co-operation and Development; Arab Spring and the Governance Agenda*

The Arab Spring has highlighted some important governance challenges across the region, in particular: the very high concentration of political and economic power by the governing elites and those close to them; a general lack of transparency and accountability of state actors; and deeply felt feelings of a lack of dignity, social justice and inequality by the populace at large.

In response to these challenges, the Bank focused mainly on cross-cutting governance reforms that signal a break from the past. Such reforms include:

• **Promoting government transparency** with a focus on access-to-information, the disclosure of economic and social data, and transparency of administrative processes and procedures.

• **Improving accountability** with independent monitoring of government activities and more efficient accountability institutions, i.e. the judiciary, Supreme Audit bodies, etc. Included are administrative reforms to improve public performance, for example, via transparent service delivery standards.

• **Fostering broad-based participation** by enhancing civil society involvement in design and implementation of government programs and strengthening of sub-national governments, as well as improving the mechanisms for public participation at the level of country systems.

The Bank has been involved in a wide range of governance activities in virtually all countries in the region. Main areas of engagement include:

**Building Credible State/Institutions** remain a priority. Large public sectors (Figure 3) are a characteristic of most MENA countries, often with quality and efficiency problems. Bank engagement will involve clarifying core government functions, including service provision in health, energy and financial regulations. Libya and Yemen have engaged in broader state-building through institutional and capacity development. Rationalizing state-owned enterprises (SOEs) and other agencies through corporate government and performance monitoring is also a part of the agenda, especially in energy, transport, banking, etc.
• **Strengthening Government Accountability** is a key area (Figure 5). Activities focus inter alia on reducing excessive centralization of the state through administrative and fiscal deconcentration and decentralization. The Bank also provides assistance to improve access to and the quality of services via e-government reforms, service standards, performance monitoring, etc. Expenditure management and public procurement reforms are also part of this agenda.

• **Supporting Open Government Reforms** is a key part of the governance agenda (see Figures 6&7). The objective of Bank supported reforms is to enhance citizen participation, access to information and promote government transparency through legislation and new institutions. The Bank also promotes the systemic inclusion of civil society in projects, in particular on monitoring & evaluation.

• **Improving the Rule of Law** is critical to Bank governance work. Helping governments fight corruption is one part of this agenda. Another is to bridge the gap between legislation and its implementation. In some MENA countries this includes comprehensive support on legal and justice reforms.

**FIGURE 5: Global Integrity Scores on Government Accountability**

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA</td>
<td>60</td>
</tr>
<tr>
<td>LAC</td>
<td>70</td>
</tr>
<tr>
<td>ECA</td>
<td>80</td>
</tr>
<tr>
<td>SAR</td>
<td>90</td>
</tr>
</tbody>
</table>

**FIGURE 6: Public Access to Information**

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA</td>
<td>50</td>
</tr>
<tr>
<td>LAC</td>
<td>60</td>
</tr>
<tr>
<td>ECA</td>
<td>70</td>
</tr>
</tbody>
</table>

**FIGURE 7: Press Freedom Index—MENA Country Scores**

Source: Note: MENA= Middle East and North Africa; UAE= United Arab Emirates; WBG= West Bank and Gaza.

**Highlights from World Bank Governance Engagement in MENA**

Regarding **policy dialogue**, the Bank engages with most MENA countries on governance and institutional development issues, though areas of focus and uptake may differ. In a number of countries in the region, there is interest in reforms on access to information, citizen participation and more transparent government operations, often reflected in Country Assistance Strategies and Interim Strategy Notes.

**Lending operations** include Development Policy Loans (DPLs) on governance in Tunisia and the “Hakama” (Arabic for Governance) series in Morocco, which integrate general and sector governance issues.

**Technical assistance** for governance and institutional development is being provided to various countries, including Egypt, Iraq, Morocco, the West Bank and Gaza, Tunisia, Yemen and some Gulf Cooperation Countries (GCC) countries. There are procurement reforms taking place in Egypt, Jordan, Morocco, the West Bank and Gaza, Tunisia and Yemen.

There is a pipeline of innovative **analytic and advisory** work on governance and service delivery in health, rule of law, gap analysis, informal sector governance and the political economy of procurement reform. Some have been completed, for example, a university benchmarking toolkit which allows MENA universities to benchmark themselves to improve transparency and accountability. Efforts on corporate governance of state-owned enterprises are ongoing in Iraq, Morocco, and Tunisia. There are also studies on and engagement in Public Investment Management in Tunisia and Public Expenditure Reviews in Morocco.

**Some Key Challenges and Issues**

To support subnational government reforms, adequate sequencing and coordination between central/regional and fiscal/institutional reforms and local government reforms is needed. Also needed are integrated teams to promote subnational government reforms (for example, in Morocco).

Key challenges to **social sector service delivery** are institutional and governance weaknesses which prevent better service quality and delivery.

Weak **public investment management** is the main reason for the low execution rate of investment budgets in many countries. This concerns countries trying to scale up public investments.

In strengthening social accountability, there is a need to engage on both the supply and the demand sides, ensuring that enhanced public engagements lead to long-lasting results.

**Conclusion**

In MENA the governance agenda is integrated in virtually all sectors and is an important part of sector dialogues. Clearly, visible and tangible changes will take time. Governance reforms require a long term engagement and support, underlining the need to stay the course despite potential setbacks and slow progress.
“Although it might not suffice, a key to restoring public trust is to balance citizen expectations and government capacity. When citizens expect more from a government than it can effectively deliver, they cannot be confident that politicians and political institutions will fulfil their part of the bargain. Each country has to find its own way, consistent with its political orientation and economic condition, in aligning capacity and expectations. Some countries will aim to dampen expectations by reducing the footprint of the state and withdrawing from or curtailing some responsibilities; others will strive to upgrade government capacity by improving performance and expanding their revenue base. All will have to shift some risks and costs to households or enterprises; if they do not, new budget contracts will not be sustainable.”

Financial management institutions play an important role in both the public and the private sectors, facilitating the achievement of strong MENA countries, poverty reduction and shared prosperity.

- Financial management institutions are crucial in the formulation of policy as well as in the operations of the public sector.
- Equally crucial is the financial management exhibited by the State-Owned Enterprises (SOE) sector.

In recognition of these challenges and of the importance of bringing together key stakeholders and policymakers on the subject of public and private sector financial management institutions, the World Bank MNAFM (with support from the MENA MSME Facility and related donor organizations, donor partners of the MENA MSME Facility including (in alphabetical order): Canadian International Development Agency (CIDA), Denmark, Japan, Swiss Confederation, UK AID) will design and deliver the second annual Exchange event to be held on June 10-12, 2014 in the UAE. The title and focus will be on “STRENGTHENING FINANCIAL MANAGEMENT INSTITUTIONS – STRENGTHENING MENA.”

The Exchange seeks to draw together high level policymakers and stakeholders to discuss and debate a wide range of topics including: internal audit, parliamentary oversight, integrated reporting, Islamic finance development, and international accounting standards adoption and implementation.

The Exchange will be held over a two day period beginning on June 10-11, 2014. The conference will be structured to consist of both plenary style conference sessions as well as concurrent breakout sessions. Country discussions and parallel training. After the completion of the conference, we will have a day for intense country discussion meetings between the World Bank and the relevant country stakeholders on June 12, 2014, running in parallel to a couple of courses relevant to the conference’s theme. This will allow for very practical reflection and application of issues discussed / topics presented during the conference.
The Art and Science of Public Financial Management Reform
Co-operation and Development (OECD), PFM includes all components of a country’s budget process—both upstream (including strategic planning, a medium-term expenditure framework, annual budgeting) and downstream (including revenue management, procurement, controls, accounting, reporting, monitoring and evaluation, audit and oversight). Another definition that I prefer comes from the Chartered Institute of Public Finance and Accountancy: “PFM is the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals.”

PFM has four major complementary and interdependent objectives: (i) fiscal discipline (expenditure and revenue controls); (ii) allocation of fiscal resources consistent with policy priorities (strategic allocation of resources); (iii) prudent management of the government’s financial resources (economy, efficiency, and effectiveness); and (iv) and makes possible the transparency and scrutiny of public funds.

Since the mid-1990s, development agencies, including the World Bank, have been increasingly interested in how public sector budgets are determined, managed, implemented and reported. Worldwide more than 50 different donors provide PFM support reflecting a recognition that effective PFM is crucial to economic and development success. But many PFM reforms disappoint, because of either technical (e.g., sequencing of reforms) or nontechnical reasons (e.g., political economy).

PFM reforms are complex to design and implement. In other activities—for example, building a skyscraper—there are many parts to deal with, but the outcomes can be predicted accurately, since the parts themselves interact in a consistent way and the process is mostly mechanical. Building a skyscraper is complicated, but not necessarily complex, as every day engineers are able to build sound skyscrapers. By contrast, reforms to PFM systems are complex, as they involve human behaviors and interactions that are difficult to predict or control. Furthermore, they include managing a dynamic process with numerous moving parts in a web-like, ever-changing environment. As a result, they require creativity and constant adaptations in design and actions.

While circumstances vary from country to country, I have found that there are some generic principles for PFM reform. I have drawn these principles from my personal experience (inside and outside the World Bank) and readings (see list of resources at the end of the article); in describing them in this article, I hope to raise issues for further discussion, rather than provide definitive answers. Please note that the views and interpretations in this article are mine and do not necessarily represent the official policies or views of the World Bank.

1. First, Define the Problem

Matt Andrews, in his book *The Limits of Institutional Development*, emphasizes starting reforms by asking officials what the problem is. Officials embrace change more readily when faced with specific problems that they must address. Andrews recommends having this conversation at the start of reforms to help mitigate the risk of getting carried away by implementing out-of-context “best practices,” and to focus the discussion on finding solutions to specific problems. If the problems are not recognized internally, any attempt at reform, even if externally financed and supported with the best of intentions, is more likely to fail.

2. Develop a PFM Strategy, but Remain Flexible

PFM reforms benefit from being implemented as part of a home-grown and country-led comprehensive PFM strategy. An interactive engagement among the Ministry of Finance and the line ministries, supreme audit institution, legislature, civil society, media, and private sector lends the strategy credence. PFM reform strategies that assume that a developing country’s budgetary systems can be upgraded to the standards of OECD countries within the typical multi-year span of a donor funded project—and without an appropriate enabling institutional environment—are unrealistic.

3. In Most Cases, Say No to the “Big Bang”

A 2008 report of the World Bank’s Independent Evaluation Group concluded that PFM reforms are often linked to other reforms such as civil service reforms. I agree that it is important to take a holistic approach—but this does not mean launching and implementing multiple large-scale projects at the same time. Such a “big bang” approach requires conditions that are difficult to find in most developing countries: political opportunities, sound leadership, government stability, human skills capacity, information, and organization. It is technically challenging, entails intensive coordination with multiple stakeholders, and does not allow for absorptive capacity to grow as the reform initiative expands. Most PFM experts recommend an incremental approach, including confidence-building measures. In a few exceptional cases—Korea, Poland, New Zealand, and Canada—a politically-driven, all-encompassing reform process designed to take advantage of narrow windows of opportunity has worked well. However, overwhelmingly, the incremental approach is most in line with the process of institutional change and with the short tenure of many Ministers of Finance.
The “basics first” approach argues that countries with low capacity should focus first on the basics (the foundation) on which the reforms are to be built (see Box 1)—and after 15 years, most PFM experts now agree. Today, the debate centers more on what constitutes “basic.” In my opinion, “basics” would include
• a well-functioning budgeting input that generates a comprehensive and credible annual budget (it would be nice to reduce extra-budgetary activities);
• budget execution controls (e.g., commitment and payment controls) and spending ceilings that are consistent with the country’s fiscal policy and targets;
• a reliable accounting system that can meet the International Public Sector Accounting Standards cash reporting standards for central government operations;
• efficient cash management, including a single treasury account and sound internal controls that avoid arrears;
• complete, timely, regular, and transparent financial reporting; and
• an independent and robust external auditor.

PFM reforms are made more challenging by ongoing reforms, political pressures, and/or donor requirements, reform often needs to mix things up by introducing more advanced reforms at the same time as the basics are being built—for example, developing a core performance management framework, or better linking the basics to long-term strategic reforms through performance budgeting.

**BOX 1:**

**GETTING THE BASICS RIGHT**

In elaborating his argument for “Getting the Basics Right” Schick states:
• The Government should foster an environment that supports and demands performance before introducing performance or outcome budgeting.
• Control inputs before seeking to control outputs.
• Account for cash before accounting for accruals.
• Establish external controls before introducing internal control.
• Establish internal control before introducing managerial accountability.
• Operate a reliable accounting system before installing an integrated financial management system.
• Budget for work to be done before installing an integrated financial management system.
• Enforce formal contracts in the market sector before introducing performance contracts in the public sector.
• Have effective financial auditing before moving to performance auditing.
• Adopt and implement predictable budgets before insisting that managers efficiently use the resources entrusted to them.


The decision to move beyond the basics to more advanced functions should be determined by country and reform circumstances. This transition should be handled with caution and must be adequately sequenced. Surveys of PFM reforms in developing countries have found that when governments tried to “leapfrog” to more sophisticated reforms—such as the introduction of a medium-term expenditure framework, integrated financial management information systems, performance budgets, and accrual accounts—most failed because of premature implementation and limited ownership. Some argue that leapfrogging to more advanced systems even when the country is not ready creates a big national program around which other PFM reforms can be constructed. This sounds reasonable; however, in most cases, it does not work. If such premature advanced reforms are not properly sequenced in the right enabling environment, they confuse the reform process and may dissipate scarce resources.

Some PFM experts adamantly reject “best practices” and regard them as one reason for the failure of many PFM reforms in the developing world. They argue that reforms should be appropriate to the local context, preferably “home-grown” and should not be risky international best practices forced on developing countries by donors and their consultants. This argument assumes that “best practices” are derived only from Organization for Economic Co-operation and Development (OECD) countries, whereas, in many cases, “best practices” are actually created by other developing countries going through the same reform journey. I suggest benchmarking the country status to peer comparator countries with relatively similar contexts, and identifying the “best practices” that can be adapted to the local context.
7. Deal with Ongoing PFM Reforms: It’s Complicated!

In most cases, ongoing PFM reforms need to be dealt with even as new PFM reform is being planned. It may be tempting to pretend that such reforms do not exist or to banish them to a parallel universe where they will not affect the new PFM reforms, but this is rarely a realistic approach. Successful ongoing reforms could be incorporated in the new “basics first” reform, even if they are beyond the basics. Nonetheless, in some cases, tough choices will need to be made to terminate, delay, or modify ongoing reform elements if their costs outweigh their benefits, or if they are too flawed to be saved. Of course, such choices may not be easy, as they often mean coordination with a number of stakeholders, including donors.

8. Nontechnical Factors: Ignore Them and They May Sink Your Reform

There has been a growing recognition that the success of PFM system reforms depends on the nontechnical context—that is, political, economic, institutional, and organizational factors. Many PFM reform research papers reflect the need for a better understanding of nontechnical factors and ask donors to focus less exclusively on technical solutions (see box 2). It is essential to analyze these factors, design and implement the PFM reform with country circumstances in mind, and adjust the reform to mitigate risks. In some circumstances, an analysis of the nontechnical factors will lead to a conclusion that launching reform is not possible at a given time, or that certain implementation actions need to be delayed. For example, if political commitment to reform is weak, the country stakeholders will not embrace the reform as theirs even if they have the capacity. Models are available to analyze some of the nontechnical elements—the World Bank’s Expected Utility Stakeholder Model or the UK’s Department for International Development’s (DFID’s) Drivers of Change. However, in general there are limitations to such models, as analyses of political situations are extremely complex and very sensitive.

9. Recognize the Strengths and Limitations of the Ministry of Finance

Having a wide array of champions both inside and outside of the Ministry of Finance will help move PFM reform forward, especially in countries where ministers are replaced frequently. On the other hand, in most cases, securing the firm support and long-term commitment of the Minister of Finance is essential for the PFM reform to succeed. The minister needs to be willing to champion the reform, including leading the design of the PFM reform strategy and negotiating the strategy with development partners. Playing this role requires having a full understanding of the political and institutional costs entailed in seeing such reforms through completion. The reform is, after all, a political process that requires shrewd political management. At the same time, the minister should not become a bottleneck to reform, but should delegate specific ongoing responsibilities to trusted staff, who will then coordinate and communicate with a number of stakeholders throughout the reform process (within and beyond the central finance agencies). Unfortunately, in many developing countries, Ministers of Finance do not enjoy the powerful status they have in the developed world. Indeed, the head of state may use his political authority to divide the financial power attributed to the Minister of Finance among several ministers (for example, having the capital investment budget managed by the Minister of Planning) to preserve the discretionary powers of the head of state over spending and revenue collection.
10. Go Beyond the Ministry of Finance

The Ministry of Finance usually leads the design and implementation of the country’s financial and fiscal policies and operations. However, the ministry is not the sole player. In designing and implementing successful PFM reform, it is crucial to understand and take into account the relationships among the different players in PFM reform (see figure 1). At the central level are the central finance agencies (CFAs)—not a single organization, but a group of ministries and agencies, of which the Ministry of Finance is the key player. The allocation of roles and responsibilities among CFA members varies substantially from country to country (e.g., centralized versus decentralized structures). As Dressel and Brumby explain, CFAs operate in the country’s wider political economy context, and their activities are shaped by several institutional interfaces—formal political institutions, administrative institutions, civil society, and external actors—as well as by such structural constraints as climate, level of development, degree of ethnic fragmentation, and availability of natural resources (see figure 1).

11. Ensure That Accountants and Economists Play Well Together

PFM experts often have a background in either accountancy or economics, and may even compete over the leadership of a PFM reform process. Accountants tend to focus on improved controls, accounting, reporting, and internal and external auditing systems, whereas economists concentrate on budgeting, fiscal discipline, and macroeconomic issues. Obviously accountants and economists need to work together, as their views, skills, and perspectives influence the sequencing of PFM reforms—which should be considered holistically and from a broad perspective.

12. Develop Feedback Loops

Having accurate, timely, and meaningful feedback loops, from both state and non-state actors, is crucial to making PFM reforms more effective. Such feedback loops lead to smarter project design that reflects lessons of the past, midcourse corrections, and improvements, instead of relying on late evaluations and lesser corruption. They also inform subsequent decision-making—for example, when considering whether to move beyond the basics to more advanced reforms, or to move to the next “platform” with a new set of actions.

13. Manage the Risk of Failure

In a note on “Sequencing PFM Reforms,” Jack Diamond nicely summarizes the five correlated dimensions influencing the overall risk of failure in PFM reforms: “the scope, the degree of behavior change involved, the number of institutions covered, the time required for completion, and the reform action’s ‘visibility.’” He also proposes three guiding principles for sequencing: “First, whenever possible minimize reform risks while maximizing reform impact. Second, match the risk profile of reform actions to the risk environment. Third, allow flexibility in deciding between different sequencing strategies.”

14. Life Happens

Natural disasters happen, economic shocks occur, revolutions erupt, elections are lost, Ministers of Finance are replaced, government priorities change, and donors develop new strategies. To respond to these unforeseen events the PFM reform strategy must be designed with flexibility and with the understanding that a well-thought-out change of course during implementation is not a sign of failure or of chaos, but is actually recommended.

Box 2: What Is Ownership?

“Government ownership is at its strongest when the political leadership and its advisors, with broad support among agencies of state and civil society, decide of their own volition that policy changes are desirable, choose what these changes should be and when they should be introduced, and where these changes become built into the parameters of policy and administration, which are generally accepted as desirable.”

Flexibility is also relevant to the decision regarding the choice of the financing instrument (e.g., development policy, investment project, or program-for-results financing), actions agreed (e.g., flexible terms of reference) and reform period (e.g., taking a long-term approach to PFM reform beyond the 4-year life of a donor-funded project).

15. Mind the Gap

Analyzing the Public Expenditure and Financial Accountability (PEFA) scores, Andrews (2010) distinguishes PFM dimensions linked to legislation, processes, and procedures (that is, de jure reforms) from those linked to implementation (that is, de facto reforms). He finds that average scores for de jure dimensions are consistently higher than those of de facto ones. Unfortunately, in many cases, instead of focusing on closing the gap between laws and practice and helping countries implement approved budgets (the challenging part of PFM reform), some PFM practitioners, donors and countries focus on introducing more laws and decrees (the easier part of PFM reform). In my interview with Richard Allen in this issue of the magazine, we discuss this topic and he provides excellent context from his work in Africa.

16. Manage the Donors and their Consultants

All donors and PFM experts agree that (i) PFM reforms need to be home-grown and country-led, and (ii) donor coordination is crucial. However, the exact opposite often happens: donors develop the reforms, and international consultants lead their implementation (often on the excuse of weak country capacity). Unfortunately, donors may compete for business or niches, a process that marginalizes coordination (the excuse often used here is that coordination requires time, procurement procedures between donors are different, and countries themselves are not always interested in bringing all donors under one big tent). Consultants may come with relevant and rich experience, but they may also try to copy-paste in Yemen or Djibouti what worked previously in Sweden, Brazil, or Liberia. Then there are consultants who are tourists in the PFM subject—they made a tour for pleasure and in the process gained generic knowledge that when tested in real life confuses and wastes resources. Of course, there are excellent examples of donor coordination and country leadership that led to successful PFM reforms, but we need to ensure that such examples become more frequent.

17. Remember: Communication Matters

Strategic use of communication increases the chance of achieving successful PFM reforms. Developing and implementing appropriate communication strategies may help mitigate many of the risks related to the non-technical aspects of PFM reforms, such as a lack of political will to instigate reform. Communication plays an important role in building consensus, cooperation and support for reform among key stakeholders. PFM reformers can effectively use communication mechanisms to influence stakeholder opinions, attitudes, and behaviors to support their efforts to bring about change. Toward this end, key elements of a communications strategy will need to be developed, including: defining communication objectives; targeting key groups; utilization of media outlets; and delineation of messages.

18. Fragile and Conflict-Affected States: Appreciate the Diversity

A fragile and conflict-affected state (FCS) is often characterized by limited authority, which often does not extend much beyond the capital, and by its inability to reliably collect taxes and deliver public goods and services, including security. Governance capacity in post-conflict countries has generally been depleted by years of conflict, the emigration of educated and talented people, the erosion of administrative procedures, and the destruction of the infrastructure necessary for service delivery (Ingram 2010, 20). In such countries, public financial management reform should adapt to the realities on the ground, often taking a different path than in non-FCS countries. A number of the principles discussed here apply to FCS—focusing on “basics first,” pursuing an incremental approach to reform, taking non-technical factors into account, and ensuring donor coordination—but the differences will be in the interpretation of these principles. For example, in some FCS, focusing reform efforts on budgetary execution could be a priority over budgetary preparation. Also, donor coordination may be on an entirely different plane in FCS, where donors (for example, the United Nations) may play a major role in running the country on an interim basis and the large number of donors involved in FCS (for example, over 40 donors in some FCS countries), posing a challenge for aid coordination and harmonization. On a cautionary note, it is important to recognize that FCS states are quite diverse and what works in the West Bank and Gaza may not work in a country such as Yemen.
Suggested references that inspired some of the ideas in this article:

- Diamond, Jack. 2013. “Good Practice Note on Sequencing PFM Reforms.” PEFA.
Budget system integration
Even though the nature of SSN programs can require specific flow-of-fund and record keeping arrangements, SSN programs should be fully integrated into the national budget, using the national budget classification with clear identification of the program in the government’s chart of accounts.

Program MIS integration
Beneficiary enrollment, monitoring, and payment databases should be integrated in the program’s management information system (MIS). The payment database in particular should be linked to the program accounting system.

Financial agent arrangements
Various countries utilize financial agents (e.g. commercial banks, other financial institutions, the post office network) that operate on a national scale and are contracted by the program to distribute payments to the beneficiaries. The payment orders to financial agents should be channeled by the program to the national treasury for payment out of the government’s single treasury account (or equivalent). The MIS should permit monitoring of these advance payments.

Reconciliations
The financial agent should be contractually required to provide the payment data in a format that enables the program to promptly reconcile differences with the beneficiary payment database on a regular basis, ensuring that funds received by financial agents but not disbursed to beneficiaries are deducted from the next transfer or returned to the treasury in line with the agreed schedule. In any case, end-of-year unused funds should be returned to the treasury. Other reconciliation differences should be promptly investigated and resolved.

Beneficiary cards
When payments are not deposited directly to the beneficiary’s bank account, an electronic benefits card or “smart card” containing security features (barcodes, magnetic strips, or integrated circuits) should be used in addition to personal identification to withdraw benefits. But smart cards are not immune from abuse, so monitoring trends of their use should be considered.

Internal audit
The internal audit function should contribute a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes [5] of SSN programs. Given the usual large number of repetitive low value transactions in SSN programs, which can make transaction-level reviews largely irrelevant, the internal audit function can add value in the following (non-exhaustive) areas:

- Whereas risk management is primarily an internal control responsibility of program management, internal audit should have the skills to identify and measure the inherent and residual risks associated with improper benefit payments, and plan its audit work program accordingly.
- Internal audit should develop expertise in the use of analytical procedures, information system audit and assurance standards, and data mining tools – for which due access to the MIS databases for audit purposes should be secured.
- Internal audit should also have the ability to undertake spot checks and field visits regularly to validate continued relevance of internal controls, including the quality of the complaints and appeals mechanisms.
- The institutional set up of the program should allow for timely follow-up to internal audit observations and implementation of recommendations.

External audit
The supreme audit institution should include the program in its annual financial and compliance audit program. It should also conduct periodic program-specific performance audits, exploring elements of citizen engagement in the audit process. The results from these audits should be made public and the program should take prompt action on any audit findings.

Rules and regulations
The program’s financial management arrangements should be laid out in regulations and detailed in an Operational Manual. They should be consistent with the general PFM regulatory framework. The mix of financial management controls applicable to specific SSN programs will depend on the country context and capacity. However unequivocally, the “good old” guiding principle for the PFM practitioner designing and implementing such controls should be to “follow the money.”

[4] This section builds upon previous work by Patricia Mc Kenzie, World Bank, on financial management and accountability arrangements in conditional cash transfer programs.
Richard ALLEN
Economist and Public Finance Expert

RICHARD ALLEN is an economist and public finance expert. He is currently working as a consultant with the International Monetary Fund (IMF). Richard was a senior official of the U.K. Ministry of Finance (H.M. Treasury) until 1995. Subsequently, he worked with the OECD in Paris, the Asian Development Bank, the World Bank, and the IMF’s Fiscal Affairs Department.

CV MENA: The International Handbook of Public Financial Management, with its 38 chapters and more than 900 pages, is one of the most comprehensive PFM publications to date. What was the biggest challenge you and the other two editors faced when working on the book?

RA: I admit that keeping the train on the track was difficult at times! We had to supervise the work of more than 35 authors, and some were better than others in delivering their outputs and keeping to the timetable—so that was one of the issues, just managing the process. It took three years altogether to prepare the volume from beginning to end. Another issue—with so many authors and chapters—was maintaining some degree of consistency between the various points of view expressed by the authors on a range of issues. Full consistency is not possible, or even desirable, of course in a handbook. As editors, we tried to highlight issues on which different views were expressed in our introduction to each of the six parts of the book. But with all of the challenges, I would say that the project was enormously worth doing, and in the end it worked out better than we had expected. The volume should have a shelf life of 5-10 years, but at some point we could consider preparing a second edition, filling certain gaps, and taking account of the latest developments in PFM, which moves forward endlessly as a subject.

CV MENA: Country Policy and Institutional Assessment (CPIA) and Public Expenditure and Financial Accountability (PEFA) scores show us that the old consensus on budget reform—that is, that developing countries should follow the approach to reform followed in advanced countries—has proved largely unsuccessful. Why did it take the development community so long to realize that?

RA: The CPIA and PEFA scores do broadly tell the story you just described, but they also suggest that PFM reform is a very slow process. One needs to be patient in waiting for reforms to materialize and consolidate. It wasn’t only that the idea of transplanting models from advanced countries was overly simplistic and failed to take account of the history, culture and traditions of individual countries, but also that it seriously underestimated the time needed to deliver these reforms. Introducing new budget procedures in countries such as Egypt, Lebanon or Jordan, with complex institutions, involves much more than looking at the technicalities of the budget. Systematic analysis of political economy issues, and the incentives that drive the key players in the budget process, is required. This calls for bringing different kinds of skills—political science and behavioral psychology, for example—as well as economics and finance to the table in advising countries on how to design and implement their PFM reform programs.

CV MENA: Your recent PFM blog post “Is there a new consensus on PFM reform?” argued, among other things, for the need to develop budget “basics” first before attempting more advanced reforms such as performance budgeting (associated with Schick). Some PFM experts contend that basics may be important, but not necessarily first, and that a “basics first” approach could hinder progress on more strategic reforms. What do you think?

RA: I think it depends on the issue and the context: the choice of approach is not mechanical. Two sets of issues are involved. The first issue, which Matt Andrews discussed in his most recent book, The Limits of Institutional Reform in Development, is that countries should focus on the problems they are trying to address, rather than just imposing solutions, especially solutions imported from advanced countries. The second issue requires consideration of the prerequisites for a particular reform to be implemented successfully. If a country is considering the introduction of program budgeting, for example, what conditions have to be in place first? Well, above all there has to be a credible budget process—a budget that is supported by reliable and timely macroeconomic and fiscal forecasts, for example, and one that is not broken as soon as it passes the legislature, with huge numbers of supplementary budgets and other unforeseen changes during the fiscal year. If a finance minister asks “please tell me how to do program budgeting”, the right advice would be, unless these prerequisites are in place, do not do it, or at least wait awhile. In that sense, thinking about these basic conditions makes for sound policy advice, but what constitutes “basics” needs to be carefully considered, and is likely to vary from country to country.

CV MENA: Some studies stress the importance of a holistic approach to PFM reform. They emphasize that budgetary institutions cannot be reformed in isolation and that PFM reforms are more successful if they are introduced in conjunction with broader public sector reforms. Do you think this is feasible in countries with limited capacity and weak institutions?

RA: A holistic approach can be challenging for developing countries, but that does not mean that it is mistaken or can be ignored. For example, if a country tries to build a medium-term expenditure framework that includes budget ceilings to be enforced during the year, this presupposes that some solid mechanism exists for setting those ceilings. For the ceilings to be credible, they cannot be set by the Ministry of Finance alone, but only with the consent of the government as a whole, that is, through a collective process involving the cabinet or council of ministers. So often we find that the prerequisites for introducing a particular PFM reform are not technical in nature, but involve an understanding of decision-making processes and the behavior of organizations and individuals, especially politicians and government officials. Think about the issues of introducing a treasury single account (TSA), for example. Most often a TSA is technically a relatively straightforward matter, but the institutional issues are another story, as the experience of countless countries demonstrates.

Richard is the co-editor of a standard reference book on Managing Public Expenditure: a Reference Book for Transition Countries, OECD, 2001, as well the recent International Handbook of Public Financial Management, published in 2013 by Palgrave Macmillan, as well as several other books and articles on public financial management. He has advised governments in more than 50 countries on strengthening their budget systems and public finances.
If politicians and line ministries fear that they will lose control of their individual bank accounts, they are likely to block the reform. Similar issues arise with the development of Financial Management Information Systems (FMIS) systems, if these are seen as closing out lucrative avenues of rent-seeking behavior. So I really do think that taking a holistic approach is required to understand better—and help develop solutions acceptable to all stakeholders—in these institutionally complex areas of reform.

CV MENA: The history and culture of a country are now recognized as important factors in determining the success of a PFM reform strategy. Why?

RA: Because these factors determine the way in which actors in the budget process really behave—not how the formal laws and regulations tell us they should behave. It is important to ask questions such as: are the laws and regulations of financial management enforceable? Is there a culture in the government that encourages or permits rules and regulations to be broken? These issues are well described in the book Matt Andrews published last year. He talks about the metaphor of an iceberg: the tip comprises the formal rules, regulations and technical procedures (information technology [IT] systems for example). The 90 percent hidden below the surface describes the way in which the actors in the budget process actually behave, the incentives that drive the decision-making process, the role of unwritten understandings and agreements, and so on. So, when designing PFM reforms, the lesson for the development community is that it is important to look beyond the paper laws and regulations and take these informal arrangements and behaviors into account. Incidentally, the most effective and efficient PFM systems are not necessarily those with a lot of formal rules that are strictly enforced. Indeed, these can easily lead to an excess of bureaucracy, rigidity and a lack of attention to service delivery—issues that beset many MENA countries. The opposite paradigm is Sweden, whose budget system is dominated by a strong consensus between the main political parties and other budget actors. The result has been considerable fiscal success, despite the lack of formal rules.

CV MENA: The PEFA framework is currently being revised. In your opinion, what key revisions are needed to make the PEFA a better tool to measure successful public financial management?

RA: The PEFA framework has been a very useful tool with a strong track record. But it is nearly 10 years old now, and even though its methodology has been updated, the framework is looking a bit dated. I think a few things will need to be done to fix these problems. First, the framework should be put in a slightly broader context, starting from the macroeconomic and fiscal roots of PFM, including perhaps an indicator on whether a country has in place the essential underpinning of sound fiscal policies and fiscal rules. Second, there are various gaps that are not well covered—for example, internal control and government banking arrangements. There are also certain indicators—for example, on tax administration and public procurement—that need to be improved. Finally, some further tightening up of the scoring methodology is needed to make sure that the experts who work on PEFA assessments are all familiar with the rigorous scoring methodology, and that the methodology is applied consistently in all cases. For these reasons, I think this is a good time to be looking at the framework again.

CV MENA: Analyzing the PEFA scores, Andrews (2008) distinguishes PFM dimensions linked to legislation, processes, and procedures (i.e., de jure reforms) from those linked to implementation (i.e., de facto reforms). He finds that average scores for de jure dimensions are consistently higher than those for de facto ones. How can we bridge this gap?

RA: Well, this comes back to your earlier question about the informal factors that influence the performance of the PFM system. Bridging the gap as you put it is partly a question of improving the analysis of those factors. This means—as I noted earlier—that organizations such as the World Bank and the Fiscal Affairs Department of the IMF should consider employing more people on PFM diagnostic work who have knowledge of political science and behavioral economics, can analyze the institutional characteristics of budget systems, and come up with better solutions. Another interesting idea is also based on Matt Andrews’ work—namely, a problem-driven approach to PFM. If, for example, a country cannot manage its cash balances properly, or is running massive payment arrears, the finance ministry should focus on developing specific solutions to that particular problem rather than necessarily redesigning the whole of the government’s treasury operations. Thus, the appropriate solutions are iterative (step-by-step) and adaptive as well as problem-oriented.
CV MENA: Some argue that some of the prior actions in development policy lending lead to the passing of legislation, processes, and procedures that are not necessarily implemented later. What are your views on this?

RA: It depends on what the prior actions are. I am slightly torn on the issue of whether it is a good idea for a developing country to start with a modern budget framework law, rather than giving priority to fixing immediate problems! In some countries the first approach has worked quite well. In Liberia, for example, Antoinette Sayeh—then Minister of Finance, now Director of the IMF’s African Department—insisted on putting in place a new public finance law, which she did with the help of the IMF. This law is not fully enforced yet, but has been useful in focusing the government’s attention on the key areas that need to be changed as part of the country’s overall PFM reform strategy, such as merging the budget office with the Ministry of Finance. On the other hand, in some other African countries, PFM laws have been established or are being developed that seem inappropriate to the countries’ level of development and internal capacity. I am thinking here of legal provisions on topics such as fiscal responsibility, medium-term frameworks, and performance-related budgets for which the basic prerequisites I referred to earlier have not been established. It is reasonable for a budget systems law to anticipate some future developments, and include relevant transition arrangements. But the provisions also need to be credible and not stretch a country’s PFM capability beyond the breaking point.

CV MENA: In the wake of the Arab Spring, some predicted that with political transitions, fiscal crises, and corruption scandals facing some of the countries, there is now a better opportunity to design and implement institutional reform programs. So far the results are mixed. In your opinion, and given your extensive experience in the region, how can the international community best support these countries as they approach their reforms?

RA: This is a difficult question to answer. The forces of inertia and bureaucracy are extremely powerful in many MENA countries. However, that does not mean that nothing can be done, and the international community can certainly help. There is a much larger focus today on fiscal transparency and accountability, for example, with which governments in all parts of the world are under internal and external pressure to conform. For example, the IMF has developed a new financial transparency evaluation diagnostic tool, replacing the former fiscal Reports on the Observance of Standards and Codes (ROSC). Though this tool has not yet been used in a MENA country, hopefully it could be in the future. The Bank has also done very useful work in building up the capacity of the accountability institutions—parliaments and external audit agencies—that are weak in many MENA countries. In addition, it is important to identify decision-makers, individuals and think tanks that can influence the policy development process from inside and outside. Developing these informal communication networks is important in countries with rigid bureaucracies.

CV MENA: The role of civil society and media in all stages of the budget cycle and in promoting and monitoring PFM reform is being revisited in a number of MENA countries. Capacity remains a serious challenge for civil society organizations (CSOs), as it affects their ability to engage. At the same time, some governments are weary of the CSO and media role and do not provide much-needed support to them. How can we help break the cycle?

RA: I think the Bank is better at working with CSOs than the IMF. The IMF is essentially a top-down organization, used to working with the central agencies of government, whereas the Bank is the reverse, to some extent at least, and is comfortable working at the grassroots level, both with local governments and CSOs. While such work has made a useful contribution, its track record in improving PFM systems and the delivery of public services has been mixed. In the core areas of PFM—setting fiscal targets, budget ceilings and expenditure allocations, and executing the budget—the executive branch has primary responsibility, and the role of CSOs and local communities is limited and sometimes counter-productive. The central government also has a crucially important role in setting appropriate fiscal boundaries for the operations of local governments, off-budget agencies, and state enterprises. So I think the primary focus of the Bank’s and IMF’s activities on PFM should continue to be on these central agencies of government, notably the finance ministry, while helping state legislatures and external audit agencies increase their capability in the oversight of public expenditures.
Renaud SELIGMANN  
Manager of the West and Central Africa Financial Management Unit,  
The World Bank

Renaud Seligmann is currently Manager of the West and Central Africa Financial Management Unit at the World Bank. He oversees the Bank’s involvement in public financial management, private sector accounting and auditing and operational financial management services for West and Central Africa. A French national, Renaud started his career as a financial judge at the Court of Accounts, the French Supreme Audit Institution. His focus was on aggregate fiscal risk in the public sector, performance budgeting and public sector reforms. He then became Deputy Director of External Audit at the United Nations Board of Auditors, where he led the first UN-wide audit of the response to the South Asian tsunami and was in charge of the audit of the UN Secretariat, UNICEF and other funds and programs, before joining the World Bank. Renaud holds a BA (hons) in politics, philosophy and economics from Oxford University, a Master’s Degree in political sociology from Sorbonne-Paris I University and a Master’s in public policy from the Paris Institute of Political Studies (Sciences-Po). He is also a graduate from the French National School for Administration executive leadership program. He taught a political philosophy course in the public policy Master’s program at the Paris Institute of Political Studies. Renaud is also currently on the faculty of the Harvard Kennedy School of Government’s “Public Financial Management in a Changing World” executive education course.

Connecting Voices Middle East and North Africa (CV MENA): Some public financial management (PFM) experts argue that developing countries need to muddle through if they want to improve governance, as there are no quick fixes to the complex challenge of governance reform. Is it realistic to expect significant experimentation during the implementation phase of a reform program?

Renaud Seligmann: I would turn the question back to you: Is it realistic to expect that the implementation of a PFM project, or any sector policy reform program for that matter, should follow a similar blueprint to that of a major civil works project, such as the building of a dam or a highway?

I recently visited the site of the Lom Pangar hydropower project that we are co-financing in eastern Cameroon, and saw first-hand the complexity of this type of transformational infrastructure project. One key difference between this kind of project and a PFM reform program is that the end game is not quite the same. If all goes according to plan, at the end of the Lom Pangar project, physical assets will have been built: there will be a dam, a 660 square kilometer reservoir, the flow of the Sanaga River will be better regulated and power production costs will be reduced. If all goes well at the end of a PFM project, people will have changed their behaviors, that is, taxes and customs duties owed by taxpayers will be collected in a timely manner, the right people and businesses will be paid the right amount at the right time, financial statements will reflect the true financial position of the government to taxpayers, and the internal and external oversight system will prevent, detect and sanction irregular or fraudulent behavior, and so on.

You could say the same, for example, about an education or health project that would focus on the quality of service. What really matters regarding the improvement of learning outcomes is whether educators exist, know the right things, that they as well as the kids show up in class, and that they share their knowledge appropriately. This has a lot to do with incentives and behaviors, and not so much about bricks and mortar.

Of course, this is an over-simplification. An Integrated Financial Management Information System (IFMIS) project, for example, does have some features that bring it fairly close to the engineering blueprint (for example, on sequencing, costing, technical specifications, and so on). And, conversely, the Lom Pangar project will only yield its full benefits if policies in the water and energy sector are right. So from this perspective, incentives and behaviors are as critical as cubic feet of concrete or power turbines. But the basic point remains: what a growing number of scholars and practitioners are coming to realize is that there really is a wide spectrum of development problems and solutions which range from building things to changing behaviors, and with every combination in between.

The issue is that change does not come naturally. Social and cultural norms, habits and interests die hard. These norms and habits are also difficult to apprehend from the outside. Of course, as outsiders, PFM specialists in development institutions can make informed guesses about what is happening “behind the veil” in reforms, that is, within country institutions or in the ruling party, based on what they can observe. For example, Director X is pushing for the reform, whereas Minister Y seems to be pushing back, and so on. We can even form hypotheses about the motives behind these observable behaviors, based on perceived incentives and implicit or explicit rational choice models. However, despite all this, my sense is that figuring out which part of a PFM reform program is more likely to make progress at a particular point in time comes down to identifying what behaviors are more likely to change and why. And this is more of an art than a science. Certainly it is quite different from sequencing the building of a dam or another complex engineering system.

So, given this situation, how does one go about implementing PFM reform? What Andrews, Pritchett and Woolcock [2012] have called for is an explicit acknowledgement of the need to adjust the reform process as you go along, based on how behaviors actually respond in real life rather than on a preconceived blue print of what “best practices” are, or what PFM systems should look like (as opposed to how they actually work in practice). They call this “problem driven iterative adaptation.” It basically boils down to identifying problems that matter to people who need to adjust their behaviors because change is more likely if they accept that there is a problem that needs fixing. So too, there is a need to have a feedback loop to adjust the scope and shape of the reform to what will fit in a particular context at a particular point in time.
It is a way of acknowledging that there can be no PFM reform without behavioral change, yet that the underlying drivers of these behaviors are often out of reach. What can certainly be identified if proper attention is paid are functional problems associated with PFM, for example, that teachers are not paid, pharmaceutical products are missing from health centers, or taxes are not collected. Problems such as these matter a great deal to governments and beneficiaries of public policies, and they constitute an excellent entry point for engagement on PFM reforms.

In this sense, I think that there is certainly a place for experimenting and even muddling through in PFM reform until you have figured out what are the key functional problems that matter to some of the stakeholders that are critical to the process. But of course, the real challenge is to find the right balance, that is, the subtle balance between this experimental approach and the more classic, “blueprint” approach to development that still underpins the project cycle at the Bank and in other development institutions. Both have their place, but neither of these approaches is sufficient in and of itself to really make progress in PFM reform.

CV MENA: According to a recent Collaborative Africa Budget Reform Initiative (CABRI) report, over 80 per cent of African countries are introducing, or are committed to introducing, some form of performance- and program-based budgeting. What is the implementation experience so far in this challenging reform area?

RS: We live in a connected world, and Africa is increasingly part of the conversation. This is great news! Ministers of Finance talk to each other all the time, and the New Zealand-inspired “new public management” reforms of the 1980s have made their way to Africa, largely under the influence of developed countries. The move toward performance budgeting is a fact of life in Africa, which is why, in my view, the old debate about “basics first” is not the most productive way to think about these issues. A lot of these governments have already made up their minds and decided that they would go ahead and introduce performance budgeting. Some of them have even put this into their legal framework.

Of course, we can deplore the fact that they did this to look like Organization for Economic Co-operation and Development (OECD) countries, and we can go and tell them that they are not ready for this, that they need to tighten controls over cash or commitments first. But are they likely to listen? Sometimes, maybe, but in my experience, it is more likely that they will stay the course and find another less expert but more flexible partner to fund their reform effort.

Another way to approach the issue is to think a bit more creatively about what the content of these reforms could be. There is a wide range of options behind the single “performance budgeting” label. At one end of the spectrum, some countries are not really interested in changing anything as to the way in which their PFM system functions, that is, regarding the allocation and actual use of resources. All they want is to gain legitimacy, particularly in international forums, by being able to signal that they have joined the club of the performance budgeters. It does not help at all to reduce extreme poverty or boost shared prosperity, and it can do quite a bit of harm to existing budget institutions in the process. There are, unfortunately, quite a few countries that have followed this path.

At the other end of the spectrum, performance budgeting can be a great opportunity to identify some tricky functional problems that are in evidence in various sectors, for example, teacher absenteeism, poor value for money in road construction, leakages in agricultural input subsidy schemes. These are real life functional problems that a well-designed performance budgeting approach could help tackle. It does not necessarily require a huge degree of sophistication to make progress in the quantification and monitoring of these issues, and to do it in such a way that helps to make the budget process more meaningful to ministers and civil servants, as well as to the public. Program budgeting can open the way for a constructive engagement with civil society to help gain greater information from beneficiary feedback and to help solve some of these issues.

CV MENA: In your opinion what makes a post-conflict country unique from a PFM reform perspective and how does this affect the reform strategy?

RS: There is an ongoing debate between practitioners active in Fragile and Conflict-Affected States (FCS) and others about whether FCSs are unique in some ways, and should therefore be treated differently from other clients. I guess the first point I would make is that there is tremendous diversity within FCSs. It does not really make sense to have the same approach in Somalia, where there has been a total collapse of state institutions for 20 years, and Cote d’Ivoire, a relatively prosperous country with sophisticated government and private sector institutions that has experienced a violent, but relatively time-bound crisis.

I would be tempted to say that the essentials of PFM reform do not change drastically in FCS contexts, but additional attention needs to be placed on at least three dimensions. Where the essentials are the same are both in the technical know-how that is essential to be credible interlocutors in PFM reforms (how to prepare a budget, how to execute it properly, how to account for the use of the funds and ensure a good level of internal and external controls, how to design and implement a simple and robust IFMIS, and so on), and in the need to avoid ready-made “best practice” solutions that look good on paper but do not really function well in context. It goes back to your first question about being flexible and adjusting to the actual appetite for reforms in a specific context.
There are clearly areas that are specific to FCSs though. The first is human capacity, and the need to come up quickly with rough and ready solutions to bring in external expertise in public financial management, while at the same time creating the conditions for home-grown capacity to develop over time during the recovery and development phases following a crisis. We have good experiences in doing this in Liberia and Sierra Leone for instance. However, finding the balance between the need to meet immediate fiduciary needs and the more medium term agenda is not always easy.

The second specificity has to do with PFM in the security sector. This is an area that is often overlooked, but is critical to civilian control over the military, as well as to a smooth transition from the immediate post-crisis to the development phase. We have conducted some interesting diagnostics on this issue in the Central Africa Republic and in Mali for instance, and this has proved very useful to the policy dialogue and the PFM reform agenda.

The final issue I would highlight is the need to find a way to discipline donors involved in PFM reforms. Of course, this is desirable in any context. However, in an FCS environment, where the State has a weak or inaudible voice, unruly or disorganized donor interventions can really wreak havoc with the recovery process. A robust donor coordination process, appropriately staffed and empowered, is a critical ingredient for successful PFM reforms in a FCS environment.

CV MENA: The Africa (AFR) region and most of the MENA region share a continent and many similarities. In your opinion what are the key areas of cooperation that can be fostered between both regions?

RS: Deep cultural ties bind the Maghreb and the former French colonies in West, Central and Southern Africa. The French language is a factor, but beyond this there is a common heritage of PFM institutions, and cultural norms associated with them (for instance, a lot of MENA and French-speaking African countries share a deep reverence for and interest in legal norms). In many but not all of these countries, there is also a shared Islamic culture. This creates many opportunities for South-South cooperation, from the peer review of the Burkina Court of Accounts by its Moroccan counterpart, to study tours on IFMIS systems or risk-based internal audits.

Despite these deep historical, social and cultural ties, a few years ago sub-Saharan Africa and North Africa seemed to be looking in different directions. North African countries tend to have more capacity and rather sophisticated PFM systems inspired by reforms in Europe (although they are by no means perfect of course!). While sub-Saharan countries were also influenced by PFM developments in France, they did not necessarily closely follow what was happening in their immediate northern neighborhood. In this regard, my sense is that the Libyan crisis and its ripple effects in Mali, Cameroon and Nigeria has been a real wake-up call for all parties involved. Both sub-Saharan African countries and their northern African partners have realized how interdependent they were around the Sahel, and how much they would benefit from greater engagement with each other. For instance, I have recently found out that Morocco is considering providing development funding to the Central African Republic, given the severity of the crisis there and its potential sub-regional impact.

In a sense, the most valuable lesson that sub-Saharan Africa might draw from the Maghreb experience might be related to the power of citizen voice and engagement. There is a vast potential to better leverage the vibrant civil society in places such as Senegal, Cameroon or Nigeria in order to help strengthen accountability for greater development results. In return, there are effective approaches to PFM reform in a sub-regional context such as the West African Economic and Monetary Union for instance that could be of great interest to North African and Middle Eastern countries.
Yemen: Public Finance Modernization Project

Country Context: Yemen is the poorest country in the MENA region and is facing daunting challenges in an uncertain global and regional environment. Significant progress has been made over the last few years, but living conditions for most of the 22 million Yemenis remain difficult. The government is implementing a program of economic and governance reforms, but time is of the essence in light of these challenges, and given that oil resources are rapidly depleting while the population continues to grow at a fast pace.

The Minister of Finance is responsible for the management of public finances and appoints Financial, Accounting and Procurement Managers to each ministry and department with responsibility for safeguarding of public funds; ensuring the application of funds as intended by parliament and in accordance with approved policy; maintaining financial records in accordance with the financial regulations; maintaining an efficient system of internal controls; and submitting the financial, accounting and stores records to the Ministry of Finance and Central Organization of Control and Audit (COCA).

The Government has formally solicited the World Bank’s support in implementing the PFM Reforms through an International Development Association (IDA)-financed project. The Bank, after careful consideration, decided to support the government through the proposed Public Finance Modernization Project (PFMP). The Bank has been engaged in a policy dialogue with the government of Yemen on PFM since the early 2000s. The Bank has also been providing support to the government in establishing an Accounting and Financial Management Information System (AFMIS) under its Civil Service Modernization Project (CSMP) since 2004. The Bank also supported the government in conducting a Reengineering Study of the government’s external audit agency, the Central Organization of Control and Audit.

In 2011, the government launched the PFMP which aims to improve the efficiency and transparency of management of public finance by providing decision-support systems and building the capacity of public finance management institutions.

Project Components:

- **Component 1: Enhancing decision-making mechanisms of Budget Management (US$ 1.00 million equivalent).** This component would support the Ministry of Finance in improving its budget management practices. This will be achieved by improving the quality of budget preparation and providing effective control mechanisms in the budget execution systems.

- **Component 2: Improving Financial Management Information Systems (US$ 6.55 million equivalent).** This component would support the Ministry of Finance in extending the scope and coverage of the Accounting-based Financial Management Information System (AFMIS) and the Loans and Grants Management Information System (LGMISS).

- **Component 3: Enhancing the capacity of public procurement institutions (US$ 1.02 million equivalent):** This component would support the strengthening of public procurement control systems by providing support for capacity building for government staff and for the High Authority on Tender Control (HATC).

- **Component 4: Strengthening the Institutional Capacity of COCA (US$ 600,000 equivalent):** This component would contribute to strengthening the capacity of the COCA, which is the country’s supreme audit institution, by: (i) improving COCA’s skills and knowledge of AFMIS; (ii) strengthening COCA’s audit manual and methodology to take account of the introduction of AFMIS and other reforms of PFM; and, (iii) developing and monitoring the implementation of COCA’s medium- and long-term strategic plan.

Djibouti: Strengthening Accountability for Efficient and Transparent Public Expenditure Implementation

The Court of Accounts (CoA) is the Supreme Audit Institution (SAI) of Djibouti. It is a relatively new institution, becoming a separate organization only in 2008. As the country’s SAI, the CoA is tasked with giving assurance to the parliament and the citizens about the government’s use of resources, and to issue judgments on the potential misuse of public funds. Despite the CoA leadership’s strong aspirations, the institution faces challenges in the delivery of its mandate—partly because of constraints in its environment, and partly because of limitations to its internal capacity.

Recognizing the importance of the CoA for the accountability and transparency of public finances in Djibouti, as well as the fact that it has a motivated leadership and competent staff, the World Bank recently awarded the CoA an Institutional Development Grant.

The grant will be used for technical assistance to address both its external and internal challenges. Two of the project’s components are to review the CoA’s legal framework, and to develop and test an approach for engagement with the public, citizens and key government stakeholders. These components will support a dual objective of increasing the visibility of the institution among its main stakeholders and receiving input from and communicating audit results to citizens—thus contributing to increased social accountability.

The project will also address the technical challenges CoA faces by providing training and tools in the main audit disciplines, and by setting up a sustainable internal training mechanism. The project will run from 2014 to 2016, and be managed by CoA with support from the World Bank.

About Djibouti

Djibouti is a small country situated in the Horn of Africa, with a population of about 800,000. It ranks 164 on the Human Development Index, and absolute poverty is estimated at 40 percent. Its main sources of income are rents from foreign military bases and port revenues, supplemented by foreign aid. Djibouti is unlikely to meet most Millennium Development Goals, and is dependent on imports to meet its food requirements. The World Bank provides assistance in the form of loans and grants through the International Development Association (IDA).

Sources: World Bank, UNDP Human Development Reports.
Maghreb
Mr Mohamed Hdid et Mr Mustapha Friha
Entrevue par Lamyae Hanafi

CV MENA: Comment la profession Comptable est elle représentée au Maroc ?

La profession d’expert-comptable au Maroc est regroupée au sein de l’Ordre des Experts Comptables (OEC) qui est une institution dotée de la personnalité morale. Les experts comptables sont les seuls qui ont le mandat d’audit au Maroc. Par contre les travaux de comptabilités sont exercés par les experts comptables ainsi que les comptables. Ainsi, il existe également une Association de Comptables Agrées du Maroc (ACAM) dont les comptables exercent sur le marché marocain. Néanmoins, il n’y a pas d’obligations d’adhérer à une Association pour exercer la profession comptable. Aujourd’hui l’acteur principal au Maroc est l’OEC. Ses attributions principales sont comme suit :

“Assurer la sauvegarde des principes et traditions de moralité, de dignité et de probité qui font l’honneur de la profession d’expert-comptable et veiller au respect par ses membres, des lois, règlements et usages qui régissent l’exercice de la profession.”

Mr Hdid est le président actuel de l’OEC et partenaire au cabinet Saaidi & Hdid partners. Il a acquis une forte expertise dans les domaines juridique, fiscal, comptable et financier. Mr Hdid a également dirigé de nombreuses et importantes missions de conseil juridique, fiscal et financier pour des entreprises tant nationales qu’internationales. Il est membre de l’Ordre National des Experts-Comptables et est également commissaire aux comptes. Il a souligné que la profession comptable au Maroc a connu de grandes avancées grâce aux efforts déployés par l’OEC ainsi que par le normalisateur comptable CNC. Une entrevue avec le président de l’OEC, nous a permis de clarifier la situation actuelle ainsi que le plan d’actions de la profession. Aujourd’hui le Maroc travaille sur plusieurs chantiers notamment :

1- La poursuite du chantier de réglementation de la profession et le suivi du processus législatif y afférent : Le président de l’ordre des experts comptables (OEC) a souligné que la réglementation de la profession est leur priorité. Aujourd’hui au Maroc l’exercice de la profession comptable n’est pas réglementé. Ainsi, tout comptable, sans être membre d’une association professionnelle, peut exercer sans avoir d’autorisation préalable. Pour assurer un service comptable de qualité, le président de l’OEC a indiqué qu’un projet de loi qui a été examiné par une commission composée des représentants de l’Ordre des Experts-Comptables (OEC), des représentants du Ministère des Finances, ainsi que des représentants de l’Association des comptables agréés par l’État du Maroc (ACAM). Ce projet de loi vient combler un cadre réglementaire très défaillant. La première partie du projet de loi définit la profession de comptable agréé et les modes d’exercice de la profession. A cet effet, le comptable agréé est défini comme celui qui fait profession habituelle de tenir, centraliser, ouvrir, arrêter, suivre, superviser, redresser les comptabilités des entreprises et organismes qui font appel à ses services et auxquels il n’est pas lié par un contrat de travail. En conséquence, nul ne pourra plus porter le titre de comptable agréé et exercer la profession à titre libéral s’il n’est pas inscrit au tableau de l’OPCA (Organisation Professionnelle des Comptables Agrés) institué par le projet de loi. À noter qu’en matière d’attributions, l’OPCA dispose, selon la note de présentation du projet de loi, de pouvoirs disciplinaires et de sanctions à l’égard des professionnels ayant commis des fautes professionnelles ou toute contravention aux dispositions législatives et réglementaires auxquelles le comptable agréé est soumis. Également, le projet de loi prévoit des dispositions transitoires d’inscription à l’OPCA pour les professionnels qui exercent actuellement la profession comptable à titre libéral. C’est ainsi que la deuxième partie du projet de loi porte sur le fonctionnement de l’OPCA, la modalités d’inscription et les attributions de l’Organisation en matière de discipline ainsi que des dispositions transitoires pour les professionnels qui exerçaient avant la publication de ladite loi. De ce fait, le présent projet de loi réglementant la profession de comptable agréé et instituant l’OPCA vise à réorganiser cette profession en la dotant d’une Organisation à l’instar de l’Ordre des Experts-Comptables (OEC). Une réorganisation qui permettra de remédier aux insuffisances qui caractérisent la profession. Ce projet de loi est aujourd’hui examiné par la commission des finances du Parlement.

2- L’adoption du code d’éthique Pour se conformer aux standards exigés par l’IFAC, M. Hdid a confirmé que l’OEC a adopté un nouveau code des devoirs professionnels conforme au code d’éthique de l’IFAC version 2009. M. Hdid a souligné que cette action s’inscrit dans le souci permanent de l’OEC de respecter leur engagement à l’International et aussi améliorer les conditions d’exercice de leurs missions.

3- Efforts du Maroc pour la transition aux normes IFRS Plusieurs réunions ont été tenues par l’OEC avec le CNC au sujet de la refonte du CGNC et de sa convergence avec les normes IFRS. Les normes IFRS (Les Normes de comptabilités Internationales) qui ont été adoptées par plusieurs pays. La transition à ses normes pour un pays amène à une réflexion sérieuse dans la mesure ou ça impacte son environnement fiscal et des affaires. Dans cette optique, cinq sous commissions ont été constituées pour établir le diagnostic des convergences entre les deux référentiels. Le président de l’OEC M. Hdid a également remercié la Banque pour son appui à ce sujet par l’appui aux deux experts internationaux en IFRS lors des assises de l’OEC. Il a été également souligné que l’appui de la Banque Mondiale et des bailleurs de fonds serait apprécié pour assurer la continuité de ce travail et accompagner la profession dans le travail sur la convergence des comptes sociaux. Mr Hdid a également souligné que la loi sur les comptes consolidés est toujours dans le circuit d’approbation. Cette loi impose-ra l’adoption des IFRS pour les comptes consolidés. L’adoption de cette loi va classer le Maroc parmi les pays qui appliquent complètement les normes IFRS pour les comptes consolidés.
4- L’OEC et le respect de la norme qualité du SMO de l’IFAC (ISQC1)

M. Mohamed Hdid président de l’ordre ainsi que M. Mustapha Friha membre de l’OEC ont confirmé que l’OEC a déployé des efforts importants pour assurer l’application de cette norme. Le contrôle qualité se fait par les deux conseils régionaux qui transmettent ensuite leurs conclusions au conseil national. Lors de l’entrevue, M. Hdid était fier d’annoncer que le Maroc est le premier pays africain qui a adopté cette norme. L’OEC en collaboration avec la FIDEF vont partager l’expérience Marocaine sur l’implémentation de l’ISQC1 avec les membres de la FIDEF.

5- La nouveauté par rapport au cursus de formation de l’expert-comptable

M. Hdid, président de l’OEC et M. Mustapha Friha membre de l’OEC et partenaire chez KPMG ont souligné que le cursus de formation de l’expert-comptable a besoin d’être adapté à la conjoncture et aux besoins actuels. Aujourd’hui il n’y a qu’une école qui offre cette formation dans tout le pays. De plus le contenu de la formation et les modalités d’inscription doivent être revues. Plusieurs réflexions sont en cours pour adapter la formation de l’expert-comptable aux besoins actuels.

Pour conclure, M. Hdid a encouragé la Banque Mondiale à continuer à associer la profession comptable à ses programmes de renforcement de capacités tel que le programme “Exchange” et également d’apporter de l’expertise internationale aux chantiers ouverts.

Did You Know?

Did you know that Arabic digital content amounts to just 0.162 % of the total digital content available online?

In addition to this international language gap, even inside the Middle East and North Africa (MENA) itself only 42% of all webpages are published in Arabic.

Moreover, the number of websites hosted in the MENA region amounts to only 0.198% of the global total: http://wrld.bg/uyHo0 #InternetforAll #broadband
Abdelkader ZGOULLI
Ancien Premier Président
Cour des comptes tunisienne

Ceci est la transcription, un peu raccourcie, d’une entrevue tenue par CVMENA.org le 27 janvier 2014 avec M. Abdelkader Zgouli, Premier Président de la Cour des comptes tunisienne, qui a relu le texte. Le style oral de l’entretien a été volontairement préservé.

Pouvez-vous rapidement décrire votre parcours ?

Pouvez-vous nous présenter la Cour des comptes tunisienne, son positionnement institutionnel, son rôle ?
Donc on va parler du droit de regard de la Cour des comptes sur les finances publiques de manière générale. C’est l’institution supérieure de contrôle de la Tunisie. Tous les comptes d’État parviennent à la Cour des comptes, tous les actes de gestion sont passés là-bas, inclus les soi-disant prérogatives de contrôle. J’entends par finances publiques, la gestion de l’Etat, des collectivités locales mais aussi des entreprises publiques. C’est défini par la loi. Si on prend le positionnement de la Cour par rapport aux institutions de contrôle de manière générale, c’est la plus haute institution de contrôle, qui assure le contrôle externe, là on marque un temps d’arrêt sur externe parce qu’elle fait partie du pouvoir judiciaire, ce qui est consacré par la nouvelle constitution du 27 janvier. En Tunisie il y a un contrôle préalable exercé par le Contrôle Général de la Dépense Publique, il y a le contrôle concomitant exercé par le comptable qui est le payeur de la dépense publique et il y a le contrôle interne à l’administration qui concerne des départements ministériels tels que par exemple : l’inspection du ministère de la Santé, l’inspection du ministère de l’Agriculture etc. ; ce sont des inspections à caractère vertical qui contrôlent les départements et les établissements qui relèvent de ces départements et il y a aussi trois contrôles généraux : le Contrôle Général des Finances qui relève du ministère des Finances, le Contrôle Général des Services Publics qui relève de la Primature et le Contrôle Général du Domaine de l’État qui relève du ministère des Domaines de l’État, devenu depuis peu un secrétariat d’État. Ces trois contrôles généraux ont une vocation horizontale c’est-à-dire qu’ils peuvent intervenir sur les autres départements ou bien sur les institutions qui relèvent de ces autres départements. Tous ces contrôles sont internes à l’administration et ils ont l’obligation de par les textes de communiquer les résultats de leurs travaux à la Cour des comptes. La Cour des comptes, conformément à sa loi organique, dispose d’un pouvoir juridictionnel et d’un pouvoir de contrôle. Le pouvoir juridictionnel se manifeste à travers le jugement des comptes des comptables publics et son pouvoir de contrôle s’exerce auprès des différents départements ministériels, sociétés ou établissements publics administratifs ou non administratifs ou bien des entreprises publiques. Aussi dans ce cadre elle dispose de toutes les prérogatives pour faire les investigations nécessaires et on ne peut pas lui opposer la notion de secret dans l’exercice de ses fonctions.

Est-ce que vous pensez que la nouvelle constitution a apporté des nouveautés par rapport à ce dispositif ?
C’est une avancée très positive. La Cour des comptes n’était citée dans la constitution de 1959 qu’à propos du Conseil d’Etat, qui se compose de deux ailes : le Tribunal Administratif et la Cour des comptes. Ce n’est qu’à partir des années 70, donc (notre texte date de 68) que la Cour des comptes s’est distinguée du Conseil d’Etat. La nouvelle Constitution, en ce qui nous concerne, est le résultat d’un travail collégial qui a impliqué des commissions de la Cour. On a essayé d’impliquer tous les membres de la Cour et on est allé défendre notre proposition devant l’Assemblée Constituante. Je me souviens en février 2012 on a pris toute une matinée, 5 heures de présentation devant l’Assemblée Constituante. Je peux vous assurer que les articles préparés par la Cour ont été pratiquement, exception faite de quelques nuances, adoptés par l’Assemblée. Ce texte, il répond à nos aspirations et concerne l’essentiel de nos attributions tant sur le contrôle juridictionnel qui englobe aussi bien les comptables que les gestionnaires (avec la Cour de discipline budgétaire maintenant rattachée à la Cour des comptes) et elle concerne aussi, pour ce qui est du contrôle de manière générale, notre droit de regard aussi bien la gestion de l’Etat et des collectivités locales que d’évaluer les politiques ou programmes publics. De plus, ce qui est très important, la Constitution consacre notre indépendance et l’obligation de la publication du rapport annuel de la Cour et la possibilité de publier des rapports particuliers. Avant, la publication du rapport était soumise à l’accord préalable du Président de la République. Si le politique n’avait pas quelque chose à se reprocher à l’époque, il n’aurait pas suivi le silence de la Cour. Après la révolution on nous a demandé : « Où était la Cour des comptes durant le régime antérieur ? » Elle travaillait et établissait des rapports. La Cour des comptes il faut la regarder à travers ses rapports. Malheureusement, il n’ont pas été portés à la connaissance du public. Celui à qui ils ont été adressés avait l’autorité légale de ne pas les publier. C’est comme ça. En 2007/2008 nous avons mené une enquête auprès des différents partenaires de la Cour dont notamment les membres du Parlement et on s’est rendu compte que ce n’était pas facile pour les parlementaires de demander le rapport de la Cour des comptes, au risque de voir son nom placé sur une liste, ou du moins repéré.
L’autorité politique ne voulait pas que ces rapports soient accessibles au public et donc ils se contentaient de la publication d’un résumé qui ne dépassait pas 40 ou 45 pages au Journal Officiel et qui déformait parfois le message. Après la Révolution d’ailleurs, on a fait un coup de force, on a forcé un peu les serrures et on a publié intégralement le rapport général, et tous nos rapports sont maintenant sur le site de la Cour. Une conférence de presse est tenue maintenant systématiquement juste avant la publication. La Constitution a consacré cette évolution. La Constitution place la Cour à équidistance entre le Parlement et le pouvoir exécutif pour dire qu’elle assiste les pouvoirs législatif et exécutif dans le contrôle de l’exécution de la loi de finances. La cour des comptes établit un rapport général, annuel, qu’elle transmet au Président de la République, au président de l’Assemblée des représentants du peuple, au chef du gouvernement et au président du conseil supérieur de la magistrature. Je dois préciser aussi que notre statut de magistrat est aussi un garant de l’indépendance de cette institution. Bien évidemment, il y a encore du travail à faire, de l’indépendance financière qui devra être pré-évidemment, il y a encore du travail à faire, de l’indépendance de cette institution. Bien noté de notre statut de magistrat est aussi un garant de l’indépendance de cette institution.

Depuis que vous êtes président de la Cour des comptes, dans cette période postrévolutionnaire, quels ont été vos principaux défis, les principales difficultés mais aussi vos réussites?
Les défis sont présents tous les jours, vous savez. Le premier défi c’était la constitutionnalisation de la cour des comptes, de sa mission. L’autre défi, c’est notre loi organique qui précisera le texte de la Constitution. Ce texte doit ancrer la Cour dans son rôle de veiller à la bonne utilisation de l’argent public, des biens publics de manière générale et à la bonne gestion et qui instaure cette nouvelle culture de l’obligation de rendre compte. On s’est aussi attaqué à l’organisation de notre institution en créant trois chambres supplémentaires, pour avoir 9 chambres au niveau central, et 4 chambres au niveau régional puis aussi renforcer cette institution par le recrutement aussi bien de magistrats que d’agents. Cette institution, bien qu’elle remonte aux années 70, le nombre de magistrats en a été très limité. Il était à peu près à 88 magistrats. On a pu relever le défi, et embaucher 60 nouveaux magistrats qui sont venus renforcer les équipes et donner bien évidemment plus de possibilités de vérification pour notre institution. Reste maintenant le défi de la formation de ces nouveaux magistrats. On a mis en place des programmes de formation interne et des collaborations externes avec la collabortion de l’Union Européenne.

Il y a beaucoup de femmes à la Cour ? Absolument, ça reflète la société tunisienne, on a un nombre égal d’hommes et de femmes à la Cour. On recrute les collaborateurs uniques sur le critère de la compétence et indépendamment du genre. On est réellement convaincu de notre démarche et elle est claire dans nos esprits. Pour continuer sur les défis, après la Révolution, la Cour des comptes a eu la possibilité de s’adresser directement au public, aux tunisiens. Ceci est un défi important. Vous savez que la justice ne parle pas beaucoup. C’est surtout des arrêts, des documents, des rapports, mais on est jamais dans les médias donc il fallait s’habituer à cette nouvelle donne et on l’a fait tant bien que mal et je pense que ça a été réussi avec la collaboration notamment de nos collègues de l’Institution Supérieure de Contrôle hollandaise. On a créé un service dédié à la communication et nous formons une petite équipe dans ce domaine.

Nos rapports ne sont pas seulement destinés aux parlementaires mais au peuple, et là il faut trouver les mots exacts, les mots compréhensibles, accessibles à la population, aux citoyens pour qu’ils soient informés de la gestion de l’argent public de manière générale. Les tunisiens deviennent demandeurs maintenant et ça c’est une chose importante.

Ils s’intéressent à la Cour des comptes. Ils ont découvert la Cour des comptes après la révolution et ils essayent d’en savoir plus. La Cour a été impliquée dans le processus de démocratisation du pays a travers le contrôle du financement de la campagne électorale de 2011, et aussi par le contrôle de l’institution chargée des élections à savoir l’ISIE [Instance Supérieure Indépendante pour les Élections]. La Cour a remis ses rapports qui ont été bien exposés à l’opinion publique et aux différents responsables, aussi bien l’ANC que le chef du gouvernement que le Président de la République. Ce travail fait en toute indépendance va permettre d’améliorer le code électoral et la gestion de l’ISIE dont les textes ont pris en compte les observations de la Cour qui ont été très appréciées aussi bien par la société civile que par les différents observateurs nationaux et internationaux. Je me souviens bien, c’était juste après ma nomination à la Cour, c’était au mois d’août, on a travaillé du matin au soir pour que ce texte, soit prêt trois jours avant l’ouverture de la campagne électorale. Nous nous sommes inspirés de ce qui se passe à l’étranger, dans les démocraties anciennes, mais aussi des standards internationaux.

La décentralisation est un apport considérable de la nouvelle Constitution. Mais il y a de nombreux exemples dans d’autres pays ou une décentralisation mal maitrisée a conduit à des dérapages en termes de gestion des finances publiques. Est-ce que la Cour est prête à accompagner ce mouvement ?
Vous savez la cour a déjà décentralisé son activité en créant les chambres régionales de la Cour des comptes. Il y en a quatre actuellement et peut-être davantage plus tard. Une pour le Nord-Ouest, qui se situe à Jendouba, l’autre pour le Centre et le Centre-Est à Sousse. La chambre de Sfax s’occupe du Sud-Est et la chambre de Gafsa du Sud-Ouest. Donc la décentralisation a bien commencé à la Cour des comptes, mais en ce qui concerne la décentralisation de l’activité financière et du développement du pays, le fait de l’énoncer dans la constitution c’est une très bonne chose. On a toujours parlé de la décentralisation en Tunisie. Ça n’a jamais été réellement une politique suivie ou bien, une volonté politique fermée. Pour réussir la décentralisation il y a des préalables importants. Il ne s’agit pas de verser des fonds dans les régions et ne pas trouver les ressources humaines nécessaires pour les gérer, ça serait très hasardeux. Donc, il faut préparer le terrain, et à mon sens, c’est un avis personnel, faire une ségrégation positive même au niveau des ressources humaines de l’État, dans le sens où on encourage les cadres à s’installer dans les régions parce qu’il y a un vide, pour ne pas dire dans certaines régions un désert, au niveau des ressources humaines capables de mener à bien une décentralisation réussie.

Le cadre juridique doit être aussi revu et revisité. Il faut passer d’une relation hiérarchique entre le centre et les régions à un véritable partenariat. Par les travaux que la Cour a mené jusque-là et ses contrôles sur les collectivités locales depuis de nombreuses années, nous estimons que nous sommes en mesure d’accompagner le processus.

Quelles sont vos priorités en matière de renforcement des capacités ?

Les besoins sont à la fois d’ordre quantitatif et qualitatif. Quantitatif c’est le renforcement de nos capacités en hommes et femmes, magistrats et agents. Avec 140 magistrats et presque l’équivalent en agents, pour faire le contrôle de tout, des finances et des services de l’État et des collectivités locales, ce n’est pas beaucoup. Le qualitatif, c’est la formation et la Cour depuis longtemps investit dans la formation car notre seul capital, c’est la qualité des hommes et des femmes qui travaillent dans notre institution. On a des programmes de jumelage financés par l’Union Européenne avec la Cour des comptes française et auquel est associé le Tribunal de Contas du Portugal et le National Audit Office (NAO) anglais. C’est des actions très importantes pour nous. Notre difficulté, c’est qu’on demande de plus en plus à la Cour. Maintenant c’est le contrôle des partis politiques, c’est le contrôle des associations, c’est le contrôle du patrimoine des responsables politiques. Tout ça augmente notre charge de travail sans augmenter dans la même mesure nos moyens. C’est pour ça que quand certains bailleurs nous demandent d’auditer les projets qu’ils financent, je dis oui, mais à condition qu’on mette à notre disposition des moyens qui nous permettent de prendre en charge de façon satisfaisante ces travaux supplémentaires. Le Contrôle Général des Finances, l’auditeur interne du Ministère de l’Economie et des Finances, consacre 40 à 50 % de ses ressources à l’audit des projets sur financement externe. C’est considérable.

Nous ne pouvons pas permettre de faire de même. Sans oublier aussi que la Cour est associée à toutes les réformes en matière de finances publiques. On est présents dans toutes les structures comme la Haute Instance de la Lutte contre la Corruption, l’instance de contrôle des marchés financier, la Commission Supérieure des Marchés Publics. La Cour est très sollicitée depuis longtemps mais ça s’est renforcé après la Révolution. On fait confiance à la Cour, tout le monde fait confiance à la Cour et on espère ne pas décevoir.

Comment évoluent les contrôles des finances publiques en Tunisie ?

Vous savez, l’évolution actuelle du contrôle des finances publiques tend vers l’allégement des contrôles a priori et le renforcement du contrôle a posteriori donc si on allège en amont il faut renforcer en aval. Il n’y a pas de budgétisation par objectifs, pas de GBO comme on l’appelle ici, c’est-à-dire pas de responsabilisation des managers publics, sans cette évolution et elle nécessite des moyens importants.

La Cour tunisienne abrite le secrétariat de l’Association Arabe des Institutions Supérieures de Contrôle (ARABOSAI)

Oui, j’en suis moi-même le Secrétaire Général. Il y a un grand travail qui se fait avec les pays arabes et ils nous font confiance, et aussi ils apprécient à sa juste valeur la Cour des comptes tunisienne et nous avons aussi une action internationale d’appui dans le monde arabe notamment dont nous sommes fiers. D’une façon générale, nous sommes très impliqués dans les groupes de travail de l’INTOSAI et nous avons suivi de près l’établissement des normes internationales d’audit dans le secteur public [ISSAI].

Did You Know?

Every day in the Arab world there are [1]:

- 100 million google searches. That is 70,000 days’ worth of knowledge creation and sharing, if each google search takes just under a minute.
- 36,000 new Facebook users register online. That’s more than the number of people born in the region per day.
- A staggering 60 days’ worth of Youtube videos is uploaded. That’s around the same amount of content aired by the region’s leading TV stations.
- 10,832,000 tweets per day. That’s more than triple the content of all Arabic newspapers printed every day.
- 37,095,955 Facebook users below the age of 30.[2] That’s more than 4 times the total number of students enrolled in universities across the Arab world.

[1] calculation are based on the social media statistics provided by Discover Digital Arabia 2013
submitted by Joulan Abdul Khalek (JPA) On Thu, 02/06/2014
Mashreq
كيف يمكن للجهاز التعدين والتنسيق مع مختلف الأطراف الفاعلة (البرلمان، الإعلام، منظمات المجتمع المدني) تحقق المسؤولية المطلوبة في مجال استخدام المال العام؟

هناك "إدارة مركزية للتقارير وملوك النواب" داخل الجهاز يختص بمعالجة التقارير المتعلقة بالنقابات، وال التواصل مع الجهات المنظمة داخل المجال. بالنسبة للتعامل مع الإعلام فإنه يوجد ما زال في بداية حينما تم تأسيسه ومقره الثاني إلا أن الجهد النموذجي في هذا الإطار يحتاج إلى تطوير عن طريق إعداد إدارة دولة مخصصة للرد على الاستفسارات وتلبية الأسئلة العام المعبور.

ما هي رؤيتك بصفة وجهة النظر التي ترى أن تقارب أجهزة الرقابة المحاسبية قد تخلق مناخًا يبهج فيه المتوفرن المعمومين من إتخاذ قرارات أو إجراءات تنفيذية على قدر من الخلايا المقبولة والمعرفة؟

كيف تكون منظومة محافظة على النزاهة؟

أعد أن لدينا في مصر الكثير من الشركات والخبرات في هذا المجال. إلا أنه بالنسبة للأنشطة الخاضعة لهذا القانون وتحديداً المسمى بأن يكون استخدام الموارد مالية من الأمور يمكن أن يحافظ عليها نموذجية لل emploi والحفظ. يتلقيها من مختلف الأطراف المختلفة مثل INTOSAI, ARABOSAI, AFROSAI. كيف تكون منظومة مالية تساعد على نموذجية لل emploi والحفظ. يتلقيها من مختلف الأطراف المختلفة مثل INTOSAI, ARABOSAI, AFROSAI.
The Lebanese Association of Certified Public Accountants (LACPA)

The Lebanese Association of Certified Public Accountants (LACPA) is founded by virtue of decision No.1/518 issued by the Minister of Employment and Social Affairs of Lebanon, on November 17, 1964. LACPA practices its discretionary power through different bodies in conformity with the provisions of the Accountancy Profession Act No. 364/1994, the rules of procedure and the provisions of the Lebanese laws. LACPA, an active member of the International Federation of Accountants (IFAC), has committed to promote high quality accounting practice and to develop the profession in Lebanon.

Amine SALEH
President of the Lebanese Association of Certified Public Accountants (LACPA)

Interview conducted by Rima KOTEICHE,
Senior Financial Management Specialist,
MENA Financial Management Unit,
The World Bank

CV MENA: Why is the development of peer review and quality assurance so important to the accountancy profession?
Being aware that they are subject to higher professional oversight controls that may affect their careers, auditors are driven to develop their professional knowledge and practice and maintain a high level of professionalism in their audit reviews so as to avoid the risk of giving a subjective opinion and contradicting the basic principles of auditing.

CV MENA: What are the biggest challenges facing peer review in general and in Lebanon in particular?

We at LACPA see four main challenges:
• The second challenge entails a psychological factor whereby auditors question the competence and qualifications of the person reviewing their audit activities in their offices.
• The third challenge is avoiding payment of the related costs and fees.
• The fourth challenge is the unavailability of training courses in this area.

In Lebanon in particular: In addition to the above, the biggest challenges in Lebanon include:
• The main concern of most auditors is that this process might seek to shut them out of the accountancy profession, considering their small-sized businesses.
• Their lack of confidence in the individual undertaking the review process, especially if the latter is a member of the association.
• The fear that the reviewer has political objectives or has different social/religious beliefs.

• One challenge that some might not acknowledge is that the accountancy and auditing profession in Lebanon needs advertising and marketing to be seen as an economic need— and not a burden that is imposed on economic institutions by laws, and the tax law in particular.
• The structure of the economic institutions, which includes essentially small and medium enterprises that are managed by an individual or a family, do not believe in the important role of accountancy and auditing in the continuity of their enterprises.
• Another challenge is the educational background of practicing auditors in Lebanon, who undermine the importance of continued professional training. They consider that they are adequately educated and do not recognize the need for continuing professional development.
CV MENA: What do you see as the value of World Bank engagement in promoting peer review development?
The initiative of the World Bank aims at:
- Motivating professional accountancy associations and institutions to implement the relevant international standards and subject these to the control and supervision of international agencies, leading to enhanced performance.
- Prompting the concerned authorities to cooperate (Capital Market Authorities, LACPA, Ministry of Finance), though in some cases, government agencies try to avoid these obligations with as little cooperation as possible.
- LACPA always seeks the assistance of the World Bank to keep up with the changes and developments taking place, including its educational, financial and technical support, seeing that LACPA has a limited budget and limited resources.

CV MENA: If the peer review is initiated by LACPA with the proper support, what would be the greatest challenges in its implementation?
The challenges facing the implementation of peer review include:
- Exerting psychological pressure on Banque du Liban and the Ministry of Finance to proceed with the establishment of the Higher Council of Accountancy and the Audit Control Committee following in the footsteps of other countries. This process is not in the hands of the Association. This is why the Higher Council of Accountancy must first be activated through a government decree.
- It is agreed that quality control must be implemented, but a practical plan must be established to be psychologically and technically prepared for quality control implementation. The process must start with a very limited number of big companies and firms as volunteers, provided that this coincides with the Association’s efforts to rehabilitate and activate the Educational and Technical Institute of the Association.
- It is essential to hold seminars on the importance of peer reviews to raise awareness of stakeholders on the significance of this process that goes to their own benefit, and aims at developing their performance. It is not an initiative against them, especially for small and medium companies that comprise the majority of the Association.

CV MENA: What do you see as the value of the peer review versus inspection in the Lebanese context?
Considering the current situation in Lebanon, it is more effective from a cost and time perspective to implement the peer review process, in form and context, as an introduction to inspection. In addition, this needs to be coupled with introducing the quality control in small companies as well. The small and medium audit firms can overcome the cost of quality assurance by encouraging them to establish civil professional partnerships in order to achieve efficient synergies in technical and financial performance, leading to a better professional service delivery and improved professional relevance for clients.

Did You Know?
The Abraham Path, or Masar Ibrahim in Arabic, is a cross-cultural, long-distance tourism route running roughly along the path once walked by Abraham, or Ibrahim, the father of Judaism, Christianity and Islam. More than 400 km long, it connects 40 communities across four countries. The path links cultures, communities, and generations across history, a reminder of our common origins and common humanity. More than 4,000 people have hiked it since 2008, most in Palestine and Jordan. Walkers enjoy homestays and homemade meals with local families, and local guides provide navigation and share their knowledge of history and culture.
Both put money into the local economy in a different way than day trips to Bethlehem, which make up the majority of existing tourism in Palestine. Viewing it as an innovative way to reach people marginalized in rural communities, the World Bank is investing in the development of the path itself, its capacity and sustainability, and its marketing through a virtual information hub, location-based mapping, and social media. http://blogs.worldbank.org/arabvoices/among-almond-blossoms-and-olive-groves-abraham-path
National Geographic rated it as #1 in new best walking trails
Yemeni Association of Certified Public Accountants (YACPA)

This month, CV MENA Magazine spoke with the President of YACPA, Mr. Ameen Alshami, to discuss YACPA’s recent achievements, challenges, and priorities. He is managing a mid-size audit firm, and is a Board Member of the Central Bank of Yemen and its Audit Committee. He has been leading YACPA’s development initiatives for the past six years. He is also a Board Member of the Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO) and Arab Federation of Accounting and Auditing (AFAA).

The road to these achievements was full of challenges, as revealed by Mr. Al-Shami, including: limited technical and financial capacity; the need to rely on the efforts of volunteers; limited understanding of the importance of the profession; and few qualified professionals. He continued:

With thanks to the strong efforts and support of the World Bank and IFAC, we have recently updated our strategic plan and priorities for the coming two years with the objective of strengthening YACPA’s internal technical and financial capacity and complying with IFAC’s Statement of Membership Obligations. We are currently taking concrete steps to adopt the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), strengthening our membership requirements to include mandatory Continuing Professional Development (CPD), and developing a system of Audit Quality Assurance.

Mr. Alshami explained that a key factor for YACPA’s achievements is YACPA’s independence, objectivity, and focus on the profession’s development, away from any political influence.

CV MENA: What are YACPA’s main achievements, challenges and priorities?

Mr. Alshami highlighted the government’s priorities and continuous efforts in enhancing the country’s economy through its use of resources as evidenced by the government’s adoption of several good practices in public financial management and efforts to support the development of the private sector. Mr. Alshami noted Yemen’s recent accession to the World Trade Organization (WTO), which adds more pressure for expediting the development of the profession to cope with the changes in the market. The government has recognized the important role of YACPA as a partner in development of the accounting and auditing profession. Mr. Alshami is proud of YACPA’s board and committees as they have positioned YACPA to lead development of the profession in Yemen. He is also grateful for close cooperation and support from the Ministry of Planning and International Cooperation, the Ministry of Industry and Trade, the Ministry of Higher Education and Scientific Research, the Central Bank, the Tax Authority, and Central Organization for Control and Auditing (COCA). This strong collaboration with key government stakeholders, supported YACPA’s credibility has positioned it as a trusted professional partner.

CV MENA: You mentioned that one of YACPA’s achievements is submitting a membership application to IFAC. Could you share with us your decision to submit an application for membership with IFAC?

Mr. Alshami said: I can simply put it in a few words: We believed for a long time that becoming a member of IFAC will give us the needed support to develop the profession in Yemen. Our effort to join IFAC goes back to 1993 when YACPA was established. I was sitting on the first elected board of YACPA, and I remember our first official communication with IFAC. In 2008, we included in our strategy the need to join IFAC to enable us to further develop the profession in line with international best practices. Since then, we have been strongly supported and encouraged by IFAC through Mrs. Gabriella Kusz who played a major role in helping us understand IFAC’s requirements and provided continuous support through audio conferences and exchange of emails. This has been complemented by the World Bank’s technical and financial support. With the help of the World Bank MENA Financial Management team, we were able to develop and share with IFAC a Strategic Action Plan, addressing IFAC’s recommendations for membership.

CV MENA: Are there other factors which helped in YACPA’s achievements?

Mr. Alshami highlighted the government’s priorities and continuous efforts in enhancing the country’s economy through its use of resources as evidenced by the government’s adoption of several good practices in public financial management and efforts to support the development of the private sector. Mr. Alshami noted Yemen’s recent accession to the World Trade Organization (WTO), which adds more pressure for expediting the development of the profession to cope with the changes in the market. The government has recognized the important role of YACPA as a partner in development of the accounting and auditing profession. Mr. Alshami is proud of YACPA’s board and committees as they have positioned YACPA to lead development of the profession in Yemen. He is also grateful for close cooperation and support from the Ministry of Planning and International Cooperation, the Ministry of Industry and Trade, the Ministry of Higher Education and Scientific Research, the Central Bank, the Tax Authority, and Central Organization for Control and Auditing (COCA). This strong collaboration with key government stakeholders, supported YACPA’s credibility has positioned it as a trusted professional partner.
The Yemeni Government and Yemeni Association of Certified Public Accountants (YACPA) are presently partnering with the World Bank’s MNAFM unit to provide support to improving the country’s corporate financial reporting environment. We at MNAFM are honored and excited to be working side by side with our Yemeni partners in helping to promote the development of the accountancy profession throughout the country. We believe that such partnership and collaboration is integral to successful accounting and corporate financial reporting reform.

YACPA is the country’s independent professional accounting association established under Yemeni Law No. 31 (1992) relating to the profession of audit and accounts (this law was superseded by Law no. 26 of 1999 which again upheld the recognition and official position of YACPA). Since its founding, YACPA has made strong strides in developing its alignment with international standards and good practices. In 2013, YACPA applied for Associate Membership in the International Federation of Accountants (IFAC) – the international association for the accounting profession. Although YACPA was originally deferred by IFAC, the Federation provided YACPA with specific policy recommendations for strengthening the organization over the next 1-2 years so as to guide and support the development of the association. These recommendations provide a strong path for the development and strengthening of the association.

Recognizing the value of these recommendations, YACPA utilized them to develop a strategic Action Plan for the years 2014-2015 which included: (i) additional strengthening of YACPA’s internal technical and financial capacity; (ii) legal adoption of international standards (International Financial Reporting Standards - IFRS and International Standards on Auditing - ISA); (iii) inclusion of a requirement for mandatory achievement of Continuing Professional Development (CPD) within its education criteria; and (iv) development of a system of audit Quality Assurance (QA).

Over the past few years, MNAFM has provided YACPA with technical support in the area of accounting and auditing. Due to the ongoing nature of our support and relationship, in 2013 the government of Yemen asked the World Bank to provide financial assistance for the strengthening of the accounting and auditing profession in Yemen and for building the capacity of YACPA. In response to the request for financial assistance, and in line with the profession’s integral role as recognized by the government, YACPA, the World Bank and IFAC, a project proposal was prepared by MNAFM. In October 2013, based upon this proposal, the World Bank signed an Institutional Development Fund (IDF) Grant Agreement for an amount of USD $300,000 to support corporate financial reporting.

The result of these efforts has been the development and commencement of a corporate financial reporting project in Yemen with the goal of building the capacity of the country’s professional accountants and auditors and strengthening the institutional capacity of YACPA to enable it to lead national accountancy development.

The Project consists of two components: (1) strengthening the capacity of YACPA; and (2) strengthening the capacity of practicing members of YACPA.

The first component of this project seeks to strengthen YACPA’s regulatory framework and internal systems in compliance with IFAC Statements of Membership Obligations (SMOs). This will include strengthening the accounting profession’s educational system, implementing a code of ethics for professional accountants, establishing a credible and sustainable investigation and discipline mechanism, and establishing a credible and sustainable quality assurance mechanism. Additional aspects of this component will include:

- Preparation of reference materials and Arabic language translations;
- Improving the accountants and auditors’ examination and licensing procedures in line with IFAC SMOs and the International Education Standards (IES) promulgated by the International Accounting Education Standards Board (IAESB);
- Improving YACPA’s training facility and equipment;
- Upgrading YACPA’s website and e-communications; and
- Developing training modules, toolkits and guidance.

The outcome of Component 1 of this project is intended to assist YACPA in achieving full compliance with IFAC Statements of Membership Obligations and the creation of an enhanced training facility and YACPA website, complete with easy-to-access training and reference materials.

The second component of this project seeks to strengthen the capacity of the practicing members of YACPA through technical assistance to the design and development of a professional practice manual compliant with IFRS and ISA, in addition to the development and provision of training for YACPA’s practicing members on this subject. The objective of this component is to enhance the skill set and the capability of the professionals to meet the needs of the marketplace.

Together with our partners in YACPA and the Yemeni government, we at MNAFM look forward to successful implementation of this project and the strong benefits which will accrue to the Yemeni corporate financial reporting environment. It is our hope that through this project and others like it throughout the region we can work together to support corporate financial reporting, financial sector development—and further economic growth in our partner countries.
The Democratic Public Sphere

Accountability Happens in the Public Sphere
The public sphere is a space between state and civil society. In this space government and citizens exchange information and services: Citizens communicate their demands to the government and, if satisfied with how these are met by the government, reward legitimacy to the government in office. The government provides rules, regulations, and public goods and services to the citizens. The mere delivery of services without accountability is insufficient to achieve good governance.

What is the Public Sphere?
Citizens are stakeholders in the public sphere. Effective communication among the stakeholders promises to raise the citizen voice and thereby strengthen accountability. The public sphere, represented by information and communication processes, is the architecture of relationships and interactions among different political actors. Drawing on a wide range of applied and academic sources, here is a visual representation of the democratic public sphere.

The Gulf
Nadir MOHAMMED
GCC Country Director, The World Bank

Nadir Abdellatif Mohammed, a Sudanese citizen, joined the Bank in 1998 as country economist (Egypt and then Yemen). He joined the ECA region as Country Manager (Albania) and returned to the Middle East and North Africa (MENA) region as Operations Director in 2007. He also served as Senior Advisor in the Poverty Reduction and Economic Management (PREM) network. He is currently the Country Director for the GCC countries in the Middle East and North Africa region.

Before joining the Bank, Mr. Mohammed worked in two multilateral development banks (African Development Bank, 1994-1996) and the Islamic Development Bank (1996-1998). Mr Mohammed started his career in academia as lecture and research officer in Universities of Cambridge (UK), Oxford (UK) and Addis Ababa (Ethiopia). Mr. Mohammed is a graduate of the University of Khartoum (B Ss in Economics) and has two post-graduate degrees in Economics from the University of Cambridge (M. Phil and Ph. D). Mr. Mohammed published widely on issues of economic development, public finance, natural resource management, poverty reduction, and defence economics.

CV MENA: Congratulations on your new post as the World Bank Country Director of the Gulf Cooperation Countries (GCC) Country Department. How does it feel to be back in the Middle East and North Africa (MENA)?

Nadir Mohammed: Thank you. I feel like I am coming back home, and I am excited to have the chance to re-join the outstanding MENA team. I have worked and lived in the region most of my professional life and have had the pleasure to serve the citizens of the region in various capacities both inside and outside of the Bank. I look forward to building and strengthening the strong partnership that my colleagues in the GCC program have forged with the Gulf clients. I hope that by serving these important clients, we also serve other countries in the region and make an impact on a more global level.

CV MENA: In your new post, how would you develop and advance the strategic cooperation program with the GCC states, while keeping in line with MENA’s overall regional strategy?

NM: MENA’s overall regional strategy guides our operations in the GCC countries. The MENA region elaborated a strategy to guide its work in the region in 2011 mainly to address the issues that triggered the Arab Spring. The strategy emphasized “doing things differently and doing different things” under four pillars:

(i) Jobs;
(ii) Inclusion;
(iii) Private-sector growth; and
(iv) Governance.

The four pillars remain valid for the whole region and are very relevant to our support programs in the GCC. Issues of rising (structural) unemployment, improving governance structures and public financial management, creating a conducive environment for private sector participation, and inclusion represent the bulk of our Reimbursable Advisory Services (RAS) assistance program. In addition, issues of managing non-renewable natural resources to ensure fast and sustained rates of economic growth and inter-generational equity are common across the GCC, as well as other MENA oil and gas exporting countries. We hope to advance our strategic partnership with GCC countries on all of these issues.

CV MENA: The Bank developed two new goals: ending extreme poverty by 2030 and boosting shared prosperity. How do you see the relevance of these goals to the GCC states?

NM: The two objectives are just as relevant at the GCC level as they are at the regional and global levels. First, while there may be low levels of extreme poverty within the GCC countries, our support programs to the GCC countries will certainly serve the global targets for ending extreme poverty because the GCC countries are major contributors of foreign direct investment (FDI) and other financial flows, such as remittances and foreign assistance to countries in the MENA region, Africa, Asia and other parts of the developing world.

Second, boosting shared prosperity is very relevant to the GCC countries as in the case in all other middle- and high-income countries. Wealth abundance does not always translate into equitable and fair distribution. Our strategic interventions in the GCC countries will be guided by the goal of boosting shared prosperity. Therefore, the elaboration of the two goals gives more coherence and strategic relevance to our engagement in the GCC.

CV MENA: What do you think are the key challenges and opportunities in the GCC states?

NM: GCC countries have huge potential and opportunities provided by their large natural resource endowments. They can achieve marked improvements in the lives of their citizens for decades to come as they were able to do in the past five decades. However, these natural resources are non-renewable, and their management creates macroeconomic management challenges. The resources should be spent in a sustainable manner for this generation and future generations. They need to avoid the “resource curse” and “Dutch disease” effects. They should also diversify their economic structures away from reliance on natural resource extraction. They need to generate enough and better jobs (mainly in the private sector) to absorb the fast-growing entrants into the labor force. Further, they ought to balance their labor markets comprised of both domestic versus foreign workers. GCC countries will also need to improve their human resource base in terms of education, health and skills needed for the 21st century. Finally, most GCC countries face serious water shortages and growing environmental problems, and will have to improve their adaptability to climate change effects.
CV MENA: How can the Bank and the GCC enhance their cooperation given the unique role the Bank plays amid the multitude of actors providing advisory services to the GCC?

NM: I do not see the Bank competing with other advisory service providers (mainly consultants). To the contrary, the Bank provides advisory services in areas of its core mandate, and quite often we convey to our clients the need to obtain consultants to undertake specific tasks. The Bank’s global outreach allows it to benefit from best international experience and to offer capacity building and support with implementation. The Bank’s partners also appreciate its convening power. Because of its developmental mandate, the Bank’s engagements are usually long-term and go beyond specific transactions. Unlike private sector consultants who are usually profit-oriented, the Bank prides itself on playing the honest broker role, as well as providing unbiased and neutral development perspectives.

CV MENA: The Bank provides advisory services to a number of GCC states with respect to building institutions and enhancing governance. Do you see this area growing in the future?

NM: Indeed, this is one of the most promising areas of the Bank’s future engagement with the GCC countries. Despite their wealth and natural resource abundance, GCC countries still face the challenge of upgrading their institutions and administrative capacities. The World Bank has indeed an important role to play to build capacity in these counties in a sustainable manner. In the area of governance for instance, the Bank is assisting many countries in assessing the role of the state vis-à-vis the private sector, improving service delivery, reforming public financial management systems, strengthening legal and judicial systems, and strengthening their anti-corruption agencies.

CV MENA: The Bank deals with a wide range of issues. Is there one issue in particular that you feel strongly about?

NM: Redefining the role of the state to build effective meritocratic public institutions, create more scope for private sector initiatives, and explore other avenues for wealth sharing beyond public sector employment are key challenges for many GCC countries.

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Did You Know?

Audit

The term audit originates from the Latin word audire, which means “to hear.” Audire in ancient Rome referred to the “hearing of accounts,” a process in which one official compared his records with those of another official. As many of the parties interested in the audit findings were illiterate, audits were presented orally.

Budget

The term appeared in English in the fifteenth century with its origin in “leather pouch,” from Middle French bougette, a diminutive form of Old French bouge, “leather bag, wallet, pouch,” from Latin bulga “leather bag,” which came from a Gaulish origin that’s related to the Irish bolg “bag.” The modern financial meaning (1733) is from notion of treasury minister keeping his fiscal plans in a wallet.

Source: Online Etymology Dictionary.
We spoke with the head of the GCCAAO, Dr. Nasser Al-Kaud, about the organization and its evolving role.

What is the greatest challenge to the accounting profession in the GCC? In reflecting on the challenges to the accounting profession in the GCC, Dr. Al-Kaud said that the most challenging area is how to localize the profession. Most of the region’s accounting services are provided by non-nationals, and there is a move across the region to employ nationals. Thus, there is a need to improve education in accounting and auditing to produce well-prepared accounting professionals who can compete nationally and regionally.

In your role, what issues/areas do you want to focus on for GCCAAO? For the future, Dr. Al-Kaud would like to find a niche for the GCCAAO to differentiate it from other organizations. To this end, he is working on a common market for all the GCC countries, with one unified law and set of standards of accounting. He would like to see more cooperation between the profession and academics so that curricula reflect the current needs of the marketplace.

What is the activity or main effort that you are most proud of? In looking back over his tenure, Dr. Al-Kaud is most proud of the improvements that have been made since he took office. There are now annual meetings for Certified Public Accountants (CPAs) in the Gulf region, and there are more training opportunities and other events to help professionals stay up to date and expand their knowledge. The GCCAAO’s annual conference will be held in March 2014, with the Saudi Minister of Trade opening the forum and representatives from the International Accounting Standards Board and IFAC attending. Looking forward, however, he sees that there is still a lot of work to do, and he hopes that the GCCAAO will continue to be a leader in the effort to improve the profession across the region.

The GCCAAO is currently working on four main activities to enhance the accountancy profession in its member countries:

- **Draft law.** The GCCAAO has drafted a law to regulate the profession in its member countries. The draft law will soon be reviewed by an internal committee made up of trade ministers and relevant authorities from each of the GCC member countries. One area this law focuses on is accounting standards across the GCC. Most countries in the GCC have adopted the International Financial Reporting Standards (IFRS)—Saudi Arabia most recently; Yemen is in the process of adopting the IFRS.

- **Certification.** To help ensure that all professionals in its member countries have an appropriate level of knowledge and training, the GCCAAO has set up the GCCAAO Certified Public Accountant examination (GCPA) to assess an individual’s technical and professional capabilities; those who pass may become certified public accountants in the region. The examination, which is held twice a year in the UAE or Qatar, covers financial accounting, administrative accounting, auditing, trade law, Zakat (charitable giving), and taxes, and is available in both English and Arabic. The GCCAAO has also set up a training course to help prepare individuals for the examination. The GCCAAO is encouraging all member countries to recognize the GCPA to ensure uniformity across the region. Saudi Arabia and Kuwait have their own examinations and have not adopted the GCPA, but the UAE, Bahrain, Qatar, and Oman all recognize the GCPA.

- **Quality assurance program.** To help improve the quality of the accounting profession and financial reports across the region, the GCCAAO has signed an agreement with the Institute of Chartered Accountants in England and Wales to develop a quality assurance program and create a monitoring unit to ensure the quality of audits. It is now discussing the program with member states.

- **Research.** Part of the GCCAAO’s mandate is to conduct and encourage research in the field of accountancy. GCCAAO’s research unit has recently completed a study to design a program for a diploma for Zakat offices, and it is looking to expand its research into relevant accounting topics.

The GCCAAO is active in communicating with its members, sending regular newsletters and a quarterly magazine.

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**GCC Accounting & Auditing Organization**

The GCCAAO, formed in 1998, was accepted as a regional accounting grouping by the International Federation of Accountants (IFAC) in 2013. Its members are the Gulf Cooperation Council (GCC) countries—Saudi Arabia, Kuwait, Oman, Bahrain, United Arab Emirates (UAE), and Qatar—as well as Yemen. Its objectives are to lead and regulate the accounting and auditing profession in the GCC countries and Yemen in accordance with best international standards and practices. To this end, it aims to improve regulations in its member countries and, where possible, to make them consistent in all countries. It also works to develop the accounting profession through the professional accountancy organizations and accounting firms. Its aim is to promote the development of high-quality professionals who will contribute to stronger growth and stability in the economy.

The GCCAAO is active in communicating with its members, sending regular newsletters and a quarterly magazine.
CV MENA Events
International Standards on Auditing (ISA) Implementation for Small and Medium Practitioners (SMPs)
December 9-10, 2013
Washington, DC USA (Satellite Participation in Tunisia, Morocco, Djibouti, Yemen, Iraq, Lebanon, Jordan, West Bank and Gaza, Egypt / via Regional Web-streaming)

The format of the event included formal presentations by each of the three presenters, followed by virtual participants then being invited to participate in an hour and a half interactive discussion session where each of the connected countries (Egypt, Yemen, Iraq, Lebanon, West Bank and Gaza, Jordan, Morocco, Tunisia, and Djibouti) was given the opportunity to give comments or ask questions of the experts or other participants. Presentations and discussions were translated into both the Arabic and French languages for ease of participation and featured live web-streaming for MENA countries without a live connection.

Specific issue areas presented and addressed during this event included:
- How to Use the International Federation of Accountants IFAC SMP Committee’s Guide to Using ISA in the Audits of Small- and Medium-Sized Entities;
- Successfully Designing ISA Education and Training for SMPs;
- Adding Value to Micro-entity SMP Clients;
- Tailoring ISA to Micro-entity Audits: Which are the Relevant Standards?
- Staffing Micro-entity Engagements: Increasing Audit Effectiveness and Efficiency;
- International Good Practice in Supporting SMPs: The Case of Belgium; and
- Supporting SMP Access to Audit Software – Lessons Learned

Challenges and Opportunities for Adoption and Implementation of International Public Sector Accounting Standards
Dec. 11-12, 2013
Objective: to connect professionals and civil servants from the MENA region working on either adoption or implementation of IPSAS with international experts bringing relevant experience for the purpose of providing different perspectives on solutions. The Solutions Lab has been organized in response to feedback received during the 2013 Exchange PFM...
conference which noted the need for additional support and assistance for MENA IPSAS adoption and implementation.

Participants: A total of 176 participants from governments, professional bodies, businesses, and academia joined the Solutions Lab: 79 participants (including 45 from Mashreq countries and 35 from Maghreb countries) in person (from World Bank country offices), and 97 joined by web streaming. Two experts were virtually connected from the Netherlands and Germany.

The discussion covered:

• Status of each participating country public accounting reform, consideration of IPSAS, challenges, and potential areas of support or cooperation;
• Overview of global sequencing of accounting reform program in the public sector;
• IPSAS Board, objective, and functions;
• Challenges and opportunities of IPSAS-Cash Basis adoption and implementation, and conversion from non-IPSAS to IPSAS-Cash Basis; and
• Challenges and opportunities of IPSAS-Accrual Basis adoption and implementation and conversion from non-IPSAS to IPSAS-Accrual, and from IPSAS-Cash Basis to IPSAS-Accrual Basis.

A consensus was reached on the importance of adoption of IPSAS as a means toward an effective and transparent accounting system, which will hopefully lead to better resource allocation, less corruption in public sector finances, and eventually improving accountability. Furthermore, it was agreed to maintain a sustainable and frequent sharing of more observations and technical advice on IPSAS in future World Bank workshops and missions.

SOLUTIONS LAB

Cooperative Audits

Accountability State Authority of Egypt (ASA), December 2013

Supreme Audit Institutions of different countries can cooperate on audits, usually if the issue that will be audited has a transnational character or if the cooperation is part of a capacity building program to introduce new audit methodology, for example. The Solutions Lab connected experts on such cooperative audits from different countries via video-link in order to share experiences and ideas with ASA staff. It had 15 participants from ASA, including managers and experienced auditors working on environmental audits. The participants were introduced to the three types of cooperative audits: parallel audits, joint audits, and coordinated audits. The event included discussions on choosing the appropriate type of cooperative audits, the critical success factors in cooperative audits, contents of cooperation agreements, and considerations for increasing the chances of success of early efforts at cooperative audits. Various practical ideas emerged during the discussions, including:

• While selecting the audit approach and topic, carefully consider the mandates and capacities of the SAIs that plan to cooperate, as these may vary between countries;
• Avoid topics/issues on which there are strong sensitivities among the cooperating countries;
• Effective communication among the cooperating SAIs is key for the success of cooperative audits. Ensure frequent and open communications through different channels, including face-to-face meetings, tele- and video conferencing, and emails;
• Adopt a narrower, rather than broader, audit scope to increase the chances of success at early efforts in cooperative auditing;
• Consider using the relevant ISSAIs to ensure quality and consistency in auditing approach among the cooperating SAIs;
• Use common working paper templates. This will ensure that the audit teams from the different SAIs pursue the same (or at least similar) audit objectives and collect information that can easily be compared and collated.
• Provide for more time and resources for cooperative audits than for national audits.

Objectives:

• Ensure comprehensive understanding by MOF officials of the Financial Management Technical assistance program in Iraq including program components, activities, and implementation arrangements;
• Increase awareness by MOF officials of the current status of internal financial controls in Iraq, and the way forward to reform the internal financial controls, including the role of internal auditors and the Inspector Generals’ office. To serve this purpose, the workshop discussed thoroughly the results of the assessment performed by the consultancy firm (Ernst and Young) on internal financial controls in Iraq, which was completed under the recently closed World Bank- supported Public Financial Management Reform Project.
• Initiate the preparation of a “public internal control policy paper” that would envision the internal controls structure nationwide, including financial controls. This paper would be the national vision of the public internal control structure and should have the objective of creating the national consensus as to the public internal control structure in Iraq.
• Discuss country-specific challenges, opportunities, and the way forward in reforming the operational, legal, regulatory and institutional arrangements for internal financial controls.

A policy reform paper was developed at the end of the workshop, summarizing the top priorities in reforming internal financial controls.

SOLUTIONS LAB

Improving Governance through Strengthened Financial Management

Strengthening Internal Financial Controls Workshop

Imman, Jordan (Feb.12-13, 2014)

Participants: Senior officials from the Ministry of Finance (MOF), representing the internal audit departments, Inspector Generals’ Office (IGs), Legal Affairs Department, Training Center, and Iraq Public Financial Management Reform Project, experts from the consultancy firm Ernst and Young, the author of the assessment report of internal financial controls in Iraq, and legal advisors.

Adoption and Implementation of IFRS in Yemen

Boot Camp and Solutions Paper

December 19-20 2013 – Cairo, Egypt

This event brought together twenty-four representatives from the Yemeni Association of Certified Public Accountants (YACPA) Board and Committees, Central Bank of Yemen, Tax Authority, Ministry of Industry and Trade, Central Organization for the Control of Audit (CO-CA), Office of the Prime Minister, Ministry of Finance Financial Market Unit, Chamber of
The overall impact of this event was hugely successful. Designed as a continuation from the positive participation and interest of Yemeni stakeholders in pursuing reforms in the area of corporate financial reporting, this Boot Camp helped in supporting the IFRS adoption and implementation by bringing together high-level national stakeholders in a focused national dialogue to debate how the profession in Yemen can adopt IFRS as the acceptable accounting framework and the practical steps involved in implementation. Sessions were structured as formal presentations, as well as interactive discussions and working groups.

The first day focused mainly on presenting key issues of IFRS adoption, considerations for the IFRS adoption and implementation processes, and laying the groundwork for interactive working sessions on the second day. Additionally, discussions included a session for outlining a National Roadmap for IFRS adoption in Yemen. On the following day, focus centered on in-depth discussion and education on key subject areas identified as fundamental for IFRS implementation and advancement in Yemen.

The second day’s Boot Camp sessions culminated in a group strategic planning seminar at which participants thought through the key areas of recommendation and identified the specific actions, responsible parties, and resources needed in order to achieve the profession’s goal of aligning with international standards and raising the quality of financial reporting in Yemen.

Survey results were extremely favorable with 100 percent of participants noting either their agreement or strong agreement with the fact that this Boot Camp: (i) helped YACPA and the Yemeni accounting community to identify present challenges to IFRS adoption; (ii) aided the community in brainstorming solutions for overcoming challenges; and (iii) walked its participants through the relevant aspects of the adoption progress.

Key Points Resulting From This Boot Camp Included:

- The importance and need for support and inclusion of all stakeholders in order to promote the adoption of IFRS in Yemen.
- The need to analyze the current accounting and auditing legal framework and ensure its harmonization with relevant laws.
- The importance of having a well-translated Arabic version of IFRS available for Yemeni professionals.
- The need to develop a capacity-building program (including training the trainers) for YACPA members and accounting managers in order to develop the required skills to implement IFRS.
- The importance of developing YACPA’s quality assurance program.
- Revision and update of university curriculum to align with international education standards.
- Design of the IFRS adoption process: convergence versus adoption; endorsement versus automatic adoption; scope; transition period; and reflection on the ability to carve out certain standards or elements of the standards.
- Twinning arrangements with neighboring associations and foreign universities.
- The need for having a designated committee responsible for working on the steps required for the adoption of IFRS in Yemen.
- The importance of enhancing YACPA’s financial position and capacity to support IFRS adoption and implementation.

Supporting the Development of the Accounting and Auditing Profession in Yemen

Boot Camp and Solutions Paper
October 2-3, 2013 – Sana’a, Yemen

Over 60 representatives from the Central Bank of Yemen, Central Organization for the Control of Audit (COCA), the Ministry of Industry and Trade, Tax Authority, the Ministry of Legal Affairs, the Ministry of Higher Education and Scientific Research, Yemen Association of Certified Public Accountants (YACPA) Board and committees Deloitte, KPMG, Grant Thornton, the Association of Chartered Certified Accountants (ACCA), Sana’a University, Taiz University, local audit firms, Small and Medium Enterprises (SMEs), and others attended this groundbreaking Boot Camp held at the YACPA headquarters on October 2-3, 2013.

The overall success and impact of this event was great. Sessions were structured as formal presentations, interactive discussions and working groups. The first day focused mainly on presenting overarching concepts and themes and laying the groundwork for interactive working sessions on the second day. The second day provided in-depth discussion and education on key subject areas identified as needing improvement through the IFAC policy recommendations which were provided to YACPA following their first attempt at IFAC membership application. The inclusion of breakout working group sessions aimed at brainstorming and addressing recommended areas to synthesize various perspectives and viewpoints on the development of the profession within Yemen and encourage group participation.

The second day’s Boot Camp sessions culminated in a group strategic planning seminar where participants thought through the key areas of recommendation and identified the specific actions, responsible parties, and resources needed in order to achieve the organization’s goal of aligning with international standards and good practices to become a center of excellence for accountancy in Yemen. Additionally, due to the timing of this event on the date of the signing of the Institutional Development Fund (IDF) grant agreement, this event also offered an opportunity to raise awareness and provide information about this agreement and YACPA responsibilities.

The Boot Camp was successful in convening representatives from all key institutions and organizations related to the subject of corporate financial reporting in Yemen. Through this Boot Camp, all representatives had an oppor-
tunity to provide their input and perspectives which were then effectively utilized to develop a draft Strategic Action Plan. The Plan will be used by YACPA and its stakeholder organizations to begin the process of further strengthening and developing the organization so that it may align with international standards and function as a center of excellence for the country.

**Key Points of Achievement:**
- As a result of the Boot Camp, a Solutions Paper was produced to assist the government of Yemen and YACPA in preparing and implementing a Strategic Action Plan for strengthening the accounting and auditing profession in Yemen. The Solutions Paper was peer reviewed by IFAC.
- The Strategic Action Plan includes sections for action steps relevant to the regulatory framework, governance and capacity building (including development of a business plan) by YACPA. It follows the structure of IFAC’s SMO Action Plan for YACPA and demonstrates how it is addressing or plans to address the SMO requirements.
- The team designed the Boot Camp in a way that sets out the current status, and the potential and impact of the sector’s development and guidance on the way forward. In doing so, the team leveraged: (i) the World Bank’s knowledge and experience in Yemen; (ii) the technical assessments conducted as part of the Report on the Observance of Standards and Codes Accounting and Auditing (ROSC AA); and (iii) IFAC staff expertise in supporting the emerging accountancy profession.

**BOOT CAMP**

**Supporting Lebanese Association of Certified Public Accountants (LACPA) Quality Assurance and Lebanese Audit Firms Quality Control Systems Development.**

December 11-14, 2013
Beirut, Lebanon.

The Boot Camp event to support the development and implementation of a system of quality assurance for Lebanon was held on December 11-14, 2013, and provided practical skills training for roughly 25+ Small and Medium Practitioners (SMPs) participants on creating internal firm systems of quality control so that they may be better able to ensure processes and procedures which enhance the quality of the services they provide. This event was a natural continuation of the discussions / areas for improvement noted through the Connecting Voices MENA (CV MENA) Exchange Conference which was held in Amman, Jordan in June 2013 on “Strengthening Accountancy as a Foundation for MSME Sector Growth and Job Creation.” Additionally, the Boot Camp was coupled with side meetings held with the Banque du Liban, Ministry of Finance and LACPA, which continued to highlight the need for support to LACPA in the design as well as the development of a system of quality assurance. Full findings from this event were detailed in a formal CV MENA Solutions Paper.

The event included presentations by prominent international experts from the United States and France, with a large degree of discussion and interaction between the participants and the experts.

**Key areas covered** in the presentations included:
- Concept of the Quality Assurance;
- Overview of Statements of Membership Objectives # 1 (SMO#1);
- Quality Assurance Principles and Standards;
- Quality Control Framework;
- Quality Assurance Systems’Design;
- Quality Assurance Reforms;
- Inspection Tools; and
- Other countries’ experience in Quality Control Implementation.

**Key points concluded** in the Solutions Paper:
- Institutional framework that best fit a System of Quality Assurance in Lebanon;
- A System of Quality Control Review under “Peer Review” versus “Inspection”;
- Who should be subject to the Quality Assurance Inspection/Review?
- What should be the frequency of the Quality Assurance Inspections/Reviews?
- Remedy and education versus punitive enforcement and reprimand;
- Technical and financial assistance to the LACPA;
- Small and medium audit firms capacity building;
- Impact and expected results; and
- Next Steps

**Context:** Supreme Audit Institutions (SAIs) make significant contributions to their societies by bringing accountability, integrity, and transparency to government. In order for them to carry out this function effectively, certain conditions need to be in place. The International Organization of Supreme Audit Institutions (INTOSAI) has defined requirements in its International Standards of Supreme Audit Institutions (ISSAIs). Most notably, they include independence from the executive, SAI transparency and accountability, and professional audit practices. The Lima Declaration (ISSAI 1) emphasizes the need for these key principles to be defined in legislation. Appropriate legal frameworks provide a strong foundation for the SAI’s objective oversight of the executive use of public resources. However, the SAI is usually not in a position to decide its own legal framework, and sometimes SAIs experience legal constraints hampering their ability to function effectively.

The World Bank MNAFM Team conducted a Boot Camp introducing to the representatives of COCA and the Ministry of Legal Affairs the international good practices in SAI legal frameworks. The Boot Camp provided an opportunity for participants to discuss challenges and opportunities related to their own legal framework with international experts and peer SAIs.

Based on COCA’s request, the World Bank reviewed COCA’s draft law to determine its consistency with International Standards of Supreme Audit Institutions (ISSAIs), in particular ISSAIs 1-40. The Bank prepared and sent to COCA a Solutions Paper, which provides an analysis of the text of the draft law and identifies areas of inconsistency with the ISSAIs. In addition, the Boot Camp presented the World Bank’s review of COCA’s proposed new legal framework, and offered presentations on key issues for SAIs, including independence, transparency, and accountability. The event was designed in an interactive style, with a large degree of discussion and interaction between the participants and the experts.

As a follow up to the Boot Camp, the Bank prepared and sent COCA another Solutions Paper which provides a summary of the main sources of internationally recognized principles for SAIs and how these could be reflected in a country’s Constitution. The paper also
provides examples of good practices from other countries’ constitutions.

**Impact:** The Boot Camp and the Solutions Papers provided COCA with the needed technical knowledge based on international good practices, which they could use to enhance their legal framework bearing in mind the country context.

**BOOT CAMP**

**SAI Interaction with Stakeholders**

*Accountability State Authority of Egypt, Cairo, 24-25 November 2013*

The Boot Camp brought together 25 officials from the Accountability State Authority of Egypt to discuss issues related to Supreme Audit Institutions’ (SAI) interactions with external stakeholders — an issue which is of great importance for SAI's in their pursuit to be relevant institutions contributing to increased accountability. The Boot Camp provided room for reflection and an opportunity for the participants to discuss concrete situations, challenges and solutions with international experts and learn from examples in other countries. The SAIs of South Africa and Morocco were present to share their experiences in this area.

A key insight of the event was that it is important for SAI’s to go beyond simply reporting audit findings and toward communicating and engaging with key external stakeholders. In doing so, the SAIs should first identify their main stakeholders, and consider the audience before crafting and transmitting the message they want to deliver. In principle, any SAI should include stakeholder engagement in strategic plans to ensure sufficient priority internally as well as the necessary support from stakeholders.

Among the practices that were recommended at the workshop are the following:

- Provide structured briefings to the relevant parliamentary committee(s) after each audit cycle;
- Have a dedicated communication unit with staff who are experts in communication. The unit should coordinate interaction with the media;
- Publicise reports on the SAI website;
- Make reports available in other public facilities such as libraries;
- Present the audit findings on selected platforms such as seminars and conferences;
- Media training is advisable for the management of the SAI.

**United Nations Publications**

According to the 2013 World Happiness Report from the UN, there is some evidence of global convergence of happiness levels, with happiness gains more common in Sub-Saharan Africa and Latin America, and losses more common among the industrial countries.

For the 130 countries with data available, happiness (as measured by people’s own evaluations of their lives) significantly improved in 60 countries and worsened in 41.

Learn more: http://wrld.bg/uNfnC #HappyDay
Cross-Cutting Topics
Connecting Voices Middle East and North Africa (CV MENA): What was the rationale to introduce the new Program-for-Results (PforR) instrument in January 2012?

Fadia Saadah (FS): The development landscape has changed. Bank clients are increasingly implementing their own programs for development and poverty reduction and are asking development partners for finance and expertise to improve such programs’ effectiveness and efficiency in achieving results. Management believes that the Bank should provide lending instruments that respond to three broad demands: policy support; project support; and program support. The first two are addressed by Development Policy Lending and Investment Lending respectively. The Program-for-Results fills the gap that existed and offers program support. It places more direct emphasis on results by making them the basis for disbursement. It focuses the Bank’s technical and financial support more strongly on institutional development, particularly capacity to monitor results and strengthen the public expenditure systems of a country. It also enables the Bank to leverage its own financing and collaborate with other development partners through the pooling of resources and focusing efforts on supporting government programs.

CV MENA: Over the past two years, what were the major challenges in the design and implementation of the PforR?

FS: Introducing the new instrument was a challenge in itself. We asked Bank staff and clients to start thinking differently about Bank-funded projects. It was even harder to differentiate the new instrument’s identity from other Bank financing instruments, such as investment project financing. The introduction of a new financing instrument required work on many fronts, including training staff and management, and communicating with clients about the development of tools and systems to support it. I should add that these are reflections about the overall experience. Indeed, each PforR operation offered important lessons that we will reflect on and take into account as we move forward.

CV MENA: How does PforR work in different country contexts?

FS: Access to Program-for-Results by any country depends on a careful assessment of program systems in terms of performance, capacity and risks and the potential for improvements. In contexts where the existing systems are strong, the Bank may support very wide ranging and ambitious programs. In countries with weaker systems and capacity, it is likely that the scope of a Program-for-Results operation may be adjusted to strike the right balance between benefits and risks. Accordingly, how PforR is used will vary from country to country as well as from sector to sector; but the flexibility of the instrument will enable it to be used in a very wide range of country and sectoral situations.

CV MENA: How many PforR operations have been approved to date?

FS: As of December 2013, 10 PforR operations have been approved by the Board, totaling $1.8 billion in Bank financing in support of $4.4 billion of government programs. Another 17 operations are under preparation, for an estimated $2.5 billion in Bank financing. Operations approved to date are in five different regions along a range of country typologies (from fragile states to middle-income countries). The breakdown by sector is also diverse, with operations in transport, human and social development, urban and so forth.

The PforR portfolio is growing

10 approved operations totaling $1.7B of Bank financing and supporting $4.4B of Programs

Actual Bank commitments and Program amounts ($M)
CV MENA: To date, has any client country pursued more than one PforR operation?
FS: Yes, Morocco, Tanzania, Vietnam and Ethiopia are countries with one PforR operation under implementation, and one or more PforR operations under preparation.

CV MENA: How is fraud and corruption addressed in PforR supported operations?
FS: The Bank is committed to the highest standards of integrity and transparency and to addressing fraud and corruption. The operational policy for Program-for-Results sets out how issues of fraud and corruption are addressed. Anti-corruption guidelines for Program-for-Results have been developed. There is a strong focus in Program-for-Results operations on good governance including provisions for how to handle cases of fraud and corruption. In some Program-for-Results operations, it is expected that progress in fighting corruption and improving procurement will be among the results needed to release Bank disbursements (i.e. they would be part of the Program-for-Results disbursement-linked indicators (DLIs)). The Bank reserves the right to launch an investigation as needed; however, the preferred approach is for government systems to carry out initial investigations.

CV MENA: Does PforR assume that adequate capacity is already in place?
FS: A key feature of Program-for-Results is institutional and capacity building. Program-for-Results does not assume that adequate capacity is already in place. As part of the process of preparing a Program-for-Results operation, the Bank undertakes a rigorous and detailed assessment of client capacity. If adequate arrangements are not yet in place or capacity is weak, the Bank discusses with the government what measures could be taken prior to and/or as part of implementation to address such weaknesses and enhance capacity. Only if it is not possible to reach an understanding or the risks to implementation remain too high, does the Bank decide that the program is not ready for Program-for-Results. Indeed because capacity building is an integral feature of Program-for-Results, it is expected that it will be used in many cases to help countries strengthen existing institutions and capacity.

CV MENA: What is the Bank’s role in the preparation, appraisal and implementation of PforR supported operations?
FS: The Bank is responsible for assessing the quality of the government program to be supported by a Program-for-Results operation and its associated systems. It also agrees with the government, in the context of appraisal, on any necessary improvement measures and on the Bank’s role in supporting the implementation of those measures. There is a strengthened focus on implementation support. The Bank is responsible for providing close and frequent implementation support to government teams implementing Program-for-Results. Work with other development partners is also critical for implementation support as noted above.

CV MENA: Do you find the PforR a suitable instrument for public sector and governance reform-related programs?
FS: PforR is an instrument designed to improve institutional performance as well as the efficiency and effectiveness of public expenditures. Look at the key features of P for R: financing based on implementation of results, not inputs or only policy actions; alignment with country programs; and country system-based. Also, PforR provides an opportunity for both the Bank task team and the client to implement operations in an environment that provides the space to adapt to circumstances as they evolve during program implementation. All of these elements fit well with reform program support, especially institutional reforms. Hence, it is a very good choice for public sector reform programs. To date, we have two public sector operations approved and a third under preparation. In addition, many of the sectoral PforR operations include public sector enhancements in their design. At the same time, the initial experience in using the instrument for public sector operations points to the need to realize that public sector operations are different from "traditional" sectors, and tend to apply to large segments of government. This is not an issue of policy, but rather one of guidance. In this context, we will be revising the guidance notes to reflect these experiences in the coming months with the aim of helping the instrument fulfill its potential in supporting public sector reforms.

CV MENA: I understand that the two-year review of the instrument is currently being conducted. Could you please tell us something about this process?
FS: The two-year review is an important milestone for the instrument. At the time of instrument approval, the Board of Executive Directors and management agreed to adopt a learning approach and limit the share of the instrument to 5 percent of International Development Association/ International Bank for Reconstruction and Development (IDA/IBRD) lending in the initial two-year period. The review, which is currently underway, will look at all aspects of the instrument from policy to guidance and implementation. It uses a number of approaches including surveys, interviews and consultations. Staff as well as clients, development partners and civil society organizations (CSOs) will engage in the process. The review will be guided by two advisory bodies: an internal one comprised of a number of Directors who are involved with the instrument; and an external body comprised of senior-level technical specialists. The team will have preliminary results available in April/May 2014, and hope to have the initial draft of the report in June 2014. For more information, please visit our website as we will be posting information as it becomes available.
Governance and Public Financial Management blogging is growing and becoming more sophisticated, relevant and influential every day. Blogging, in addition to alternative means of personal publishing such as Facebook and Twitter, are creating new platforms to exchange knowledge and build awareness. We in Connecting Voices read tons of blogs to compile this diverse—some might say eclectic—list of handcrafted blogs, as well as blogs created and operated by major organizations.

When we compiled this list we had one criterion: content. We didn't consider design, style or how it looks on our smartphones or tablets; rather, we only focused on the substance. Needless to say, we realize that ranking the blogs is a subjective process and that many may disagree with the ranking order—but that is the fun part of publishing a magazine that represents our personal views.

1. Public Finance International
   http://www.publicfinanceinternational.org

   Public Finance International is a news, opinion and information service covering developments affecting government accountants, auditors, regulators and policy makers from across the world gathered by Public Finance International and Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Chris Blattman, Columbia University Professor
   http://chrisblattman.com

   A blog by Assistant Professor of Political Science and International and Public Affairs at Columbia University, Blattman uses his field work and statistics to study poverty, political participation, the causes and consequences of violence, and policy in developing countries. He compiles a frequently updated blog with excellent posts and links.

3. International Monetary Fund- Public Financial Management (IMF-PFM) Blog
   http://blog-pfm.imf.org

   The Public Financial Management Blog (PFM Blog) is managed by the two Public Financial Management Divisions of the IMF Fiscal Affairs Department. The blog is frequently updated with highly technical content from scores of contributors.

4. The Arabist
   http://arabist.net

   The Arabist, launched by Issandr El Amrani in 2003, follows the broader issues in the Arab world and cultural developments throughout the region. It is an excellent source of the Middle East and North Africa’s political economy as it dives into the complexity and nuances of the region.

5. Matt Andrews, Harvard Kennedy School of Government Professor
   http://matthewandrews.typepad.com

   Presents a wide range of voices and opinions on international development, state-building and public sector issues, fragile and conflict-affected states, budget system workings, what the international community can do to help, and how it all fits together.

6. Global Voices
   http://globalvoicesonline.org

   Global Voices is a community of more than 800 bloggers and translators from around the world who work together to bring reports from blogs and citizen media everywhere, with an emphasis on voices that are not ordinarily heard in the international mainstream media.

7. Accountancy Middle East
   http://www.accountancyme.com

   The Accountancy Middle East is not an actual blog. Rather, it provides a platform where accountants and auditors can share ideas and opinions, and professional accountancy/auditing bodies can communicate with their members, thereby helping in the development of the profession throughout the Arab world.

8. Space for Transparency
   http://blog.transparency.org

   Space for Transparency is the blog of Transparency International, the global coalition fighting corruption. This blog shows what people are doing to stop corruption around the world through the unique perspectives of Transparency International’s local, independent offices run by local staff in over 100 countries.

9. My Heart’s in Accra
   http://www.ethanzuckerman.com/blog

   A blog by Ethan Zuckerman, Center for Civic Media at the Massachusetts Institute of Technology (MIT). Zuckerman teaches at MIT’s Media Lab, and is the author of Rewire: Digital Cosmopolitans in the Age of Connection and co-founder of the global blogging community, Global Voices.
The Open Budgets Blog features the opinions of the International Budget Partnership’s staff and associates regarding government budgets, poverty reduction, budget transparency and citizen participation.

This blog is meant to be a conversation, and a chance to compare notes on the great swirling cloud of chatter, opinion, argument and on-the-ground experience. It includes regular contributions prompted by events, trips, readings, or the debates that emerge at numerous book launches, seminars and the like.

The Guardian’s Global Development Blogosphere contains posts from partners such as: the UK’s Department for International Development (DFID), the Overseas Development Institute (ODI), Global Voices, etc. The blog focuses on causes, associated issues and development efforts regarding poverty worldwide. The blog is supported by the Bill and Melinda Gates Foundation.

Dave Algoso’s blog is about international development, politics, systems, and institutions. The blog is updated frequently, well-written and with a fresh perspective on development—or as Dave describes in his blog: “I want to understand the intricate workings of the systems and institutions that shape our world. And I want to make them work better.”

A blog by Jay Ulfelder, an American political scientist, who theorizes and forecasts political development and instability in various forms, including democratization, coup d’etat, mass atrocities, civil unrest, and state collapse.

The Revenue Watch Institute is a non-profit policy institute and grant-making organization that promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good.

PricewaterhouseCoopers (PwC)’s Public Sector Matters blog, hosted by Paul Cleal, Partner and the Government and Public Sector Leader, brings you the latest thinking from PwC’s senior partners and directors on the issues that matter to government and the public sector.

A blog by Timo Lüge that focuses on ways to improve communications in international development, including non-governmental organizations (NGOs), using digital and social media to help solve their information management and communications challenges.

Accountancy Live is an excellent source of technical news, analysis and insight for the accounting, tax and audit professions. Building on the heritage of Accountancy Magazine, Accountancy Live delivers the latest news.
22- Knowledge Management (KM) on a Dollar a Day
http://kmonadollaraday.wordpress.com

The blog is run by Ian Thorpe who works in the United Nations on knowledge management, and monitoring and evaluation. He describes his blog as: “Writing about knowledge management for development with limited resources.”

23- Foreign Corrupt Practices Act (FCPA) Blog
http://fcpablog.squarespace.com

The FCPA Blog
The Foreign Corrupt Practices Act Blog is an international portal for commentary and news about anti-corruption compliance and enforcement, with a mission of promoting enhanced anti-corruption compliance throughout the world.

24- The Center for Private Enterprise (CIPE) Development Blog
http://www.cipe.org/blog

The CIPE Development Blog provides coverage of the Center for International Private Enterprise and its partner network at work—highlighting successes, drawing lessons from failure, and exploring the broader issues of political and economic development.

25- Deloitte - Middle East Matters
http://deloittemiddleeastmatters.com

This blog represents the voices of the firm’s leaders from across the region. It serves as a repository of thought-leadership posts, leaders’ views and Deloitte news, all with a Middle Eastern angle.

26- Accountability Lab
http://bloggingonaccountability.org

The Accountability Lab is an independent, non-profit organization that finds, validates and supports new answers to problems of accountability in the developing world. The Lab acts as a sounding board, listening to and analyzing and reflecting upon accountability concerns. It also serves as an independent interface, engaging relevant actors across various contexts and issues. In addition, it functions as an operational hub, catalyzing innovative, collaborative and sustainable accountability practices.

27- Dev. Policy Blog
http://devpolicy.org/tag/public-financial-management

The Development Policy Blog provides a platform for the best in aid and development analysis, research and policy comment, with global coverage and a focus on Australia, the Pacific and Papua New Guinea. Dev.Policy has published over 880 posts from more than 290 contributors.

28- Blood and Milk
http://bloodandmilk.org

Alanna Shaikh worked for NGOs, contractors, the US government, and a United Nations agency. She has been an intern, a manager, and a technical specialist in charge of programs in East Africa, Central Asia, and the Middle East. This rich experience shows in her blog and you can also follow her on Twitter.

29- Open Up
http://tisne.org

open up
This blog is mostly about open government issues, including freedom of information and open data. The blog is by Martin Tisne who leads policy, advocacy strategy, and related investments for the global Government Transparency initiative of the Omidyar Network.

30- The Global Reporting Initiative
https://www.globalreporting.org/Pages/default.aspx

The GRI is an international not-for-profit organization, with a network-based structure; and a Collaborating Centre of the United Nations Environment Program. It promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

As staff employed by the World Bank, we prefer to not rank the Blogs of our employer to avoid any perception of preferential treatment :-)
Will water constrain our energy future? As the world’s population increases, demand for freshwater and energy will continue to grow. This increase will present major challenges and strain resources in nearly all regions, especially in developing and emerging economies.
Meet Hosam!

Hosam Diaa HASSAN
Senior Financial Management Specialist
MENA, The World Bank
- Chartered Financial Analyst (CFA)
- Certified Public Accountant (CPA)

After graduating from Cairo University (Faculty of Commerce, Accounting Section) and completing military service, Hosam joined the Central Auditing Organization (CAO) of Egypt in 1991 as a junior auditor. Then, he was unsure if he should continue in the accounting/auditing profession. Actually, he was thinking of preparing for an exam to be licensed as a tour guide. However, his first boss at the CAO was so professional, supportive and understanding that Hosam started to learn the needed basic accounting and auditing skills just to meet his supervisor’s expectations. Gradually, Hosam started to love the accounting profession. One day in 1994, his boss offered him the opportunity to register at the Egyptian Society of Accountants and Auditors (ESAA) and sit for the coming intermediate exam. After passing this exam, Hosam enrolled in a pilot program tailored by The American University in Cairo for a small number of CAO auditors.

After completing this program and knowing about the United States CPA qualification, it became his new target. He successfully passed the exam in May 1998, and started to work for one of the biggest Egyptian accounting firms. In 2003, he was nominated by the Egyptian firm to participate in Deloitte’s Global Development Program (GDP), which allows selected foreign professionals to work in one of the firm’s offices in the US for periods between 12 and 18 months, based on their international credentials and career growth objectives of their home country offices. After completing this assignment in the US, Hosam returned to the Cairo office and became the Egyptian firm’s financial services partner. In 2006, Hosam changed his focus toward the public sector and assumed a position as a full-time accounting advisor to the Minister of Finance. He participated in implementing the Treasury Single Account (TSA) and Government Financial Management Information System (GFMIS) concepts in Egypt.

Late in 2009, Hosam started to work as the General Manager of Financial Planning and Analysis in the second largest commercial bank in Egypt (wholly owned by the state), capitalizing on his knowledge and experience in the financial services industry to help the bank in adopting the Central Bank of Egypt financial reporting standards issued in conformity with International Financial Reporting Standards (IFRS) as well as compliance with Basel II requirements.

Four years later, in December 2013, Hosam’s passion for public sector governance guided him to join the World Bank as a Senior Financial Management Specialist. In addition to fiduciary work, he will focus on public financial management issues. Meanwhile, he will be a member of the MNAFM Government Accounting, State-Owned Enterprises, Banking and Insurance Technical Practice (TP) groups.

Did You Know?

The MNAFM team comes from:
- Bolivia
- Burkina-Faso
- Canada
- Costa Rica
- Egypt
- France
- India
- Jordan
- Lebanon
- Morocco
- Norway
- Poland
- Tunisia
- United States
- West Bank and Gaza
- Yemen

The team speaks:
Arabic, Croatian, English, French, Hindi,
Malayalam, Norwegian, Polish,
Portuguese, Russian, Serbian, and Spanish.
The Financial Management unit in MENA focuses on two strategic objectives:

- Helping developing partner countries build their FM capacity, and
- Providing reasonable assurance that financing provided by the Bank is used for the intended purposes with economy and efficiency.

**Unit Management Team**

**Hisham WALY (Manager)**

Manuel VARGAS (Lead FMS)

Practice Management: (1) Public Financial Management, (2) Corporate Financial Reporting, (3) FM systems, tools and processes

Operational Services: Poverty Reduction and Economic Management, Human Development, Financial and Private Sector Development

Rama KRISHNAN (Lead FMS)

Practice Management: (1) Decentralization and Local Government, (2) Social Accountability, Citizen Engagement; (3) Integrated Reporting, (4) Fragility and Conflict

Operational Services: Sustainable Development (SD)

**Countries**

**Technical Practices (TP)**

**Public Financial Management (PFM)**

- Financial Controls
  - Jad MAZAHREH
  - Walid AL-NAJJAR
- Internal Audit
  - Rima KOTEICHE
  - Yngvild ARNESEN
- Government
  - Hosam DIAA
  - Kamel BEZZINE
- Decentralization
  - Moad ALRUBAIDI
  - Nadi MASHNI
- Extractive Industries
  - Franck BESSETTE
  - Mohamed YEHIA
- SAIs & Parliamentary Oversight
  - Mona EL CHAMI
  - Yngvild ARNESEN

**Corporate Financial Reporting (CFR)**

- Accounting & Auditing
  - Gabriella KUSZ
  - Riham HUSSEIN
- Islamic Finance
  - Gabriella KUSZ
  - Nadi MASHNI
- State-owned Enterprises
  - Gabriella KUSZ
  - Hosam DIAA
- Banking & Insurance
  - Gabriella KUSZ
  - Hosam DIAA
- Integrated Reporting
  - Gabriella KUSZ
  - Shirley FORONDA
- Micro, Small, and Medium Enterprises
  - Gabriella KUSZ
  - Riham HUSSEIN

**Cross-Cutting Themes**

- Fragility & Post Conflict
  - Mohamed YEHIA
  - Saleh MANARY
- GAC in Projects
  - Jad MAZAHREH
  - Rock JABBOUR
- Social Accountability & Citizen Engagement
  - Mona EL CHAMI
  - Wael EL SHABRAWI
- Trust Funds
  - Rima KOTEICHE
  - Laila MOUDDEN
- Knowledge Tools
  - Denis LARGERON
  - Ali SALAMAH
- Disbursement & Risk Management Systems
  - Shirley FORONDA
  - Ali SALAMAH

**Countries**

- Franck BESSETTE (Sr. FMS)
  - Tunisia
  - Algeria
  - Morocco
  - Libya
- Rima KOTEICHE (Sr. FMS)
  - Lebanon
  - Djibouti
- Jad MAZAHREH (Sr. FMS)
  - Jordan
  - Iraq
- Mohamed YEHIA (Sr. FMS)
  - Egypt
  - West Bank & Gaza
- Moad ALRUBAIDI (Sr. FMS)
  - Yemen
  - GCC (Gulf Cooperation Council)

**CVMENA@WORLDBANK.ORG**
“Strengthening Financial Management Institutions - Strengthening MENA”

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