

Chairs' Conclusions
Euro-Med ECOFIN Ministerial Meeting
(Porto, 15 September 2007)

1. Ministers of Economy and Finance from the Euro-Mediterranean region met for the third time in Porto on 15 September 2007. The meeting was prepared by a Senior Officials group that met in Brussels on 27 June.
2. Ministers took note of this new format of the Euro-Med ECOFIN meetings, which aims to give a new impetus for discussions on economic reforms on both sides of the Mediterranean and to contribute to increase participants' ownership of the ongoing economic dialogue process.

Ministers:

3. Reiterated support for the Euro-Med partnership based on the Barcelona Process and the European Neighbourhood Policy (ENP) Action Plans and stressed their role for the promotion of North-South and South-South cooperation and integration. They also acknowledged the importance of the Euro-Med ECOFIN meetings to exchange best practices and knowledge on broad economic policy issues.
4. Discussed the most recent economic developments in the Mediterranean partner countries and the EU Member States, exchanged experiences on fiscal reform and public finance management and examined the developments of the financial markets.
5. Reaffirmed their commitment and full support to continue implementing reforms focusing on the four priority areas agreed upon at the Rabat-Skhirat ECOFIN Ministerial meeting (19-20 June 2005): (i) improving the business climate to enable firms to invest, create jobs and growth; (ii) further liberalizing trade and opening the economy to increase competitiveness, efficiency and productivity; (iii) upgrading public institutions and governance systems; and (iv) consolidating macroeconomic stability.
6. Reviewed progress achieved by Mediterranean partner countries in each of these four priority areas, welcomed the progress so far and reiterated their commitment to vigorously continue the reform drive. They also discussed challenges related to the implementation of the Lisbon strategy in the EU Member States.
7. Welcomed the overall good economic results enjoyed by the Mediterranean region in 2006: accelerated economic growth (4.8% in 2006), falling unemployment, subdued inflation, and rising foreign direct investment (FDI) notably linked to on-going structural reforms in most countries and good investment opportunities in the region, and coupled with high oil surpluses in oil-exporting countries. Ministers acknowledged that good economic performance is the result of noticeable progress in reforms as well as a favourable global environment.

8. Welcomed the robust economic performance also observed in 2006 in the EU with growth estimated to have reached 2.9%, the highest growth rate since 2000. The upswing was accompanied by a significant improvement in the labour market, with the unemployment rate falling to 7.6% in the EU by end-2006.
9. Welcomed the progress made by the Mediterranean partners in favour of consolidating budgets and reducing public debt, and improving the business environment, such as contract enforcement and starting a business. They also acknowledged progress towards trade liberalization and recalled their commitment to its further advancement, particularly with regards to trade in agricultural and agro-industrial products as well as in services and the right of establishment.
10. Recognized that, despite progress achieved, high unemployment remains the main development challenge in the Mediterranean region, and that sustainable growth and more and better jobs are common challenges for both the EU and the Southern Mediterranean partner countries. To meet those challenges, they agreed to pay particular attention to the following areas: (i) further fiscal consolidation to reduce budget deficits and public debt; (ii) improving the business environment, including the independence and efficiency of institutions to enforce contracts and strengthen the regulatory framework; (iii) fostering intra-regional trade, investment and economic integration, notably through infrastructure, regional programmes and convergence of rules and (iv) upgrading governance, with a particular focus on increasing public sector accountability and fighting corruption. Ministers look forward to the output of the newly created Euro-Mediterranean Ad Hoc Group on Investment, which would contribute to achieve some of these objectives.
11. Reiterated that current macroeconomic stability, the promising global outlook and expanding economic activity in the EU, provide appropriate conditions to accelerate progress in addressing fiscal challenges. Accordingly, they committed to take advantage of the current favourable macroeconomic conditions to accelerate the implementation of structural reforms in both the EU and the Mediterranean partner countries.
12. Discussed fiscal reform experiences in the EU and in the Mediterranean partner countries and agreed that the benign economic environment offers an opportunity to accelerate reforms, thus increasing the potential for future growth.
13. Agreed on the creation of a Euro-Med Network of Public Finance Experts. They also endorsed the Terms of Reference of the network (annex 1) and recognized its role as the best channel to disseminate good practices and exchange knowledge in this field. The network will report to the Euro-Med Economy and Finance Senior Officials' Meeting and to the Euro-Med ECOFIN Ministerial. The Euro-Med network will be attached to one of the existing EU or Euro-Med fora on public finances.
14. Discussed the financial sector development in the Mediterranean region. They agreed that the development of deep, liquid and efficient domestic financial markets is a priority to foster investment and support economic growth and employment.
15. Recognized the need to lift the obstacles that currently limit access to credit by small and medium-sized enterprises and agreed to proceed with reforms with a particular

focus on the following areas: (i) increasing the private sector share in bank ownership, notably through bank restructuring and privatisation; (ii) developing and implementing sound regulatory and supervisory frameworks; (iii) facilitating the extension of banking services across the national territories in order to increase access to bank and financial services; and (iv) developing local currency bond markets.

16. Took note of the commitment to enhance the EIB/FEMIP facility, in accordance with the conclusions of the ECOFIN Council in November 2006 and the FEMIP Ministerial meeting in May 2007, which aims at broadening the range of financial instruments and increasing risk-taking to meet private sector needs better, including those of SMEs. They also supported an enhanced cooperation between donors in the area and an improved linkage between FEMIP and the European Neighbourhood and Partnership Instrument. This second objective includes providing appropriate budgetary resources to the EIB loans envelop, better focusing of EIB's activities to support the ENP Action Plans and better combining EIB loans and the EU budgetary resources. They also took note of the Commission's proposal for an ENP-wide Neighbourhood Investment Facility and stressed the need to ensure its complementarity and coherence with the FEMIP.
17. Took note of the "G8 Action Plan for Developing Local Bond Markets in Emerging Market Economies and Developing Countries" as agreed by the G8 Finance Ministers in Potsdam in May 2007. They recognized its usefulness as a roadmap for reform and agreed to fully participate in its implementation, notably by paying attention to the heterogeneity of local financial markets. They agreed that external assistance, in particular through technical expertise, could be necessary in this respect.
18. Agreed to meet again in the second half of 2008, in a place to be determined by the French Presidency of the Council of the European Union, in consultation with the Mediterranean partner countries.

Annex 1

EURO-MEDITERRANEAN ECOFIN MINISTERIAL MEETING
(PORTO, 15 SEPTEMBER 2007)

Euro-Mediterranean network of public finance experts

TERMS OF REFERENCE

1. Objectives

The creation of a network of experts in public finances builds on the discussions at the Euro-Med ECOFIN Ministerial meetings in Rabat-Skhirat (2005) and in Tunis (2006), during which *"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"*.¹

The need for such a network is additionally supported by the fact that the challenges faced by Mediterranean partner countries are similar, to some extent, to those in the EU. Indeed, within the EU fiscal framework, ensuring budget discipline and fiscal sustainability are key priorities of economic policy. In support of these goals, the quality of public finances and of budgetary institutions are seen as instruments for ensuring the most effective and efficient use of resources with a view to raising the long-term growth potential of the economy and tackling the deficit bias at its roots.

Consequently, this initiative aims at:

- bringing together the experience of national authorities in both EU and MED partner countries on topical issues related to public finance and budget management reforms; and
- creating a platform to exchange knowledge, experience and good practice in the field of public finances – steered by, or with the involvement of, the European Commission.

The creation of a network will allow the development of working contacts between experts in the same field also outside of the meetings. It will also be a useful opportunity to discuss practical issues relevant to the programming of the EC assistance (technical assistance, budget support, and twinning arrangements) in the field of public finance management. Ideas developed by the network will also feed discussions during the bilateral economic dialogues.

2. Topical coverage

The network will be a forum for sharing experience and information, exchange of knowledge and expertise, as well as comparing national strategies in relation to the on-going reforms of public finances in both the EU and the MED partner countries. The EU MS and the European Commission will share analyses developed on budgetary frameworks, policies and institutions.

¹ Chairs' Conclusions from the 2nd Euro-Med ECOFIN Ministerial Meeting in Tunis, June 2006.

Taking into account both the on-going debate within the EU on public finance reform and the main challenges facing the MED region, the main focal areas for the network will be:

- (i) fiscal consolidation as part of a broader reform agenda for public sector reform, growth and employment;
- (ii) quality of public spending, particularly the efficiency of public expenditures; and
- (iii) budget management systems and institutions.

Statistical matters will also be discussed.

3. Formality of the network

The network will be technical and informal, as it aims to stimulate meaningful and thorough discussions and to allow for free exchanges of views. The format could also change over time – from a more informal network towards a more formalised forum, depending on the demand. The network will be evaluated after a period of time.

4. Organisation

In order to attract the relevant people, to create economies of scale in the exchange of knowledge, and to avoid putting an additional "travelling" burden onto the public administrations, the Euro-Med network will be attached to one of the existing EU or Euro-Med fora.

5. Content

At each meeting, two or three topics will be discussed. Issues papers for discussion will be prepared in advance, allowing a more effective steering of the discussions. Participants will be invited to share and present their own work and/or home-country experiences.

The network will report to the Euro-Med Economy and Finance Senior Officials' Meeting and to the Euro-Med ECOFIN Ministerial when considered necessary.

The specific Terms of Reference, including working methods, will be discussed at the first meeting of the network for further endorsement by the Senior Officials.

6. Frequency of events

The network will start by holding annual meetings but creating a mailing list and/or a virtual restricted internet platform will also be envisaged.

7. Participants

The targeted participants are senior experts' staff from EU and MED partner countries working on budget planning and analysis in the national administrations. The level of participation will be decided by each country.

IFIs (e.g. World Bank and IMF staff) as well as OECD experts will be involved. External experts (e.g. academia) will be invited to enrich/steer the discussions.

8. Conditions for success

Avoid any duplication and create synergies with other existing initiatives of a similar character, e.g. the Working Group on public finance management under the OECD MENA Governance Initiative and the idea of creating a group of Senior Budget Officials (SBO) from the MENA region following the modus operandi of OECD SBO meetings.²

² "The Good Governance for Development (GfD) in Arab Countries Initiative", officially launched in February 2005 under the flagship of the OECD, "aims at modernising public governance in the Middle East and North Africa (MENA)". Its Working Group (WG) on public finance management addresses a wide variety of policy issues related to improving the governance of public finance in all the Arab countries. Efforts are pursued to transform this WG into an MENA SBO, with the support of the OECD secretariat. Its structure and mode of operation would replicate the existing OECD SBO meetings, as it was already the case in Asia and Latin America. The same path has also been followed successfully by SIGMA, the joint EU-OECD initiative to assist reforms in the public finance management in Eastern and Central Europe.