

**Chairs' Conclusions
Euro-Med ECOFIN Ministerial Meeting
(Tunis, 25-26 June 2006)**

Ministers of Economy and Finance from the Euro-Mediterranean region met for the second time in Tunis on 25-26 June 2006.

Ministers reiterated the importance of the Euro-Med Partnership strengthened by the European Neighbourhood Policy (ENP).

Ministers welcomed the conclusions of the 10-year anniversary summit in Barcelona which reinvigorates the partnership between countries on both sides of the Mediterranean based on the ambitious reform programmes undertaken, increased South-South integration, and the EU support mechanisms contemplated in the European Neighbourhood Policy.

Recognizing that high unemployment remains the main development challenge in the Mediterranean region and that growth and jobs are common challenges of both the EU and the Mediterranean partner countries, Ministers underlined that the strategies to reform are common across the region and focus on raising competitiveness, improving the investment climate to attract foreign investment as well as greater trade openness.

Accordingly, Ministers reaffirmed their commitment and full support to the four inter-related priority areas for reform agreed upon last year at the Rabat-Skhirat ECOFIN Ministerial meeting (19-20 June 2005):

1. Improving the business climate to enable firms to invest, create jobs and expand;
2. Further liberalizing trade and opening the economy to increase competitiveness, efficiency and productivity;
3. Upgrading public institutions and governance systems;
4. Consolidating macroeconomic stability.

Ministers reviewed progress achieved and acknowledged that an impetus for reform in each of these areas is now visible across the region. Considerable effort is being undertaken by the Mediterranean partners to address the obstacles to growth and employment despite the negative impact of high oil prices.

Ministers then focused on further ways to improve the management of public finances, a key element of this broad agenda.

1. Improving the business climate to enable firms to invest, create jobs and expand

Ministers welcomed the fact that, overall, over the last couple of years, the Mediterranean countries achieved considerable progress in improving the business climate and reaffirmed their intentions to continue along the same road, since easing the business environment will pay in terms of increased investment flows, lower unemployment rates, better standards of living for workers and higher government revenues.

They noted the critical importance of reforms undertaken particularly to improve access to credit, contract enforcement and investors' protection, labour market rigidities and procedures to start a business.

2. Further liberalising trade and opening the economy to increase competitiveness, efficiency and productivity

Ministers recognized that trade reforms have advanced strongly in the region largely in connection with the implementation of the Association Agreements with the EU and the ENP Action Plans, as well as recent bilateral and multilateral agreements.

Recognising that trade flows remained unbalanced, Ministers attached great importance to the rapid progress towards completing by 2010 the process of liberalisation of trade in services and investments and in agricultural products, launched in Marrakech in March 2006.

At the same time, Ministers restated the importance of deepening regional economic integration between the Mediterranean countries.

3. Upgrading public institutions and governance systems

Ministers noted that in the area of governance, the Mediterranean countries continued progress in improving public sector accountability and the quality of administration. They welcomed various achievements in addressing corruption as well as in reforming civil service management.

Ministers supported Mediterranean partners' on-going efforts and intentions to accelerate the reform of public institutions as improvements in governance are particularly important for progress in other areas.

4. Consolidating macroeconomic stability

Ministers welcomed greater macroeconomic stability in the region but highlighted that the region remains vulnerable to external shocks. They acknowledged the fact that robust economic performance experienced in recent years continued in 2005, which, however, remains insufficient to provide the necessary employment opportunities, especially among the young.

In a context of high oil prices, which exerted additional pressure on governments' budgets in 2005, Ministers welcomed the initiatives by some countries to gradually reducing oil subsidies while developing well-targeted measures to protect the most vulnerable groups of the population.

Regarding public finance management, Ministers recognized comprehensive initiatives undertaken by many countries to achieve tangible progress in developing efficient, transparent and accountable budget management systems and institutions, and in particular in the following areas:

- increasing budget coverage and transparency;

- developing medium term budget formulation and planning;
- improving treasury management and budget execution;
- ensuring high quality reporting and public accounting;
- and strengthening accountability through internal control and external oversight and audit.

Ministers recognised that the enhanced policy dialogue with, and the financial support from, the EU in the context of the European Neighbourhood Policy, as well as the objectives jointly agreed in the bilateral Action Plans offer a supportive framework for reforms in the Mediterranean countries.

They also acknowledged that current macroeconomic stability, the promising global outlook and expanding economic activity in the EU, their main trade partner, provide appropriate conditions to vigorously address their economic development challenges and accelerate progress in the four inter-related priority areas.

The Euro-Med ECOFIN Ministerial meeting is the forum within the Barcelona Process in which partner countries address the broad economic policy issues confronting the Mediterranean region. Ministers agreed that it is the most appropriate forum for setting the agenda of the Euro-Med Partnership in terms of macroeconomic and structural policies, to ensure the necessary overall strategic coherence to the sectoral dialogues, and to pursue through dialogue, peer review and peer support, the progress in the four inter-related priority areas for reform.

Ministers agreed to work towards finding best channels to disseminate good practices from both sides of the Mediterranean. They also agreed to hold ahead of the next Euro-Med ECOFIN Ministerial meeting a senior officials' meeting in association with existing activities. This will provide a forum to share good practices and progress, and to better target support in the framework of the Action Plans implementation.

In view of pursuing the review of the public finance management systems, Ministers took note of the European Commission's intention to consider developing indicators in this area in full consultation with IFIs and partner countries. The EU Ministers reiterated their willingness to continue supporting Mediterranean partners' efforts to improve their public finances, notably through technical assistance and training projects with the EU public finance administrations, and putting at their disposal the tools of public finance management developed inside the EU.

Ministers took note of the recently approved 2007-2013 Financial Perspectives for the EU, which provides for a significant increase of financial support to its neighbours through the European Neighbourhood Partnership Instrument (ENPI). In this context, Ministers of the EU partner countries restated their commitment to continue supporting the Mediterranean countries facing their development challenges and to further contribute towards their on-going integration into the world economy.