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# Financial Management in Middle East countries

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*Abstract:* - **Financial Management and financial control systems have on improtant role in Middle East countries. It ensures the accountability of the use of public fund, and safeguard limited public resources against corruption, other misuse and unlawful proactces. Drawing upon a variety of sources, including public expenditure, Financial assessments and review, other documents and reports and originented as necessary as interviews with leading reformers, the report seeks to address several major questions. The major problem is that there is very low salary, backlog of external outditing and nepotism,**

**Keyword:- Financial management, public fund, corruption, public expenditure, review, document & reports and nepotism.**

## INTRODUCTION

Although the middle East countries are basically oil sector countries where oil is easily available. Last 10 years the oil sector has grown rapidly in addition to many other sources of national wealth, like sudan is classified according to many international organization amongst the very poor and most corrupt countries in the world. The existence of poor public financial management system and financial control in middle East countries, In addition to the absence of transparency in the functioning of government, the deficiencies of prosecuting agencies, the ineffectiveness of procurement and audit, shortage of qualified accounting and auditing staff.

It is generally, Said that many developing countries have sub optional government financial control system which often became worse in the 'Last decade' of the 1980s and later. The serious deficiency in the financial control systems in the third world is considered as the major factor which facilities the misuse of public resources and financial corruption. According to the most recent world Bank data, governments throughout the Middle East region spent approximately. $407 billion dollar in 2007 in delivering their policy, regulatory and service functions. The way in which this money is spent has huge implications for their broader development trajectory. For governments to perform their spending function well, their PFM practices should meet certain well established criteria. Government spending should be affordable, in that it takes place within a framework that ensures expenditure is consistent with monetary and fiscal policy objectives and sustainable in the long term.

### What is MENA?

It is an English-language acronym referring to the Middle-East and Noth Affrica, Which corresponds to the greater middle East, It is alternatively called the WHNA (West Asia and North Africa), as well as the MENAP which also includes central Asia and the south Asian countries of Afghanistan and Pakistan.

The MENA covers an extensive region stretching from the Maghreb in the west to Pakistan in the East.

The MENA acronym is often used in academia, Military planning, disaster relief, media planning as broadcast region, and business writing . More over, the region shares a number of cultural, economic and environmental similarities across the countries. The MENA region has vast reserves of petroleum and natural gas that makes ita vital sources of global economic stability. Accoirding to the oil, Gas Journal, The MENA region has 60% of the world's Oil reserves and 45% of the world's natural gas reserves.

### Which Countries are in MENA?

There are total 19 countries in MENA. Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Philistine, Syria, Tunisia United Arab Emirates, Yemen.

### Financial Development and growth

The cortical argument for liking financial development to growth is that a well-developed financial system performs several critical functions to enhance the effiency of intermediation by reducing information, transaction, and monitoring costs. A modern financial system promotes investment by indentifying and funding good business opportunities; mobilizes savings, Monitors the performance of managers; enables the trading, hedging and diversification

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of risk, and facilities the exchange of goods and services. There functions result in a more efficient allocation of resources, a more rapid accumulation of physical and human capital and faster technological progress, which in turn feed economic growth.

In brief, there is agreement that microeconomic stability is critical for the growth of financial sector services, countries should adopt appropriate microeconomic policies, encourage competition within the financial sector, and develop a strong and transparent institutional and legal frame work for financial sector activities. In particular, there is need for prudential regulations and supervision, strong creditor rights, and contract enforcement. Research also supports the thesis that financial sector development boosts economic growth. The initial level of financial development is shown to be a good predictor of subsequent rates of economic growth, physical capital accumulation, and productivity growth, even after controlling for income, Education, political stability and measures of monetary, trade, fiscal policy. It is said to be that the countries with the higher levels of financial development grow faster by about 0.7 percentage points a year.

However, the direction of causation is sometimes under, as financial development can be thought of accommodating growth. For e.g. improvements in communication technologies could enhance financial sector could grow in anticipation of real economic growth, or financial services may grow as income grow because people demand more financial services.

**Role of Middle East Country in global Economy :-**

Since, the 1930s the middle East has emerged as the world's most important sources of energy and the key to the stability of the global economy. This tumultuous region produces today 37% of the world's oil and 18% of its gas. Qatar is a richest country in worldwide its GDP is $134,620.

**Financial development in the MENA Region**

To assess financial sector development in the MENA region, We construct a detailed set of financial development indicators. Research to date has been largely based on few "standard quantitative indicators, such as the ratios of broad money to GDP and of credit to the private sector to GDP, for a broad cross section of countries, these measures, though easily available and amenable to cross regional and inter temporal comparisons, do not necessarily capture what is broadly meant by finical development. Finacial sector development is a multifaceted concept, encompassing not only monetary aggregates and interest rates. but also financial openness, regulation and supervision technological advances, degree of competition and institutional capacity. Such as the strength of creditor rights. The financial structure of a country composed of a variety of markets and financial products and it is difficult to conceive of a few measures that could adequately capture all relevant aspects of financial development. The simple quantitative measures may also give a misleading picture of financial development. For instance, although a higher ratio of broad money to GDP is generally associated with greater financial liquidity and depth, the ratio may decline rather than rise as a financial system developers because because people have more alternative to invest in longer-term or less liquid financial instruments. Going beyond the standard quantitative, some earlier studies used combined measures of market structure, Financial products, Financial liberal libation, Institutional environment, Financial openness and monetary policy instruments.

These more detailed measures provide a richer description of financial development in the MENA region. Analy's of the data suggests common strengths, trends, and weaknesses and point to future areas for reform. MENA countries in general perform reasonably well in regulation and supervision and in financial openness but they need to do more to strengthen the institutional environment and to promote non bank financial sector development within the MENA region, progress on financial sector reforms has been uneven. some countries now have well developed financial sectors, particularly banking sectors, such as the countries of gulf cooperation council. Lebanon, Jordan, Egypt, Morocco & Tunisia, have made important advances over the past three decades.

**Gathering the Data**

Against this background, we began by collecting over 100 quantitative and qualitative statistics for 20 MENA countries. We surveyed the MENA country economists at the IMF to collect information on the nature of financial products and institutions in these countries. We organized the data according to six themes, each of which reflects a different facet of financial development: (1) development of the monetary sector and monetary policy; (2) banking sector size, structure, and efficiency (including the role of the government in the sector); (3) quality of banking regulations and supervision; (4) development of the nonbank financial sector; (5) financial openness; and (6) the institutional environment.

Economic Rationale Behind Data on Financial Development

Controls on deposit or lending rates and on the allocation of credit are common modes of repression in underdeveloped financial systems. Forcing banks to provide subsidized credit to certain sectors, or restricting the quantity of credit to be allocated, induces distortions in the credit market and lowers efficiency. One of the most important tasks that financial intermediaries perform in a market economy is to identify the most promising firms and investment projects and allocate capital to its most productive uses accordingly. Interest rate and credit controls interfere with this service. The monetary sector and monetary policy theme examines the extent to which indirect monetary policy instruments are used by the regulatory bodies as opposed to direct controls on interest rates and credit allocation. It also assesses the range of government securities that are available and how they are distributed, and tries to capture the economy's reliance on cash.

The banking sector theme captures the development of commercial bank markets and the ease of access to bank credit. The choice of variables also reflects the assumption that commercial banks that operate in competitive environments (with less direct government intervention, low market concentration, and where foreign banks are allowed entry) are likely to be more efficient. Government restrictions (such as interest rate ceilings, high reserve requirements, and directed credit programs) on the banking system repress financial development.

Owing to the information asymmetries and associated market failures inherent in banking sector transactions, appropriate banking regulation and supervision is an important aspect of financial sector development. Regulatory bodies need to ensure that depositors' interests are protected, which in turn boosts confidence in the banking sector and eases the process of financial intermediation. The regulation and supervision theme assesses banks' performance with respect to minimum capital adequacy requirements and provisions against nonperforming loans. Among other items, it also evaluates the transparency and openness of the regulatory environment. This latter component in part responds to some recent research that suggests that heavy regulation and supervision, in the absence of other key factors such as a strong institutional environment, may not be consistent with financial development.

The nonbank financial sector theme explores whether nonbank financial institutions are present. The theme further differentiates between countries where stock, mortgage, bond, insurance, and interbank markets are characterized by substantial trading activity from countries where these institutions exist only nominally.

With the trend toward globalization and integration of world capital markets, the degree of openness of financial institutions has become an increasingly important component of overall financial progress. The financial openness theme evaluates whether there are significant restrictions on the trading of financial assets or currency by foreigners or residents and whether the currency exchange system operates smoothly and is relatively free of interventions. As with other components of the overall index, the positive impact of financial openness is brought out when other aspects of the financial system are also well developed.

The legal and political environment within which the financial system operates is an important determinant of the range and quality of services that financial institutions can offer. In many developing countries, banks are reluctant to extend loans when an inefficient judicial system or corrupt bureaucracy and political institutions act as deterrents to the recovery of nonperforming loans. The institutional environment theme tries to judge the quality of institutions that are relevant to the financial system.

## CONCLUSIONS

MENA countries have reformed their financial sectors over the past three decades. However, while they have made progress, their efforts have been eclipsed by faster reform and growth in other parts of the world. Against the backdrop of an increasingly globalized world, the challenge for MENA policymakers in moving away from financially repressive policies will be to implement prudent macroeconomic policies, along with structural reforms. Macro-stabilizing measures in turn should be complemented by creating the enabling structural environment for financial development, including reduced government intervention in credit allocation and strengthened institutional quality, particularly of the legal system.

Efforts should be concentrated where financial development appears to have been the weakest. For some countries, this means less involvement of the government in the financial system, including cutting back on public ownership of financial institutions and minimizing monetary financing of budget deficits, enhancing competition, investing in human resources, and strengthening the legal environment.

Experience shows that as policymakers implement reforms and stay the course, confidence in economic policies grows, with a positive impact on investment, economic growth, and employment over time.

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