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TESIS DOCTORAL

"COMPARACION DE SISTEMAS DE CONTABILIDAD GUBERNAMENTAL DE PAISES ARABES"

DOCTORANDO

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El doctorando KHALIL ABUSHAMSIEH y los directores de la tesis Dr. D. ANTONIO LÓPEZ HERNÁNDEZ Y Dr. D. DAVID ORTIZ RODRÍGUEZ Garantizamos, al firmar esta tesis doctoral, que el trabajo ha sido realizado por el doctorando bajo la dirección de los directores de la tesis y hasta donde nuestro conocimiento alcanza, en la realización del trabajo, se han respetado los derechos de otros autores a ser citados, cuando se han utilizado sus resultados o publicaciones.

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Fdo.: D. Antonio M. López

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A mi mujer

A mis padres

A la memoria de mi abuelo

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ÍNDICE

CAPITULO 1

INTRODUCCIÓN

1. Introducción

El sector público de numerosos países ha sufrido importantes reformas en las últimas décadas del siglo XX y las primeras del siglo XXI. Estos procesos de reforma han sido impulsados, principalmente, por el incremento de la exigencia ciudadana hacia sus gobiernos. Así, la actuación de los responsables gubernamentales es evaluada, cada vez más, por el nivel de respuesta dada a los principales *stakeholders*, cuyas principales demandas son una mayor eficiencia, una mejor rendición de cuentas y un enfoque renovado para la prestación de mejores servicios públicos (UN, 2008).

En este sentido, cuestiones relacionadas con el manejo de fondos públicos, la contabilidad gubernamental, el control del gasto público y presupuestos equilibrados, han sido áreas de estudio de gobiernos e investigadores en los últimos años (Ramadhan, 2009).

En el caso concreto de las reformas de los sistemas de la contabilidad gubernamental sus principales objetivos son la mejora de la transparencia y la eficacia del ámbito público. En este sentido, las innovaciones en la contabilidad gubernamental están encaminadas a incrementar la legitimidad del sector público. La transparencia y la rendición de cuentas constituyen dos elementos importantes en un sistema democrático, en el que los ciudadanos necesitan saber cómo se utiliza el dinero público, quieren saber donde se depositan los fondos del Estado, cómo se distribuyen los ingresos tributarios y no tributarios, así como sobre con qué fines se utiliza el dinero del Estado (Nasution, 2009).

Por otra parte, como señala Ball (2000), la mejora del sistema de contabilidad gubernamental está relacionada con el nivel de desarrollo económico, de forma que cuando el sistema contable no evoluciona, la eficiencia gubernamental se reduce considerablemente, lo cual puede conducir a mayores posibilidades de corrupción, y por lo tanto, menos crecimiento económico nacional y desarrollo.

A este respecto, abundan los estudios sobre los cambios en los sistemas contables públicos, habiendo surgido distintas líneas de investigación para estudiar, comparar, describir y analizar en profundidad los sistemas de contabilidad gubernamental para detectar sus fortalezas y debilidades (Christiaens y Rommel, 2008). Estos estudios han observado los cambios realizados en distintos países, habiéndose abordado desde perspectivas descriptivas, analíticas y predictivas.

No obstante, como destaca Caba (2001), la mayoría de la investigación en el campo de la contabilidad gubernamental se refiere a los países anglosajones y europeos. En algunos estudios reciente se han abordado otros ámbitos como América Latina (Caba y López, 2009; Caba et al, 2009;. Araya, 2010), Malasia (Saleh, 2007; Rakoto, 2008) y China (Chang et al, 2008), o se ha examinado la situación en países africanos (Godfrey et al, 1995; Godfrey et al, 1996; Godfrey et al, 1997; Merrouche et al, 1996). Sin embargo, hasta la fecha, no parece que haya habido prácticamente ningún trabajo que esté dedicado a la zona del medio oriente, en particular, en los países Árabes, lo que motiva la selección del objeto y ámbito de estudio de esta tesis doctoral.

En el ámbito de las reformas de los sistemas de contabilidad gubernamental hay que destacar el paso de los tradicionales sistemas de contabilidad de caja a la adopción de sistemas de contabilidad de devengo (Lapsley, 1999; Nasi y Steccolini, 2008). Esta tendencia de introducir la contabilidad de devengo está justificada en la necesidad de transparencia, eficiencia y gestión del rendimiento que ayuda a mejorar la calidad y la coherencia de la información proporcionada a los responsables de la gestión (United States Government Accounting Office, 2000). Sin embargo, en este proceso, como reconoce la Federación Internacional de Contadores (International Federation of Accountants /IFAC), hay pasos intermedios, como son la contabilidad de caja modificada, y la contabilidad de devengo modificado. Pudiendo, por tanto, distinguirse cuatro modelos:

- De acuerdo con la IFAC la *contabilidad de caja* es una base de la contabilidad que reconoce las transacciones y otros eventos sólo cuando se recibe el efectivo o pagado (IFAC, 2008) que mide los resultados financieros de un período como la diferencia entre los ingresos de efectivo y los pagos de efectivo, los estados de flujos de caja y los saldos de caja son los documentos más comunes (IFAC PSC, 2000 y la IFAC, 2008).
- Un sistema de *contabilidad de caja modificada* reconoce las transacciones y otros eventos en una base de efectivo durante el año, pero también toma en cuenta las cuentas pendientes de pago y cuentas a cobrar a fin de año, de hecho, los libros se mantienen abiertas alrededor de un mes después del fin de año (IFAC PSC, 2000).
- Un sistema de *contabilidad de devengo modificado* reconoce las transacciones y otros eventos en normas de devengado, pero ciertas clases de activos o pasivos no se reconocen, un ejemplo típico es los gastos no financieros de todos los

activos se reconocen como gastos en el momento de la compra (IFAC PSC, 2000).

- Una sistema de *contabilidad de devengo* es una base de contabilidad por el cual las transacciones y demás sucesos se reconocen cuando ocurren (y no sólo cuando el efectivo o su equivalente se recibe o paga), por lo tanto las transacciones y los eventos se registran contablemente y se reconocen en los estados financieros del período a que se refieren. (IFAC, 2008).

En este proceso de cambios en los sistemas contables, la necesidad de comparar la información obtenida de los sistemas de contabilidad gubernamental ha provocado una tendencia hacia la armonización (Christiaens y Reyniers, 2009). Para ello, el organismo internacional de contabilidad del sector público *'International Public Sector Accounting Standards Board'* (IPSASB), que forma parte del IFAC, ha desarrollado un conjunto de normas internacionales de contabilidad del sector público (International Public Sector Accounting Standards /IPSAS), con el fin de agilizar y apoyar la armonización en el ámbito de la contabilidad gubernamental.

Las IPSAS están diseñadas para facilitar la generación de informes financieros públicos de alta calidad comparables a nivel internacional (Khan y Mayes, 2009). Los temas cubiertos en las IPSAS incluyen la presentación de los estados financieros, los efectos de los cambios en los precios de cambio de la moneda, los instrumentos financieros, y los pasivos. Actualmente se han publicado 32 IPSAS aplicables a la contabilidad de devengo, y una aplicable a la contabilidad de caja.

Dado que las IPSAS son un estímulo importante para la armonización de los sistemas de información financiera en el sector público (Benito *et al.*, 2007), en este trabajo hemos considerado oportuno analizar su adopción, en particular en lo relativo a la implantación del criterio de devengo en los países árabes de Oriente Medio.

En cualquier caso, para entender la complejidad de los procesos de armonización contable hay que ser conscientes de que existen divergencias en los modelos contables por diversas causas: el lenguaje contable utilizado, el formato de la información presentada, la cantidad de información que transfieren al exterior, los procedimientos contables utilizados, las normas de valoración aplicadas, los criterios de verificación de información contable, etc., siendo estas diferencias de distinta intensidad según los países que se comparen (Caba, 2001). Es en este contexto donde se entiende la creciente atención que el desarrollo de la contabilidad gubernamental está recibiendo en todo el mundo (Monsen, 2008).

Según Callao y Jarne (1995) a la hora de realizar un estudio de los sistemas de contabilidad gubernamental se podrían utilizar tres enfoques: descriptivo, analítico y predictivo, que están relacionados. De acuerdo con Nobes (2008), estos enfoques son considerados complementarios, aunque ofrecen puntos de vista diferentes, por lo que se requiere un análisis conjunto de ellos para lograr un adecuado desarrollo de los mismos:

- Enfoque descriptivo: describe el entorno y atributos del sistema contable. Es una forma de describir la realidad, aunque su utilidad requiere una constante actualización.
- Enfoque analítico: Identifica cómo las variables y factores del entorno

determinan las diferencias en las características del sistema contable público. Estos factores y variables que determinan las características de un sistema contable son de gran importancia para llegar a comprender un sistema contable.

- Enfoque predictivo: Analiza cómo evoluciona el sistema contable público de acuerdo a los factores del entorno; persigue la innovación en la contabilidad pública tomando en cuenta los cambios en los factores del entorno.

Finalmente, destacar que entre los estudios realizados, observamos que el "modelo de contingencia de las innovaciones de la contabilidad gubernamental'', desarrollado por el profesor Lüder (1992, 1994 y 2001), ha sido utilizado como marco para analizar el desarrollo de la contabilidad gubernamental en muchos países. Este modelo tiene como objeto explicar el proceso de introducción de una innovación de contabilidad en organizaciones gubernamentales.

Así pues, como hemos apuntado, pretendemos observar los países de Oriente Medio, en concreto, nos centramos en países árabes, en los que el Islam es la religión y el árabe es su lengua oficial (Hanna, 2006), por lo que consideramos que comparten valores socioculturales similares. En estos países analizamos la situación de sus sistemas contables gubernamentales así como las reformas de contabilidad gubernamental y su efecto sobre el nivel de divulgación de información financiera pública. Para ello, partiendo de una adaptación del modelo de Lüder, pretendemos observar el desarrollo contable considerando como innovación la implantación del criterio de devengo, tal como se recoge por parte de las IPSAS. Según el caso, utilizaremos una perspectiva descriptiva o analítica, desechando la perspectiva predictiva por tratarse de una primera aproximación a la realidad de este ámbito geográfico-cultural.

Para ello, en esta tesis doctoral incluimos tres trabajos publicados/aceptados de investigaciones realizadas en este ámbito.

El primero de los artículos, titulado *The development of public accounting transparency in selected Arab countries*, (aceptado en *International Review of Administrative Sciences,* factor de impacto 2012: 0.559*)* ha sido incluido como segundo capítulo de este trabajo. En este artículo se examinan los sistemas contables gubernamentales y la difusión de información financiera de un conjunto de países árabes del Medio Oriente, contrastándolos con los estados financieros y los contenidos propuestos por las IPSAS de la IFAC. En el análisis se distinguen países de alto nivel económico por su condición de países productores de petróleo, de aquellos otros considerados menos desarrollados. El primer grupo está conformado por los países del consejo de cooperación de golfo (Emiratitos Árabes Unidos, Qatar, Arabia Saudita, Omán, Barrían y Kuwait), mientras que el segundo grupo lo conforman países árabes de la zona que perciben ayudas financieras internacionales (Palestina Jordania y Egipto). En este estudio se utilizó la metodología de Caba y López (2009) en la que, mediante basado en las IPSAS 1 y 2, se pretende analizar la información contable publicada y la adopción del criterio de devengo.

A partir de los resultados obtenidos en este trabajo nos planteamos describir en mayor profundidad la situación y evolución de alguno de los sistemas contables gubernamentales analizados, creyendo oportuno analizar un caso de entre los países económicamente más desarrollados y otro de entre los países receptores de ayudas internacionales.

En el capítulo tercero hemos incluido el artículo titulado *Administrative reforms to governmental financial information systems in GCC countries: the case of Qatar* (aceptado en la revista *Middle Eastern Studies*, factor de impacto 2012: 0.211). Este trabajo se centra en analizar los factores más importantes que afectan a las reformas de su sistema de información financiera gubernamental de Qatar uno de los países del Consejo de Cooperación del Golfo (GCC en sus siglas inglesas). Para ello, después de presentar una visión general de las recientes reformas contables de los países del GCC, utilizamos Modelo de Proceso de Reforma de Gestión Financiera de Lüder (2001) para analizar el grado en que Qatar ha desarrollado sus sistemas de información financiera gubernamental en respuesta al enorme grado de desarrollo económico y administrativo en las últimas décadas, e identificamos los factores más importantes que más importantes que afectan a las reformas de su sistema de información financiera gubernamental.

Por su parte, el capítulo cuatro corresponde al trabajo titulado *The transparency of government financial information systems in Arab countries: evidence from Palestine* (articulo aceptado en *The Journal of Accounting, Business and Management*). En este trabajo, en el que también se aplicó una metodología analítica, utilizando el Modelo de Proceso de Reforma de Gestión Financiera de Lüder (2001), observamos el caso de Palestina. A nuestro juicio, entre estos países receptores de ayuda, el caso de Palestina merece especial atención, no sólo a causa de los requisitos de información financiera impuestas por los organismos de financiación y los países donantes, sino también teniendo en cuenta su situación social, económica y política única. Por otra parte, desde los Acuerdos de Oslo de 1993, Palestina ha estado inmersa en un rediseño radical y reconfiguración de su sector público.

Para cumplir el objetivo del trabajo, en primer lugar, realizamos una visión general de las recientes reformas en las leyes y procedimientos de contabilidad en los países árabes antes mencionadas, con especial atención a Palestina. Este artículo examina el grado en que Palestina ha desarrollado su sistema de información financiera del gobierno y analiza los factores más importantes que subyacen y la promoción de la transparencia financiera. Se aplicó una metodología analítica, utilizando el Modelo de Proceso de Reforma de Gestión Financiera de Lüder (2001)

Por último, en el quinto capítulo de destacan las conclusiones todo el trabajo de la tesis obtenidos por las capítulos anteriores tanto de las metodologías descriptivas como de las metodologías analíticas, además, se sugieren las futuras líneas de investigaciones.

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CAPITULO 2

THE DEVELOPMENT OF PUBLIC ACCOUNTING TRANSPARENCY IN SELECTED ARAB COUNTRIES

Abstract
The aim of this paper is to analyse the level of public financial information disclosed by certain Arab countries in the Middle East, in view of calls for greater transparency and international trends in this respect. Accordingly, we examined the financial reports published online by the selected countries, contrasting them with the financial statements and contents proposed in the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants.

The results show that the Arab countries analysed present a low level of public financial information. They all present similar degrees of compliance with IPSAS 1 and 2. In any case, we can observe that aid-receiving countries are implementing the policies stipulated in the international recommendations to respond to the demands of donors and international agencies. The countries whose financial needs are met by oil revenues are less subject to external and internal pressures in order to implement the IPSAS.

Points for practitioners
The findings of this article may be of interest to public managers in all the selected Arab countries, especially those in the public administrations of the Gulf Cooperation Council countries and to consulting companies in the Gulf region. The analysis made of financial legislation and of the IPSAS 1 and 2 indexes for the selected countries may encourage them to initiate a process of financial reforms.

Keywords: Administrative reforms, Arab countries, IFAC, IPSAS, public financial reporting, transparency

1. Introduction

Traditional government accounting, focused on the budget and mainly aimed at ensuring compliance with legal requirements, has proved inadequate to address the new challenges of public governance. In consequence, important reforms have been implemented in various countries (Caba & Lopez, 2007; Nasi & Steccolini, 2008), in order to develop a public accounting system that is more informative and useful for decision-making and accountability (Lüder, 1992).

As reported by Ouda (2004) and Broadbent & Guthrie (2008), the main reform carried out in government accounting systems has been the introduction of accrual accounting, which generates more and better information, and thus (implicitly) enhances transparency (Benito et al., 2007; Ouda 2007; Torres, 2004). The accruals principle is viewed as a means of improving the reporting of government activities (Paulsson, 2006), which is why it has been adopted by countries such as Australia, New Zealand and the UK (Saleh, 2007).

The introduction of accrual accounting has been urged, since 2000, by the International Federation of Accountants (IFAC). IFAC has established a number of boards and committees to develop international standards and guidance and to focus on specific sectors of the profession. The International Public Sector Accounting Standards Board (IPSASB) (formerly the Public Sector Committee) was established in May 1996. Thus, the IPSASB of the IFAC published International Public Sector Accounting Standards (IPSAS) calling for high quality public sector accounting information to be provided in year-end accounting reports (Christiaens et al., 2010). In this respect IPSAS 1 and 2 mainly concern the forms and types of year-end accounting reports to be presented.

According to Caba (2001), most research in the field of governmental accounting concerns Anglo-Saxon and European countries. Nevertheless, recent studies have addressed Latin America (Caba & Lopez, 2009; Caba et al., 2009; Araya, 2010), Malaysia (Saleh, 2007; Rakoto, 2008) and China (Chang et al., 2008), while others have examined the situation in African countries (Godfrey et al., 1995; Godfrey et al., 1996; Godfrey et al., 1997; Merrouche et al., 1996). However, to date, there does not appear to have been any such work regarding the Middle East.

This paper, therefore, provides an initial analysis of the reforms made in government accounting systems in the Middle East. From studies conducted in other contexts, it seems that developed countries have reformed their government accounting systems, in most cases by introducing accrual accounting and adopting IPSAS as the basis for their accounting regulations (Benito et al., 2007). At the same time, developing countries that are receiving external financial aid are being pressured by international agencies to introduce IPSAS into their accounting systems (Caba & Lopez, 2009; Rakoto, 2008).

We examined the situation of public accounting systems in selected countries in the Middle East, both those enjoying a higher level of economic development and those in a poorer economic situation and in receipt of international financial aid. Specifically, we focus on two groups of Arab countries, situated in the same geographic region; Islam is the religion of all the countries selected and Arabic is their official language (Hanna, 2006), and so we consider them to share similar sociocultural values. Nevertheless, these countries have different degrees of economic development.

The first group is comprised of three of the most developed Arab countries, and which are members of the Gulf Cooperation Council (GCC). We chose to study Oman, Bahrain and Kuwait because they all publish year-end public accounting reports, whereas in the other GCC countries (Qatar, Saudi Arabia and United Arab Emirates), although year-end accounting reports are prepared, they are not generally disclosed, being intended for internal end-users within government[1].

The second group is comprised of countries which, although located in the same region and sharing a similar sociocultural background, are classified as developing economies and receive the highest percentage of Official Development Aid (ODA) of all countries in the region (Werlin, 2005). Other countries, such as Syria or the Lebanon, could have been included, but we preferred to analyse those which received the highest levels of external assistance, i.e. Palestine, Jordan and Egypt .

One of our aims in this study was to test the influence of ODA on the transparency of public financial reporting in three ODA-receiving countries (Palestine, Jordan and Egypt) and to compare this transparency with that prevailing in three non ODA-receiving countries (Bahrain, Oman and Kuwait).

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[1] In a study visit in 2011 to become acquainted with governmental financial information systems, the finance ministries of these countries declined to provide us with annual financial reports for the purposes of this study, and we were informed that they were not available to external users.

In summary, this study focuses on selected Middle East countries, analysing the changes and legislative reforms made concerning transparency, and their impact on governmental accounting information systems. In order to achieve this objective, we examined the year-end governmental accounting reports published online by each country, to determine whether the reforms made comply with the recommendations of public accounting bodies, especially the IPSASB in its IPSAS 1 and 2.

In conducting this study, we used the methodology developed by Caba & Lopez (2009) in analysing the question of transparency in the countries of the Common Market of the South (MERCOSUR – Argentina, Brazil, Paraguay and Uruguay). These authors created an index to reflect the transparency of published accounting information. This index is based on the IPSAS 1 and 2 recommended minimum information to be presented in final accounts. It has two levels: one, on the financial reports that should be presented by the reporting body, irrespective of their content, and the other, on the content that should be included in each financial report.

The rest of this paper is structured as follows: first we provide an overview of governmental accounting reforms regarding IPSAS, and their relationship with transparency. We then describe recent reforms of accounting laws and procedures in the selected countries, after which the methodology applied is explained. We then present the empirical work performed and the results obtained from our analysis, and finally some conclusions are drawn.

2. IPSASB and governmental accounting reform

Calls for radical improvements in public sector performance have resulted in a global wave of organisational, managerial and accounting reforms in the public sector (Christiaens & Rommel, 2008). These reforms are aimed at enhancing accounting and financial reporting beyond cash considerations alone; in other words, they concern not just cash flows and balances, but also the question of how money is spent (Prodjoharjono, 2009; Brusca & Montesinos, 2009).

Several countries have adopted financial accounting reforms at one or more levels of the public sector, replacing or transforming their traditional cash accounting methods into systems that support accruals, an accounting basis that is widely used by business-like organisations, with the aim of increasing financial accountability and transparency and improving the measurement of government sector performance (Stamatiadis, 2009). One of the main considerations of the reforms recommended was to change in government accounting systems by the adoption of the accrual basis for accounting, control systems and management, replacing the traditional cash basis (Lapsley, 1999; Nasi and Steccolini, 2008).

The IPSASB recognised two accounting bases other than accruals and cash, namely the modified cash basis and the modified accrual basis (Christiaens et al., 2010). The cash basis of accounting measures financial results for a period as the difference between cash receipts and payments, while the modified cash basis takes into account the unpaid accounts and/or receivables at year end. In the accrual basis, transactions and events are recorded and recognised in the financial statements of the periods to which they relate, while the modified accrual basis system recognises transactions and other events on an accrual basis, but not certain classes of assets or liabilities. A typical example of this is the expensing of all non-financial assets at the time of purchase (IFAC PSC, 2000; IFAC, 2008).

The main aim of introducing the accrual basis of accounting in the public sector is to achieve a more transparent, effective and informative system, and thus help decision makers obtain better cost control and accountability (Nasi & Steccolini, 2008). According to Christiaens et al. (2010) the trend towards accrual accounting is explained by the need for transparency, efficiency and performance management. Moreover, it helps improve the quality and consistency of the information provided to decision makers (United States Government Accounting Office, 2000), and holds managers accountable for matching the cost of resources with the results obtained (Anthony, 2000; Katsikas et al., 2009). For Jones and Pendlebury (1996), the accrual basis of accounting makes it possible to comply with various requirements and offers more than the cash basis in terms of quantity and quality. Therefore, it is not surprising that most developed countries – and especially Anglo-Saxon and European countries – which formerly utilised a cash basis of accounting or a cash budget have now introduced forms of accrual basis accounting in their public sectors as part of an overall public sector reform (Prodjoharjono, 2009).

Since the last decade, the IPSAS Board of the IFAC has developed a set of IPSAS to streamline and support these reforms in the area of governmental accounting and to ensure that governmental financial reports include information of sufficient quality to support decision-making by different users (Caba & Lopez, 2009; Christiaens et al., 2010). The need for comparability among government accounting systems underlies a trend towards harmonisation through international accounting standards, resulting in the development of IPSAS (Christiaens et al., 2010). Currently, there are 32 IPSAS applicable to accrual basis accounting and one applicable to cash basis accounting. IPSAS are important stimuli for harmonising financial information in the public sector (Benito et al., 2007) and are designed to facilitate the generation of high quality, internationally comparable government financial reports (Khan & Mayes, 2009).

A preliminary step in any reform in this respect is to investigate the current accounting practices of any given country and to compare them with those applied in other countries (Lüder, 1988). When this is done, it is immediately apparent that differences exist internationally. This may be so for various reasons: the accounting language used, the format of the accounting information, the amount of accounting information presented, the accounting procedures used, the policies applied, the criteria for verification of accounting information, etc. Such differences are present in varying degrees of intensity among the countries under comparison (Caba, 2001).

The IPSAS of the IPSASB were produced independently and adapted from the International Accounting Standards, with the participation of governments from all over the world, professional accounting bodies and international organizations. They are strongly recommended by the World Bank, the UN, the OECD, the IMF and other multilateral organisations, and so it would seem reasonable to expect most countries to favour their introduction (Brusca & Benito, 2004). Nevertheless, although many countries have carried out reforms in this line, others have yet to do so. Thus, the central governments of Belgium and the Netherlands have not adopted IPSAS, while the local governments of countries like Germany, South Korea, Japan and Russia are still using the cash basis of accounting (www.ifac.org). On the other hand, countries in receipt of international aid are more likely to apply IPSAS. These circumstances might reflect the fact that although IPSAS are perceived to be a better set of accounting standards, external pressure is an important factor underlying their practical application.

According to Caba & Lopez (2009), IPSAS encourage governments to present additional information to that typically produced on the basis of the budget, in order to improve transparency. Benito et al. (2007) stated that the adoption of IPSAS would significantly improve the quality of general purpose financial reporting by public sector entities, and that the publication of IPSAS-based accounting information would also increase transparency and thus enhance accountability. This additional information should concern the financial position, performance and cash flows of an entity, all of which are useful to a wide range of users in taking and evaluating decisions about the allocation of resources. Among the IPSAS-related questions addressed by the IPSASB are proposals aimed at improving the content of the financial information included in the year-end report, so that it might provide a better reflection of the financial and asset situation of the bodies that comprise the national public sector. The adoption of these standards by governments would improve both the quality and the comparability of the financial information presented by public sector agencies worldwide (Caba & Lopez, 2009).

3. Reforms to promote governmental financial transparency in Arab countries

The nature and development of a governmental accounting information system in a country is influenced by its history, culture, economy, laws and legal system (Lüder, 1992). In this context, an objective study of governmental accounting transparency needs first of all an overview of the most important environmental variables in order to analyse and evaluate the governmental accounting system developed in this environment.

As noted above, in this study we analyse a number of Arab countries in the same geographical area that share socio-cultural characteristics, but present important differences in their level of economic development. Palestine, Jordan and Egypt at present have a low level of economic development and are recipients of international financial aid (Table 1). The GCC countries, on the other hand, have enjoyed strong economic growth in the past five decades, and are currently the richest in the Middle East (Table 2). These countries are highly dependent on oil revenues (Table 2), and a large number of foreign workers are employed in this industry (Hanna, 2006).

TABLE 1 ABOUT HERE

TABLE 2 ABOUT HERE

As observed by Bräutigam et al. (2008), the public accounts structure in these Arab countries is influenced by their dependence on oil revenues, in some cases, or on international financial aid, in others. According to these authors, in the first of these cases, tax payments by the oil industry, and especially by foreign companies, constitute an important proportion of the national income, and this situation tends to be associated with a lack of accountability. On the other hand, developing countries are pressured to implement aid donors' conditions, with this aid often substituting for tax revenues (Bräutigam et al., 2008).

In this economic context, most of the countries in the region have implemented reforms in their public financial information systems (Table 3). The GCC countries have developed considerably in diverse aspects over the last three decades; laws have been promulgated to reform their politics, economies and financial systems; some have implemented reforms in their governmental and ministerial systems and adapted governmental entities to changing socioeconomic conditions. The ODA recipients have also developed their governmental accounting systems, and have complied with the requirements of international agencies; as a result, their financial information has gained in transparency, efficiency and effectiveness.

TABLE 3 ABOUT HERE

Of the reforms undertaken in many countries, we highlight those carried out by Kuwait, Jordan and Palestine, which have had a special impact on their public financial information systems. Kuwait and Jordan have recently initiated projects to modernise their governmental accounting systems. In 2004, the Kuwait Ministry of Finance (MOF) consulted IMF experts on the modernisation and development of the governmental accounting information system, and in 2008, implementation began of a project to prepare budget and accounting information in accordance with IPSAS.

The Jordanian MOF recently embarked on an important reform programme to increase efficiency in the planning, preparation and execution of the general budget. This programme includes a rationalisation of the budget preparation procedure aimed at achieving a result-oriented budget with clear sectorial priorities, together with greater transparency and enhanced accountability of ministries and spending units.

From 1994 to 1998, the Palestinian National Authority governmental accounting system was regulated by various resolutions, instructions and financial regulations issued by the MOF, and was not subject to specific financial legislation until 1998, when the first law regulating the public budget and financial affairs was issued.

4. Methodology

In this study, we set out to verify the level of compliance between the information provided in the annual public financial reports of the countries studied and the requirements set out in IPSAS 1 and 2, with respect to the financial information that should be presented in the year-end financial statements for the public sector.

At present, information and communications technologies, and especially the Internet, are the main tool for information disclosure and communication (Welp, 2008). As observed by Shi (2007), the internet is fast, flexible and accessible to all users, both within a country and abroad. It is logical, therefore, that the internet has been widely adopted in public sector reforms in recent years (Lau, 2005). The implementation of new technologies by governments contributes to increasing transparency and accountability in the use of public resources, and makes it easier for citizens to assess governmental performance (United Nations, 2003; Jho, 2005).

Despite the evident differences between information published in paper format and that made available on the internet, in response to the widespread demand for greater transparency, public accounting information is becoming increasingly accessible online. As mentioned above, in relation to the GCC countries, those which publish public financial information utilise the internet as the medium of choice, while those which do not disclose such information on the internet do not do so via other means, either. Therefore, to achieve the goals of this study, we examined the financial statements published on the websites of the finance ministries of the countries analysed.

As our fundamental aim was to determine whether the public financial information disclosed by these Arab countries is presented in accordance with IPSAS 1 and 2 recommendations, we used the methodology developed by Caba & Lopez (2009), applying an index focused on the minimum requisites for the information to be provided in the annual financial public report, as recommended by the IPSASB. This index has two levels:

- **Level One**: distinguishes countries in terms of the financial statements that should be presented by the reporting body, according to IPSAS No. 1, irrespective of their content. This first level stipulates five items that must be presented: the statement of financial position (a balance sheet or statement of assets and liabilities), the statement of financial performance, the statement of changes in net assets/equity, the cash flow statement and finally, the statement of accounting policies and notes to the financial statements (see Table 4).

TABLE 4 ABOUT HERE

- **Level Two**: concentrates on the content that should be published in each of the financial reports presented, with the information to be included being given on separate lines. For the second level, 76 items were selected, distributed as shown in Table 5 and Annex 1.

TABLE 5 ABOUT HERE

The total number of IPSAS requisites for public financial information disclosure in a country's annual public accounts is obtained by summing the scores for each of the IPSAS recommended items listed in Table 5, a total of 76 items over the five components of basic financial information to be presented. Among the alternatives presented for the scoring of these items, we opted for a dichotomous procedure by which a score of 1 is assigned if the country's public reporting includes information consistent with IPSAS recommended items and 0 if it does not.

Once all the items had been scored, an index was created to measure the total level of compliance (*TC*) with the information requisites for annual public accounts, for each country, in accordance with IPSAS recommendations. In this index, an identical valuation was assigned to each of the components of financial statements, i.e., 20% for each of the five basic statements. The partial compliance percentage (*PC*) for each financial statement was obtained by dividing the total item-points obtained *(Po)* by the maximum number of items possible *(m)*, thus: PCb= *Po/m*100* for the Balance sheet, PCp= *Po/m*100* for the operating statement, PCc= *Po/m*100* for the cash flow statement, PCn= *Po/m*100* for the statement of changes in net assets and PCs=*Po/m*100* for the notes to the financial statements. Therefore, in order to generate the total level of compliance in Level 2 (TC), we combined all the partial results obtained from each component of the five financial statements and then divided by the total number of financial statements as follows:

$$TC = PCb + PCp + PCc + PCn + PCs \ / 5$$

Partial indexes for each of the following statements were defined for Level 1 compliance: *TCb* for the balance sheet; *TCp* for the operating statement; *TCc* for the cash flow; *TCn* for the statement of changes in net assets; TCs for the notes to the financial statements.

5. Results

As remarked above, in all of the countries examined, laws had been modified to improve efficiency, transparency and accountability. Such changes include financial laws and decrees, Ministerial Orders, new accounting manuals, and plans for accounting reforms. In particular, Palestine and Kuwait stated their intention to revise their public financial information systems in line with the IPSAS recommendations.

To analyse what happens in practice, we compared the financial information provided in three consecutive years (2007, 2008 and 2009) in the year-end financial report published by each of the selected countries, examining whether these reports were compiled in accordance with the IPSASB recommendations listed in the previous section.

The first results of our analysis show that the year-end financial reports for the selected countries do not include all the financial statements proposed in IPSAS No. 1 (see Table 4).

Level 1 compliance results

We began our analysis by examining compliance with IPSAS Level 1 recommendations by Bahrain, Oman and Kuwait, regarding the year-end financial report. These countries each complied with just two of the five IPSAS No. 1 recommendations (see Table 4). The ODA recipient countries all presented the same level of compliance in Level 1. Furthermore, none of the six countries published a Balance Sheet, statement of changes in net asset/equity or statement of cash flow. In their year-end reports, only a statement of financial performance, accounting practices and notes to the financial statement were provided.

Level 2 compliance results

In the light of the Level 1 compliance findings, we analysed the results for Level 2 (Table 6), taking into account that some of the data stipulated in the first level, such as balance sheet, statement of changes in net asset/equity and statement of cash flow did not exist. Thus, for the second level each country lost 32 of the 76 items (17 items referring to the balance sheet, 9 for the cash flow statement and 6 for changes in net assets). Therefore, the proposed index in our methodology for their assessment Level 2 decreases in 42%. It is expected that, when these countries apply IPSAS, involving the development of accrual basis, these countries will elaborate and disclosure financial statements that now are not available, which would imply an increase in the value of the proposed index.

TABLE 6 ABOUT HERE

With respect to the items presented in the statement of financial performance, Bahrain, Oman and Kuwait presented broadly the same items for financial performance (see Annex 1). None of these countries considered it necessary to include elements showing in a clearly differentiated way the deficit or surplus produced, whether by operating activities, or as extraordinary items. All three countries report revenue from operating activities, and the net surplus or deficit for the period, with expenses being aggregated according to their nature, programme or purpose. Financial costs are not published by Kuwait, possibly because this country does not have any public deficit. As shown in Table 6, the total Level 2 compliance with respect to the operating statement is 57% for Bahrain and Oman and 43% for Kuwait.

Comparison of these results with those for ODA recipients, as shown in Table 6 and Annex 1, shows that Palestine has the same level of compliance as the GCC countries, while Jordan and Egypt present one more item, namely the surplus or deficit from operating activities. Thus, the total level of compliance for the operating statement for these countries is 71%.

As stated above, the cash flow statement is absent from the year-end reports of the countries studied, and so their compliance with IPSAS 2 for the cash flow statement is 0%. The same is true for changes in net assets; none of these countries presents this information.

Finally, let us mention the information presented in the main section or in the notes to the financial statements, starting with Section 5.A in Table 6 (“Supporting information for the items included in the balance sheet”). Only Kuwait presents this supporting information; however, it does not present a balance sheet, but only data in the form of notes and separate tables. Nevertheless, Kuwait intends to adapt its system to IPSAS by the end of 2012, and has recently begun preparations in this respect.

In Section 5.B (“Supporting information for the items included in the operating statement”), all six countries present notes on the sub-classification of total revenue and analysis of expenses, using a classification based on either the nature of expenses or on their function within the entity. Accordingly, they comply 100% with this section.

Finally, with respect to Section 5.C (“Supporting information to the financial statement in general”), we found that the three GCC countries present similar numbers of items (Bahrain 7, Oman 6 and Kuwait 8), and so, in every case relatively little information is provided (the maximum possible is 19). Turning to the ODA receivers, we find that

Jordan and Egypt present less information than the GCC countries (Jordan 4, Egypt 6 and Palestine 6), while Palestine presents a similar degree of information to that provided by Oman and Bahrain. In every case, thus, the level is low.

Regarding the total for Section 5 (37 items), Kuwait is the most informative, presenting 17, i.e. 46% compliance in this section. Bahrain presented 10 items, Palestine 9, Oman 8, Jordan 7 and Egypt 5.

To end our analysis, Table 6 shows that the overall Level 2 compliance with the IPSAS by the GCC countries is weak; the most informative system, that of Kuwait, only represents 26% compliance with IPSAS, while Bahrain achieves 18%, Oman and Jordan 16%, Palestine 17% and Egypt 13%. In this sense, the progressive implementation of IPSAS would improve disclosure levels of the countries, and therefore compliance with the standards set out in IPSAS 2, gradually increasing the value obtained in the index proposed.

In summary, none of the countries examined presents the financial statements stipulated in IPSAS 1, and in all six countries, only the statement of financial performance and accounting practices and notes to the financial statement are published. The GCC countries present similar information on financial performance, but they do not provide elements showing in a clearly differentiated way the deficit or surplus produced. All three countries provide information on the revenues from operating activities and the deficit or net surplus for the period, aggregating expenses according to their nature or purpose. Among the ODA-receiving countries, Palestine presents the same level of information as the GCC countries, while Jordan and Egypt also present information on the deficit or surplus derived from operating activities.

As for the notes to the financial statements: a) only Kuwait presents further sub-classifications of line items included in the balance sheet, even though it does not present a real balance sheet (data are presented in the form of notes and separate tables); b) all six countries present information on the sub-classification of total revenues and analysis of expenses, using a classification based on the nature of expenses or on their function.

6. Conclusions

The purpose of this study is to measure the level of financial information currently provided by a group of Middle East countries in their year-end public reports and to compare it with the IPSASB recommendations of the IFAC for public sector financial statements (IPSAS 1 and 2).

In this study, we compare the public financial information disclosed by a group of Middle East Arab countries. These all belong to a single geographic area, and have Arabic as their official language and Islam as their religion; therefore, they can be assumed to share certain sociocultural characteristics. Nevertheless, the countries analysed constitute two distinct groups in terms of their economic development: on the one hand, the GCC countries, the richest in the zone (although only three, Oman, Bahrain and Kuwait, which publish public financial information, are analysed); and on the other, the less developed countries, of which we analysed those receiving most international aid – Egypt, Jordan and Palestine.

Taking into account the IPSAS 1 and 2 requirements, we found that, in spite of the important administrative reforms made regarding in financial laws that have been made in recent decades, there is still a low level of development in the financial information presented, for all the countries studied.

While we are aware that the choice of countries for analysis is influenced by the availability of information, we conclude that these countries present similar degrees of transparency and compliance with IPSAS 1 and 2 and no significant differences were observed, in this respect, between the ODA recipients and non recipients. At present, all publish similar levels of information, although the ODA receivers tend to publish more details in the main body of the statement of financial performance, and less information in the accounting policies and notes.

Certain points are apparent from the results obtained. The countries studied present a broadly similar level of public financial reporting, contrary to the findings of previous studies, according to which a higher level of development was associated with a higher level of information presentation. Various explanations for this might be suggested. First, in the case of the GCC countries, their level of economic development is directly linked to oil revenues. Thus there is less need to obtain tax revenues and citizens are less motivated to understand and monitor public finances.

Second, the similarity of information disclosure among the countries making up the two groups could be accounted for, on the one hand, by the fact that the aid-receiving countries are obliged to respond to the demands of donors and international agencies, and therefore have begun to implement the policies stipulated in the international recommendations; and on the other, by the fact that the GCC countries – whose financial needs are met by oil revenues – are less subject to external pressure. This fact, together with the absence of internal pressure, referred to above, would explain why three of the six GCC countries (Qatar, Saudi Arabia and United Arab Emirates) do not disclose such information and a further two (Bahrain and Oman) do so only partially. Only Kuwait seems to be making real efforts to carry out the progressive implementation of the IPSAS; in 2008, it began a four-year plan to adapt its systems to meet the IPSASB recommendations.

Ultimately, in all these countries, there is a need to progress further in the presentation of financial information, as current levels are far below international standards, possibly due to the very different social, cultural and political context. These differences, thus, might be accounted for by the limited existence and background of public institutions that control public finances and inform parliaments, together with the absence of demand in this respect from the population at large.

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Table 1. Socio-economic indicators for the ODA countries

	EG	JO	PS	Total
Human development index (2011)	0.644	0.698	0.641	
Human development index ranking (2011)	113	95	114	
GNI per capita in purchasing power parity (2011)	$5,269	$5,300	$2,656	
GDP per capita at current prices (2009)	$2,731	$4,027	..	
Population (2011)	81,121,077	6,047,000	3,905,364	91,073,441
GDP (2010) ($ millions)	$218,912	$27,454	$6,641	$253,007
ODA received in 2010 ($ millions)	$2,519.43	$955.41	$593.61	$4,068.45

**EG: Egypt JO: Jordan PS: Palestine*

..: No data

Source: The authors, based on Development Assistance Committee, World Bank and Human development report 2011, UNDP

Table 2. GCC Socio-economic indicators, foreign working power and revenue

	BH	KW	OM	QA	SA	UAE	Total
Human development index (2011)	**0.806**	**0.760**	**0.705**	**0.831**	**0.770**	**0,846**	
Human development index ranking (2011)	**42**	**63**	**89**	**37**	**56**	**30**	
GNI per capita in purchasing power parity (2011)	**$28,169**	**$47,926**	**$22,841**	**$107,721**	**$23,274**	**$59,993**	
GDP per capita at current prices (2009)	**$16,394**	**$31,416**	**$14,780**	**$61,106**	**$13,978**	**$32,968**	
Population (2009)							
Citizens	558,011	1,025,780	2,017,559	..	18,543,246	933,381	**23,077,977**
Foreigners	620,404	1,557,240	1,156,358	..	6,830,266	7,266,615	**17,430,883**
Total	**1,178,415**	**2,583,020**	**3,173,917**	**1,638,626**	**25,373,512**	**8,199,996**	**42,147,486**
% of foreigners	**52.60%**	**60.30%**	**36.40%**	**-**	**26.90%**	**88.60%**	**41.40%**
Employees in both public and private sectors (2009)							
Citizens	117,682	231,272	294,937	70,873	3,837,968	223,000	**4,775,732**
Foreigners	351,705	1,217,867	897,161	1,191,390	4,310,024	2,914,000	**10,882,147**
Total	**469,387**	**1,449,139**	**1,192,098**	**1,262,263**	**8,147,992**	**3,137,000**	**15,657,879**
% of foreigners	**74.90%**	**84.00%**	**75.30%**	**94.40%**	**52.90%**	**92.90%**	**69.50%**
Revenue (2009)							
Oil and gas revenue ($ millions)	$3,771	$60,359	$11,679	$19,078	$115,845	$47,397	**$258,129**
Total public revenue ($ millions)	**$4,543**	**$64,359**	**$17,551**	**$42,493**	**$135,948**	**$64,093**	**$328,987**
% of oil and gas revenue	**83.00%**	**93.80%**	**66.50%**	**44.90%**	**85.20%**	**74.00%**	**78.50%**
GDP (2009)							
Oil and gas contribution ($ millions)	$4,595.20	$49,466	$19,244.50	$45,419	$161,382.30	$78,579.40	**$358,686.40**
GDP ($ millions)	**$19,318.70**	**$109,481.80**	**$46,865.30**	**$98,313.20**	**$372,633.50**	**$270,334.40**	**$916,946.90**
% of oil and gas to GDP	**23.80%**	**45.20%**	**41.10%**	**46.20%**	**43.30%**	**29.00%**	**39.10%**

**BH: Bahrain, KW: Kuwait, OM: Oman, QA: Qatar, SA: Saudi Arabia, UAE: United Arab Emirates*

..: No data

Source: The authors, based on GCC statistical Bulletin 2011, Human development report 2011, UNDP

Table 3. Financial legislation of selected Arab countries

Country	legislation number	Legislation name	Description
BH	16/2002	Supreme audit law	Establishing the Supreme Audit Commission after amended the Ministerial Order 5/1998 that established standards for governmental accounting and control
BH	39/2002	General Budget law	Regulated budgeting and final accounts procedures, and was subsequently amended by Law 3/2007.
EG	53/1973	State budget law	Organisation of the State budget; some articles of this law were amended by Laws No. 87/2005 and 109/2008.
EG	127/1981	Governmental accounting law	Established the accounting principles and procedures. Some articles were later modified by Law No. 35/2009.
JO	39/1962	State budget law	This law addressed State budget procedures.
JO	3/1994	Financial law	Organised accounting principles and practices
JO	28/1952	State audit bureau law	Establishing State audit bureau law, amended by Laws No. 31/1987, 3/2002 and 18/2007.
KW	31/1978	State budget and final accounts law	Established rules for preparing the State budget and final accounts. Some articles were amended by Royal Decrees 18/2000 and 27/2000
KW	30/1964	Supreme audit law	Establishing the Supreme audit law, this law is still valid today
OM	55/2000	State audit law	Establishing the State Audit Institution, superseding Royal Decree 129/1991. This Law is interpreted in the 2009 manual.
OM	47/1998	Financial law	Determining accounting procedures and practices, the Ministry has issued various manuals, the latest in 2009 under Ministerial Order 118/2008
PS	17/1995	Supreme audit law	Establishing the Supreme audit law Some articles have been amended by 15/2004 on financial and administrative control law
PS	6/1998	State budget and financial affairs law	Regulating public budget and financial affairs

BH: Bahrain, EG: Egypt, JO: Jordan, KW: Kuwait OM: Oman, PS: Palestine
Source: The authors

Table 4. First level degree of compliance with the IPSAS proposed by IFAC

	BH	EG	JO	KW	OM	PS
Balance sheet	0	0	0	0	0	0
Statement of financial performance/ operative statement	1	1	1	1	1	1
Statement of changes in net assets/equity	0	0	0	0	0	0
Statement of cash flow	0	0	0	0	0	0
Accounting practices and financial statement notes	1	1	1	1	1	1
First-level degree of coincidence	**2/5= 40%**	**2/5= 40%**	**2/5= 40%**	**2/5= 40%**	**2/5= 40%**	**2/5= 40%**

BH: Bahrain, EG: Egypt, JO: Jordan, KW: Kuwait OM: Oman, PS: Palestine

Source: The authors

Table 5. Details of items of level 2

		ITEMS	%
1	**BALANCE SHEET ITEMS:** 1.1. Non-financial fixed assets; 1.2. Tangible assets; 1.3. Intangible assets; 1.4. Investments; 1.5. Short and long-term financial assets disclosed separately; 1.6. Receivables; 1.7. Short and long-term receivables disclosed separately; 1.8. Cash and cash equivalents; 1.9. Prepayments; 1.10. Payables; 1.11. Short and long-term payables disclosed separately; 1.12. Borrowing; 1.13. Short and long-term borrowings disclosed separately; 1.14. Current portion of borrowing disclosed separately; 1.15. Provisions; 1.16. Net asset/ equity; 1.17. Current and non-current assets and current and non-current liabilities as a separate classification or in order of liquidity.	**17**	**22.3**
2	**OPERATING STATEMENT ITEMS:** 2.1. Revenue from operating activities; 2.2. Surplus or deficit from operating activities; 2.3. Finance costs; 2.4. Surplus or deficit from ordinary activities; 2.5. Extraordinary items; 2.6. Net surplus or deficit for the period; 2.7. Expenses are aggregated according to their nature, program or purpose.	**7**	**9.2**
3	**CASH FLOW ITEMS:** 3.1. Net use of cash payments arising from operating activities disclosed separately; 3.2. Major classes of gross cash receipts and gross from operating activities disclosed separately; 3.3. Use of net cash payments arising from investing activities disclosed separately; 3.4. Major classes of gross cash receipts and gross from investing activities disclosed separately; 3.5. Net use of cash payments arising from financing activities disclosed separately; 3.6. Major classes of gross cash receipts and gross from financing activities disclosed separately; 3.7. Cash flows associated with extraordinary items disclosed separately; 3.8. Cash flows associated with interest received and paid as operating, investing or financing activities disclosed separately; 3.9. Reconciliation of the amounts in the cash flow statement with the equivalent items reported in the statement of financial position disclosed.	**9**	**11.8**
4	**CHANGES IN NET ASSETS:** 4.1. Net surplus or deficit for the period; 4.2. Each item of revenue and expense, recognized directly in net asset/equity, and total of these items; 4.3. Contributions by owners and distribution to owners, in their capacity as owners; 4.4. Cumulative effect of changes in accounting policy and the correction of fundamental errors; 4.5. The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and movements for the period; 4.6. Reconciliation between the earning amount of each component of net asset/equity at the beginning and end of the period.	**6**	**5.2**
5	**NOTES TO THE FINANCIAL STATEMENTS**		**48.6**
	5.1 Balance sheet backup information.	**17**	
	5.2 Operating account backup information.	**2**	
	5.3 General financial balance sheet backup information.	**19**	
	TOTAL	**76**	**100%**

Source: The authors

Table 6. Second level degree of compliance with the IPSAS proposed by IFAC

	BH		EG		JO		KW		OM		PS	
	Po	TC	Po	TC	Po	TC	Po	TC	Po	TC	Po	TC
2. Compliance with items to be presented on the face of the statement of financial performance (mp = 7)	**4**	**57%**	**5**	**71%**	**5**	**71%**	**3**	**43%**	**4**	**57%**	**4**	**57%**
5. Compliance with information presented in the main sections or in the notes to the financial statements (ms = 37)	**10**	**27%**	**5**	**14%**	**7**	**19%**	**17**	**46%**	**8**	**22%**	**9**	**24%**
5.A Supporting information for the items included in the balance sheet	1		0		1		7		0		1	
5.B Supporting information for the items included in the statement of financial performance	2		2		2		2		2		2	
5.C. Supporting information to the financial statement in general	7		3		4		8		6		6	
Total second-level compliance (m= 76)	**14**	**18%**	**10**	**13%**	**12**	**16%**	**20**	**26%**	**12**	**16%**	**13**	**17%**

BH: Bahrain, EG: Egypt, JO: Jordan, KW: Kuwait OM: Oman, PS: Palestine, Po: points obtained, TC: total compliance, m: maximum number of items that could be obtained in all financial statement.
Source: The authors

Annex 1. Second level degree of compliance with the IPSAS proposed by IFAC

Country	BH	EG	JO	KW	OM	PS
2. Items to be presented on the face of operating statement						
2.1. Revenue from operating activities	1	1	1	1	1	1
2.2. Surplus or deficit from operating activities	0	1	1	0	0	0
2.3. Finance costs	1	1	1	0	1	1
2.4. Surplus or deficit from ordinary activities	0	0	0	0	0	0
2.5. Extraordinary items	0	0	0	0	0	0
2.6. Net surplus or deficit for the period	1	1	1	1	1	1
2.7. Expenses are aggregated according to their nature, program or purpose for which they were made	1	1	1	1	1	1
Total minimum IPSAS requirements for the operative statement fulfilled by the country	**4**	**5**	**5**	**3**	**4**	**4**
Second-level of compliance of the operating statement	**57%**	**71%**	**71%**	**43%**	**57%**	**57%**
5. Information presented in the main section or in the notes to the financial statements						
5.A. Supporting information for the items included in the balance sheet (further sub-classifications of line items included):						
5.1. Tangible assets shows separately:						
5.1.1. Land and buildings	0	0	0	1	0	0
5.1.2. Plant and equipment	0	0	0	1	0	0
5.1.3. Infrastructure assets	0	0	0	1	0	0
5.1.4. Accumulated depreciation	0	0	0	0	0	0
5.2 Net assets/equity shown separately:						
5.2.1. Reserves	0	0	0	1	0	0
5.2.2. Accumulated surpluses/deficits	0	0	0	0	0	0
5.2.3. Capital contributed by other government entities	0	0	0	0	0	0
5.3. Intangible assets	0	0	0	0	0	0
5.4. Investments	0	0	0	1	0	0
5.5. Receivables	0	0	0	0	0	0
5.6. Cash and cash equivalents	0	0	0	1	0	0
5.7. Prepayments	0	0	0	0	0	0
5.8. Payables	0	0	0	0	0	0
5.9. Provisions shown separately						
5.9.1. Employee benefits	0	0	0	1	0	0
5.9.2. Other provisions	0	0	0	0	0	0
5.10. Borrowing	1	0	1	0	0	1
Total section A	**1**	**0**	**1**	**7**	**0**	**1**
5.B. Supporting information for the items included in the operating statement:						
5.11. A sub-classification of total revenue	1	1	1	1	1	1
5.12. An analysis of expenses using a classification based on either the nature of expenses or their function within the entity	1	1	1	1	1	1
Total section B	**2**	**2**	**2**	**2**	**2**	**2**

5.C. Supporting information to the financial statement in general:						
5.13. Cross-referenced to any related information in the notes	1	0	0	0	1	1
5.14. Measurement basis used	1	0	0	0	0	1
5.15. Specific accounting policy on:						
5.15.1. Revenue recognition	1	0	0	0	0	1
5.15.2. Consolidation principles	1	0	0	0	0	1
5.15.3. Investments	1	0	0	1	0	0
5.15.4. Recognition and depreciation/amortization of tangible and intangible assets	0	0	0	1	0	0
5.15.5. Capitalization of borrowing costs and other expenditure	1	1	1	1	1	1
5.15.6. Construction contracts	0	0	1	1	1	0
5.15.7. Investment properties	1	0	0	1	1	0
5.15.8. Financial instruments and investments	0	0	0	0	0	1
5.15.9. Employee benefit cost	0	1	1	1	1	0
5.15.10. Research and development costs	0	1	1	1	0	0
5.15.11. Provisions	0	0	0	0	0	0
5.15.12. Foreign currency translation and hedging	0	0	0	1	1	0
5.15.13. Inflation accounting	0	0	0	0	0	0
5.16. The cash not available for use by the economic entity	0	0	0	0	0	0
5.17. Contingencies not included in the balance sheet	0	0	0	0	0	0
5.18. Commitments not included in the balance sheet	0	0	0	0	0	0
5.19. Non-financial information not included in the balance sheet	0	0	0	0	0	0
Total section C	**7**	**3**	**4**	**8**	**6**	**6**
Total minimum IPSAS requirements for the notes to financial statements fulfilled by the country	**10**	**5**	**7**	**17**	**8**	**9**
Second-level of compliance of the notes to the financial statements	**27%**	**14%**	**19%**	**46%**	**22%**	**24%**
Total Items	**14**	**10**	**12**	**20**	**12**	**13**
Total second level compliance	**18%**	**13%**	**16%**	**26%**	**16%**	**17%**

BH: Bahrain, EG: Egypt, JO: Jordan, KW: Kuwait OM: Oman, PS: Palestine
Source: The authors.

CAPITULO 3

ADMINISTRATIVE REFORMS TO GOVERNMENTAL FINANCIAL INFORMATION SYSTEMS IN GCC COUNTRIES: THE CASE OF QATAR

Abstract
Gulf Cooperation Council countries are seeking to develop their governmental financial information systems to make them more informative and transparent. The aim of this article is to determine the extent to which Qatar has developed its governmental financial information systems in response to the enormous degree of economic and administrative development in recent decades, and to identify the most important factors that have influenced the reforms made in this area. For this purpose, we referred to Lüder's Financial Management Reform Process Model (2001) and carried out semi-structured interviews with governmental accounting officials in Qatar in June 2011.

Keywords*:* Financial reform, FMR model, GCC, GFS 2001, IFAC, IPSAS, public financial information, Qatar, transparency

1. Introduction

The transparency of governmental financial information has long been an area of interest to international organizations, including the International Monetary Fund (IMF) and the International Federation of Accountants (IFAC). In 2000, IFAC, via the International Public Sector Accounting Standards Board, published and recommended the adoption of International Public Sector Accounting Standards (IPSAS) to ensure the highest quality of public sector financial information.[1] In 2001, the IMF updated its Government Finance Statistics (GFS) Manual, first published in 1986.[2] The IMF recommends all countries to follow the GFS Manual, but especially developing countries, in order to enhance the transparency of their governmental accounting reports and to harmonize such reporting worldwide.[3] In response, many countries have sought to make their financial information systems more informative, efficient and transparent, and important reforms have been implemented in this respect.[4] [5] [6]

In recent decades, the Gulf Cooperation Council (GCC) countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates – have come to be the richest and most developed in the Middle East.[7] At the same time, important administrative reforms have been made to address changes in their socio-economic and political systems. Among the GCC members, Qatar is one of the richest countries in the world, with a Gross National Product per capita in 2010 of US$79,492.[8]

In terms of governmental financial information, while considerable research has been carried out with respect to Anglo-Saxon and European countries, very little has been reported concerning the GCC countries in general and Qatar in particular.[9]

The aim of this paper, therefore, is to contribute new data, by describing the reforms introduced in GCC countries with respect to their financial information systems, and analyzing the impact of these changes.

Accordingly, we first provide an overview of recent reforms in accounting laws and procedures in the GCC countries, with special attention to Qatar and focusing on the most important factors affecting reforms to its governmental financial information system. We then present the results of our analysis, and in the final section, some conclusions are drawn.

2. Modernization of governmental economic information systems

International financial organizations and professional accounting institutions promote the development and adoption of international accounting standards which to a large extent are based on the Anglo-American accounting tradition.[10] Countries are recommended to adopt new accounting/statistical standards and techniques in order to increase transparency and to enhance the management of national public finances and the quality of financial reporting to international agencies, all of which are considered as goals to be achieved in the modern public sector.[11] Current approaches to the modernization of public sector accounting are based on the adoption of IPSAS, the GFS Manual and/or accrual-basis accounting.

There are many differences between IPSAS and the GFS Manual (see Table 1), but both encourage countries to adopt the accrual basis of accounting. The GFS Manual recommends governments to prepare four financial statements: a statement of government operations, a statement of other economic flows (revaluations), a balance sheet and a statement of sources and uses of cash.[12] On the other hand, according to

IPSAS 1 and 2, financial statements should include the following: a statement of financial position (i.e. a balance sheet or statement of assets and liabilities), a statement of financial performance, a statement of changes in net assets/equity, a cash flow statement, a clarification of accounting policies and notes to the financial statements.

[*Table 1 here*]

Under the GFS approach, separate reports should be published for the general government sector, the financial public corporation sector and the non-financial public corporation sector. Consolidations are encouraged but not required, and these statistical reports should facilitate economic analysis. IPSAS reports are standards for general purpose financial reports, concerning the financial performance and position of an economic entity, taking into consideration all assets, liabilities, revenues and expenses. Therefore, full consolidation of all entities controlled is required.

Over the last decade, a set of IPSAS have been developed to support reforms in the area of governmental accounting, with particular attention to the accrual basis of accounting and to ensure that governmental financial reports include information of sufficient quality to support decision-making.[13] [14]

IPSAS are important stimuli for harmonizing financial information in the public sector, and it is unlikely that any country would refuse to introduce them, even if not created within a given country or by a given agency.[15] They are designed to facilitate the generation of high quality, internationally comparable government financial reports.[16] Thus, governments are encouraged to present high-quality financial information and thereby improve financial transparency and accountability.[17] In summary, IPSAS constitute a series of high quality guidelines concerning accountancy and the publication of financial reports by the public sector.[18]

Calls for radical improvements in public sector performance have resulted in a global wave of organizational, managerial and accounting reforms in the public sector, aimed particularly at enhancing accounting and financial reporting beyond cash considerations alone.[19] [20] [21]

Various countries have adopted financial accounting reforms at one or more levels of the public sector, replacing or transforming their traditional cash accounting methods into systems that support accrual, with the aim of increasing financial accountability and transparency and improving the measurement of government sector performance.[22] One of the main aspects of the reforms is represented by the change in governmental accounting systems, with the adoption of the accrual basis for accounting, control systems and management.[23] [24] Nevertheless, the IFAC does recognize two accounting bases other than accrual and cash, namely the modified cash basis and the modified accrual basis.[25] [26] [27]

The main goal of introducing accrual accounting into the public sector is to achieve a more transparent, effective and informative system.[28] [29] Moreover, this methodology helps improve the quality and consistency of the information provided to decision makers, and holds managers accountable for matching the cost incurred with the results achieved.[30] [31] The accrual basis of accounting offers more than the cash basis in terms of both quantity and quality, and thus it is not surprising that most developed countries have now introduced forms of accrual basis accounting in their public sectors as part of an overall public sector reform.[32] [33]

3. Reforms to governmental financial information systems in GCC countries

The nature, development and implementation of a governmental financial information system is influenced by its background, namely the history, culture, economy, legal system and laws of the country in question.[34] Thus, in order to analyze and evaluate such a system, we must first obtain a general view of its most important contextual variables.

The governmental financial reporting system of Qatar should be evaluated in the context of GCC region. The GCC is a regional organization situated in the Persian Gulf. It was created on 25 May 1981 by six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The GCC member countries share a common socio-political history; Islam is the official religion of all and Arabic their official language. In terms of socio-economic indicators, these countries are the richest in the Middle East, having undergone extreme poverty until fifty years ago.[35] Their main source of wealth is oil, and a considerable number of foreign workers are employed.[36] These countries have been transformed in recent decades, with diverse laws being passed to reform their political, economic and financial systems in accordance with their new socio-economic status.

In Oman, the first financial law was issued in 1982 as Royal Decree 56/1982, subsequently amended by Royal Decrees 47/1998 and 74/1999. According to Articles 6-9 of Royal Decree 47/1998, the Ministry of Finance (MOF) is responsible for establishing accounting procedures and practices; it has issued various manuals, the most recent of which was in 2009. The State Audit Institution of Oman was established by Royal Decree 55/2000. Under these laws, no consideration is given to adopting IPSAS or to adapting them to the local environment.

In Bahrain, important administrative changes and major reforms have been implemented, through the issuance of rules and laws, such as Decree 1/1975, on the rules for preparing the State Budget, subsequent monitoring and final accounts; Law 16/2002 on establishing and controlling the Supreme Audit Commission; and the General Budget Law 39/2002, organizing budgeting and final accounts procedures. The latter has since been amended by Law 3/2007. In 2002, the MOF issued the manual of fixed assets systems, and in 2006, its Standardized Financial Manuals were published. As in the case of Oman, under these laws no consideration is made of adopting or adapting IPSAS.

The United Arab Emirates (UAE) became independent on 2 December 1971, and in 1973 its first financial law was issued, namely Law 14/1973 on the rules for budgets and final accounts. This was later amended by Law 23/2005, and interpreted by Ministry Decision 184/2006. In 2011, it was again amended, by Law 8/2011. The State Audit Institution of the UAE was established in 1976 by Law 7/1976, later amended by Law 36/2001. Under these laws, no consideration is given to adopting or adapting IPSAS.

In Saudi Arabia, the accounting system is governed by a detailed body of instructions and rules, established by Royal Decrees and ministerial decisions. In 2004 Ministry Order 235/2004 was issued to develop the governmental accounting system. A committee was established for this purpose, and the project is now under external consultation. The governmental accounting system is applied by all ministries, committees and governmental institutions, and special accounting standards are applied through specific instructions and rules. Under these laws, no consideration is given to adopting or adapting IPSAS.

In Kuwait, Royal Decree 1/1960 was issued to organize the rules for preparing the state budget, for control procedures and for the preparation of final accounts. This Royal Decree was later repealed and replaced by Royal Decree 31/1978, which remains in force today, slightly amended by Royal Decrees 18/2000 and 27/2000. In 2004, the MOF consulted IMF experts on the preparation of a project to modernize the governmental accounting information system, and work began in 2008. The scheduled duration is four years, and thus by the conclusion of the final stage, in December 2012, the IPSAS are expected to be adopted.

In Qatar, the first law on the State Audit Bureau, Law 5/1973, was issued in 1973. This was superseded in 1995 by Law 4/1995, and in 1998 Decision 13/1998 was issued, establishing the responsibilities of the administrative units within the State Audit Bureau; this was amended in 2002. In 1989, State Budget Law 5/1989 was passed; this was the first law to regulate the State Budget and the organization of the final accounts. In 2009, Law 9/2009 was issued amending some provisions of Law 5/1989.

The Qatari Ministry of Economy and Finance (MOEF) recently proposed a plan to reform and develop the governmental accounting information system, by adopting IPSAS with the aim of improving governmental transparency in accounting reports. The adoption of IPSAS is also expected to improve statistical reports through the full implementation of the IMF GFS Manual (in 2005 Qatar started reporting to the IMF, in accordance with the GFS Manual, and an IMF follow-up mission in 2007 reported major improvements and significant progress). The adoption of IPSAS is expected to be accomplished in the accounting period 2013-2014 (the accounting period in Qatar runs from 1 April to 31 March). In this respect, the MOEF hired the consultants Deloitte &

Touche to advise on the adoption of the full accrual basis of accounting, via a new MOEF department called Fixed Assets Management.

Thus, in recent decades, governmental financial information systems in the GCC countries have been reformed and developed, and regulatory and administrative procedures have been adapted to improve efficiency, effectiveness, transparency and responsibility. Oman, Bahrain, the UAE and Saudi Arabia do not consider it necessary to adapt or adopt IPSAS in their governmental accounting systems, but Kuwait and Qatar consider it important to adopt these international standards. Thus, Kuwait initiated its plan to adopt IPSAS in 2008, and this project will be accomplished in December 2012, while Qatar recently began its plan for the full implementation of IPSAS, which will be achieved by 2013-2014. We now make a detailed study of the Qatari case, in view of its recent adoption of this plan, and in view of the absence of previous studies in this respect.

Taking into account the wave of international public sector reforms, based on the IPSAS and the GFS Manual, in the next section we consider Lüder's financial management reform process (FMR Model), and use this to discuss the development of Qatari legislation regarding the governmental financial information system.[37]

4. Innovation and reform in governmental accounting

Governments introduce innovations in their structures, practices and capabilities, and in the way in which human capital, financial information, technology and financial resources are applied to provide better services to citizens and to achieve their objectives.[38] [39] An appropriate accounting system, structured to effectively manage public resources, can help governments achieve these objectives and benefit citizens.[40]

According to the network Comparative International Government Accounting Research (CIGAR), Lüder's contingency model of governmental accounting innovations has been used as a framework for analyzing the development of governmental accounting in many countries.[41, 42, 43]

Political change is a major factor in the innovation process.[44] In analyzing this process, we must address not only the context in which it begins and ends, but also the variables that affect the internal process of the development of innovation in accounting, as indicated in the comments made on the Contingency Model.[45, 46, 47]

Lüder's contingency methods have been used (and modified) in many studies, including Godfrey et al. (1996), Jaruga and Nowak (1996), Budäus and Buchholtz (1996), Yamamoto (2000), Pallot (1996), Chan et al. (1996), Montesinos and Vela (1996) and EI-Batanoni and Jones (1996).[48, 49, 50, 51, 52, 53, 54, 55, 56, 57] Furthermore, in 2001 Lüder adapted his own contingency model in the form of the FMR Process Model.[58] These modifications were aimed at enabling application of the method to other countries with different environments, or were required due to the absence of certain factors.

Lüder's FMR Process Model includes various contextual variables to characterize the institutional organization of a country. It corrects the contingency model's emphasis on context and provides a feedback mechanism to relate the attitudes and behaviour of the key actors in the process with the final results. Thus, it addresses the possibility that the reform process might be carried out in several stages. This model aims to shed light on the process by which innovations are generated in governmental accounting.

The FMR Process Model (Figure 1) consists of two contextual variables (stimuli and institutional arrangements), three behavioural variables (drivers of reform, promoters of political reform and stakeholders) and two instrumental variables (the concept of reform and implementation strategy).

[Figure 1]

Stimuli are defined as events that occur prior to the innovation stage of accounting and which generate the need for more informative accounting information. Examples of stimuli include economic crisis, corruption or dominant doctrine within the government. On the other hand, drivers of reform are institutions and professionals in the field, such as government commissions, professional associations, academic and standard-setting bodies, at the national or international level.

Promoters of political reform may include the Minister of Finance, parliamentarians and other political actors with the ability to initiate reform and the power to enforce it. Institutional arrangements are the social structural variables (political and administrative) and barriers to implementation that may influence the legal or regulatory system, such as the state structure, the administrative structure, the qualifications of the personnel involved and the national culture (political, social and administrative). Stakeholders are those institutions or individuals who are affected by the reforms and whose condition is not that of drivers of reform or promoters of political reform; this category includes citizens, parliament, departments or administrative agencies and statistical offices.

Finally, in terms of instrumental variables, it is important to note that the mode in which reform is implemented will affect its degree of success or failure, as well as the presence or absence of deviations between the concept and results of the reform. This process could be affected, for example, by the particular implementation strategies used, i.e. whether it is more or less participatory, whether one or more phases are involved, and whether the training policy is followed. Innovations in governmental accounting are more likely to succeed if conditions are favourable: the existence of at least one stimulus, of strong political competition and of users who demand a more informative accounting system, the influence of private sector accounting on staff training, an administrative culture prepared to accept change and an absence of barriers to implementation.[59]

5. The development of the governmental accounting information system in Qatar

5.1 Historical development

The first period, pre-independence, from 1940 to 1972, under Emir Ahmed bin Ali al-Thani

Oil was discovered in Qatar in 1940, but it was not until 1949 that the first export shipment was made. Between 1940 and 1970, oil production gradually increased to constitute a large scale industry. With the growth of the economy, Qatar developed considerably and implemented a modern financial and managerial system. In 1960, the first Ministry of Finance and Petroleum (MOFP) was established, under an Emeri decree issued on 5 November 1960. This Decree also regulated public financial management procedures to deal with all government matters of a financial or administrative nature.

In 1962, Law 2/1962, organizing fiscal policy in Qatar, was issued. Article (11) gave the Minister of Finance the authority to prepare a complete plan for fiscal policy, to be submitted to the Emir for approval. Law 2/1962 did not specify the accounting principles to be followed, but left them to be decided by the MOFP. According to its Article (11), the Minister is responsible for issuing financial regulations and taking the necessary decisions for the preparation of the state budget as well as the final accounts.

Law 2/1968 regulated the management of government stocks, by the Department of Government Stocks. In 1970, Law 5/1970 specified the responsibilities of the ministries and government agencies, and assigned the following to the MOFP: preparation of State financial policies, including a plan for public spending, financing methods and investment programmes; preparation of the draft State budget and its submission to the Council of Ministries for approval; monitoring the implementation of the budget; preparation of the final accounts of the State. Under Law 2/1968 the MOFP was responsible for preparing the draft financial regulations for the State budget and final accounts, and for the interpretation and application of these regulations.

Second period, the period of independence, from 1972 to 1995, under Prince Hamad bin Khalifa al-Thani

This period was characterized by an increase in the number of ministries to 17 and by an increase in the number of members of the Consultative Council to 19. Qatar’s first budget law was issued, and the first State Audit Bureau was established, to audit the performance of government ministries and agencies and to examine whether expenses were in accordance with the budgeted amounts. With respect to financial management, government functions and services expanded and revenues from oil and gas production increased.

In 1973, the State Audit Bureau was established by Law 5/1973. This is an independent body that monitors State funds, oversees all ministries and state institutions, and is directly responsible to the Emir. Its staff must hold a university degree in accounting, business, economics or law. The main responsibility of the State Audit Bureau is to audit the final accounts, of which one copy is sent directly to the Emir and another to the MOFP.

In 1989, State Budget Law 5/1989 was passed. This was the first law to regulate the affairs of the State Budget and to organize the final accounts. This Law assigned responsibility for preparing the executive regulations to the Minister of Finance. Previously, financial and accounting affairs had been subject to Laws 2/1962 and 5/1973 mentioned above, and to a series of ministerial decisions and instructions.

Law 5/1989 established that the fiscal year should begin on 1 April and end on 31 March. This Law also regulated administrative procedures and the system for approving the State Budget for ministries and other governmental organisations. According to Law 5/1989, each ministry and governmental organisation must submit its budget to the MOFP for approval, after which a consolidated budget is prepared and presented to the Council of Ministers and to the Consultative Council for their approval. Finally, it is presented to the Emir, who takes the final decision regarding its approval.

During the preparation of the final accounts report, each ministry prepares its own final accounts and sends them to the MOFP, which prepares the consolidated final account report and sends one copy directly to the Prince and another to the State Audit

Bureau. This body then issues its report and sends it to MOFP, with a copy to the Emir, who ultimately decides whether it should be adopted. This Law does not require the final account report to be sent to the Council of Ministers or to the Consultative Council.

In 1995, at the proposal of the State Audit Bureau, and following submission of the draft law by the Council of Ministers, after reference to the Consultative Council, Law 4/1995 on the State Audit Bureau was issued, repealing Law 5/1973. This Law set out detailed specifications of organisations subject to control, and added private companies in which Qatar held over 51% of the share capital. Auditing responsibilities for the Ministries of Defence and the Interior were reduced. After the issuance of the final accounts report by the MOFP, this was to be audited by the State Audit Bureau which would then send one copy to the Emir and another to the MOFP. Neither the Council of Ministers nor the Consultative Council were to receive a copy.

The third period, one of economic prosperity, from 1995 to the present, under Prince Hamad bin Khalifa al-Thani

Since assuming power, Emir Hamad has contributed to the development of Qatar in all aspects – economic, scientific, social, sport, etc. Moreover, he has supported the Qatar stock market, and expanded national investments. Nevertheless, little attention has been paid to developing accounting legislation and systems. With respect to financial and accounting policies, the only legislation has been Emeri Decision 13/1998, amended in 2002, which determined the responsibilities of the administrative units in the State Audit Bureau.

In 2005, Law 11/2005 was issued, concerning the organization of the MOFP and the delimitation of its responsibilities. In 2009, Law 9/2009 was issued, amending some articles of Law 5/1989, at the proposal of the Minister of Finance and Economy, following the draft law submitted to the Council of Ministers and its approval by the Consultative Council. These two laws focused on the amendments under which the Council of Ministers should review and approve the State Budget, but not the final accounts report; the amendments did not include accounting-related content. Moreover, under Law 9/2009, the name of the ministry was changed from MOFP to MOEF.

5.2 Evaluation of governmental accounting information systems in Qatar

As explained above, financial and accounting legislation in Qatar, especially in recent times, has been insufficient. The Government has addressed many procedures, but little attention has been paid to the accounting system; in particular, no new law has been issued regarding governmental accounting, nor has any implementing regulation been adopted concerning the old laws. Nevertheless, the MOEF recently initiated a plan to adopt IPSAS, without a specific legal reference for this action.

In 2001 the MOFP, in conjunction with the State Audit Bureau and the legislative authority, began work on new Financial Regulations of the State, with a committee for this purpose being formed by the MOFP, University of Qatar and the State Audit Bureau. This resulted, in 2001, in the publication of a draft document, which included an account tree and an Executive Guide, and a description of practices until 2001, with proposed additions and modifications to create a basic legal reference for governmental accounting practices. However, legislative approval of this draft was not obtained, despite its full implementation following the date of issue.

Currently, the accounting system in Qatar is governed by a set of mostly unwritten procedures that have been developed by the staff in charge of governmental accounting, in the performance of their duties and responsibilities in the MOEF and the State Audit Bureau. These procedures and understandings are known and accepted within the MOEF, but exist without having being issued as a law or implementing regulation.

Recently, as mentioned above, the MOEF undertook a plan for the full implementation of IPSAS, which is expected to be accomplished by the accounting period 2013-2014. In the next section, we explain how this process has been influenced by different factors.

6. Factors affecting the development of governmental financial information in Qatar

Figure 2 illustrates the factors affecting the development of the governmental financial information system.

[Figure 2]

6.1 Stimuli

The oil and gas boom have fuelled economic development in Qatar, and this is considered one of the most important stimuli in the development of the governmental accounting information system. There is no domestic political influence, as political parties are banned, but the IMF has urged reform of the governmental accounting information system, and the adoption of regulations to prepare for IPSAS, as well as the use of the GFS Manual for statistical purposes. Although Qatar does not depend on donor assistance, the use of the GFS Manual is justified in that this approach helps the IMF determine the proportion of Qatar's contribution to the financial support of other countries; it also helps determine Qatar's classification by rating agencies and contributes to the international harmonization of its accounting procedures.

6.2 Drivers of reform

In Qatar, no contribution is made by Standard Setting Bodies to the development of governmental accounting systems, but there is a clear effect of the State Audit Bureau and of associations such as the Qatari Association of Certified Public Accountants. The latter have organized a series of conferences and workshops related to governmental accounting, and the State Audit Bureau has proposed amendments to accounting laws and procedures. Furthermore, the MOEF has hired the consultants Deloitte & Touche to advise on the adoption of IPSAS.

No clear impact is made by the Council of Ministers and the Consultative Council in the development of the governmental accounting information system. Their role is to receive laws and regulations for discussion and approval, in the knowledge that their views are merely advisory and that all initiatives are ultimately referred to the Emir for his approval.

6.3 Institutional arrangements

The administrative system in Qatar is characterized by its high degree of centralization; the State is an Emirate, and all executive powers reside in the Emir. This circumstance has tended to hamper the development of the governmental accounting information system in Qatar, although both the legal system and the state structure could sponsor innovation if there is no objection from the Emir. Nevertheless, the prevailing culture of public confidence in the Emir and non-interference in government policies impedes the development of the governmental accounting information system.

6.4 Stakeholders

Citizens do not have any role in reforms to the governmental accounting information system nor in enhancing transparency. However, interest is expressed through conferences and seminars organized by accounting associations, which send their recommendations to the Ministry of Finance and publish them in specialist journals.

As mentioned earlier, the Consultative Council only advises on proposals, and their view is non-binding. In the MOEF, interest in the development of the governmental accounting information system has been highlighted by the employment of Deloitte & Touche regarding the adoption and full implementation of IPSAS.

6.5 Implementation strategy

The MOEF is committed to developing the governmental accounting information system of Qatar. Nevertheless, implementation will be gradual, culminating in the accounting period of 2013-2014. Let us recall the previous experience of Qatar in the adoption and implementation of accrual basis accounting. This began in 2008, but was interrupted due to problems that arose during the implementation, including a lack of professional skills among ministry staff. This lack of adequate training, and the fact that the MOEF depended on central policies in the field of governmental accounting, were major reasons for the hiring of Deloitte & Touche.

7. Conclusions

The accounting legislation reforms in the GCC countries remain inadequate. Oman, Bahrain, UAE and Saudi Arabia are still using the modified cash basis, and appear to have no clear plans to adopt accrual basis accounting, despite the amendment of accounting laws in response to economic development. The cases of Kuwait and Qatar are somewhat different. In 2008 Kuwait initiated a plan aimed at the adoption of the full accrual basis of accounting, with the adoption of IPSAS within the governmental accounting system; this is expected to be accomplished by the end of 2012. And Qatar recently undertook its own plan to adopt IPSAS.

In analyzing the case of Qatar, we divided the development of the governmental accounting system into three periods according to the leadership of the country. In the first period, the Ministry of Finance was established and the first financial law issued, in which all responsibilities for developing the accounting system were assigned to the Minister of Finance.

In the second period, Qatar developed its accounting system, issued the first state budget, and established the State Audit Bureau. Various laws regarding governmental accounting to meet Qatar’s needs for development and expansion were amended or issued.

By the third period, Qatar had become highly developed and was the richest country in the Middle East. Little attention was paid to updating its accounting laws, but nevertheless the governmental accounting system was reformed and developed, but without any new legislation in this respect. Qatar uses the modified cash basis of accounting, but has recently initiated plans to adopt IPSAS.

With respect to the contingency model, factors facilitating innovation in the Qatari governmental accounting system include the following:

Contextual variables: the economic crisis and the need for public sector reforms underlie the adoption of IPSAS, while the legal system and the State structure are favourable to innovation within the governmental accounting system.

Behavioural variables: professional associations, audit institutions and consulting firms are considered to be drivers of reform and to favour innovation in the governmental accounting system. On the other hand, promoters of political reform and stakeholders are considered unfavourable to innovation and reform.

Instrumental variables: Qatar's strategy to implement IPSAS and the GFS manual is a main priority for the MOEF. A multistep reform process will be implemented.

8. Notes

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Table 1 Summary of the main differences between GFS and IPSAS	
GFS	**IPSAS**
Objectives	
Evaluate economic impact: Government finance statistics are used to analyze and evaluate fiscal policy options, determine the impact on the economy, and compare outcomes nationally and internationally. The GFS reporting framework was developed specifically for the public sector input to national and international accounts, noting that a range of countries use GFS for their ex post and ex ante fiscal reporting.	**Evaluate financial performance:** General purpose financial statements are used to evaluate financial performance, inform decision-making and to demonstrate accountability.
Reporting Entity	
Institutional units and sectors: The statistical reporting unit is an institutional unit, defined as an entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities in its own name. The reporting entity may be an institutional unit or a group of institutional units. The scope of the reporting entity is not necessarily determined by the notion of control.	**Economic entity and consolidation:** The reporting unit for financial statements is an economic entity, defined as a group of entities and one or more controlled entities. Control is the main criterion that determines consolidation. The focus of financial reporting is primarily on individual groups of controlled entities.
Recognition Criteria	
Economic events recognized: Government finance statistics recognize economic events that have occurred in the past – most provisions are therefore not recognized, but exposures such as explicit guarantees are disclosed as memorandum items.	**Past events with probable outflows recognized:** IPSASs recognize liabilities, including provisions, when: ▪ A past economic event has taken place, ▪ The amount can be reliably estimated, and ▪ Future outflows are probable. If not recognized as a liability, the event may still be disclosed in the notes to the financial statements as a contingent liability.
Valuation (Measurement)	
Market prices: Market prices are used for all flows, and stocks of assets/liabilities, but there is allowance for alternative valuations where an active market does not exist.	**Fair value and cost:** Fair value is used for marketable financial instruments. Either fair value or historic cost is used for other assets and liabilities. Where an entity reports an item using historic cost, IPSASs often encourage disclosure of fair value if there is a material difference between the reported cost and the item‘s fair value.
Revaluations and Value Changes	
Record all revaluations and changes in volume in the Statement of Other Economic Flows: Separating all other economic flows is useful for fiscal analysis, given that these do not represent fiscal policy decisions directly in control of government.	**Make distinction between realized and unrealized gains and losses:** Some losses or gains due to revaluations or changes in volume of assets are reported in the Statement of Financial Performance, while others are reported directly in the Statement of Changes in Net Assets.
Source: IFAC (2011) GFS Links with International Public Sector Accounting Standards. New York: IFAC.	

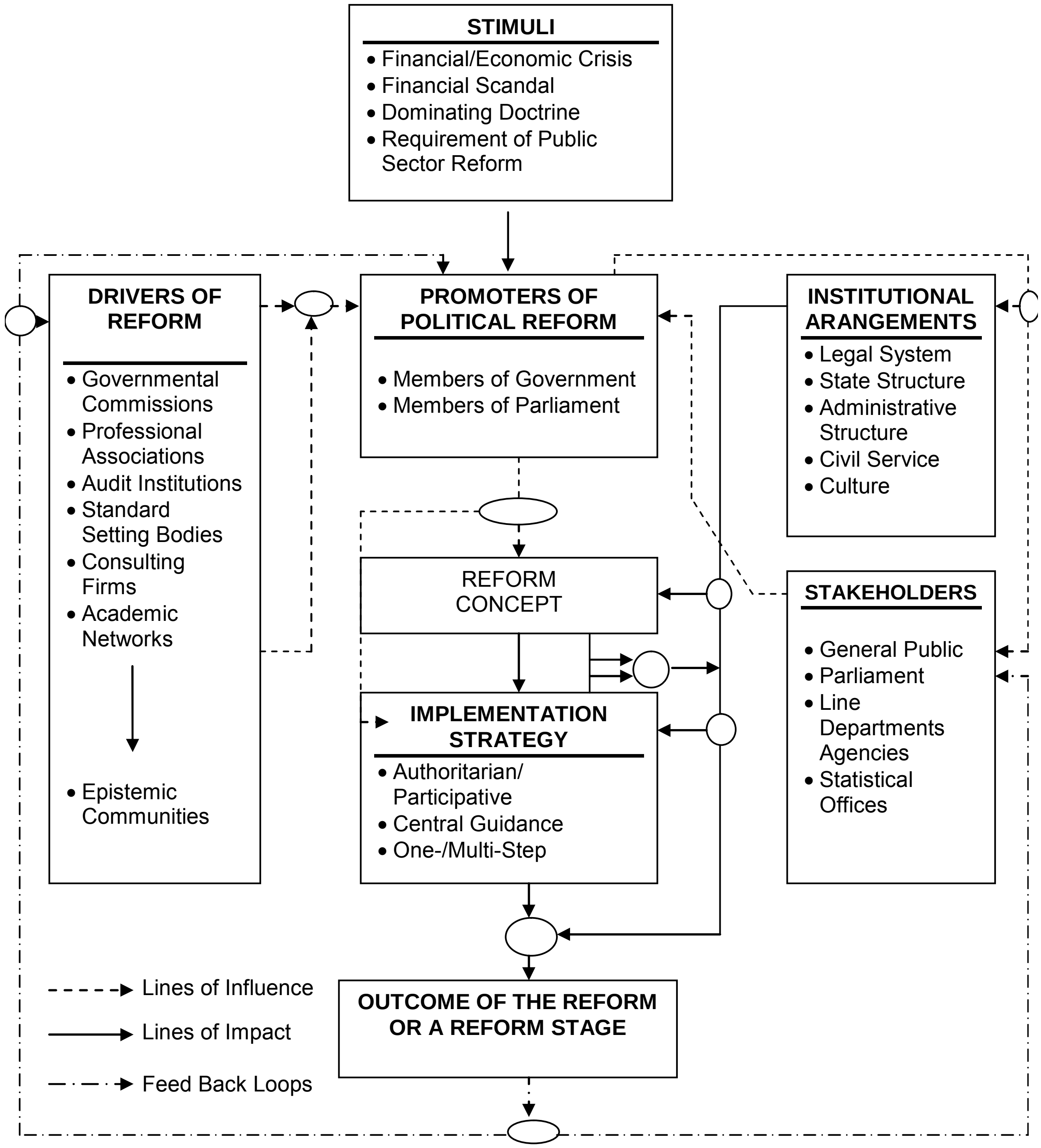

Figure 1. Financial management reform process model (FRM model)
Source: Lüder (2001)

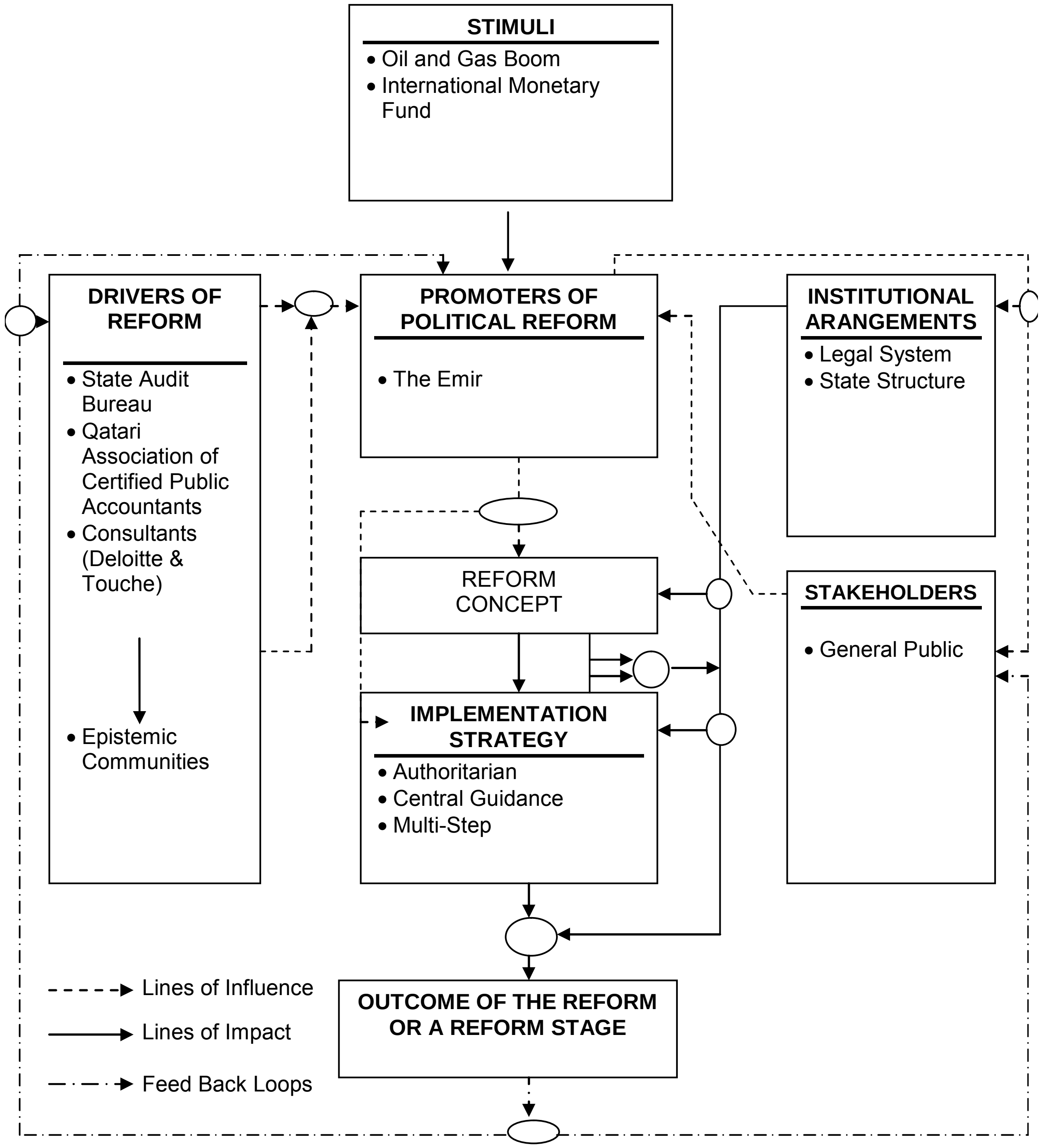

Figure 2. Financial management reform process model of Qatar
Source: The authors

CAPITULO 4

THE TRANSPARENCY OF GOVERNMENT FINANCIAL INFORMATION SYSTEMS IN ARAB COUNTRIES: EVIDENCE FROM PALESTINE

Abstract
Governments, researchers and international organizations are paying increasing attention to the issue of reforms in governmental financial reporting. Arab countries in general, and Palestine in particular, are working to develop their governmental financial information systems to make them more informative and transparent. This paper examines the extent to which Palestine has developed its governmental financial information system and analyses the most important factors underlying financial transparency. An analytical methodology is applied, using Lüder's Financial Management Reform Process Model (2001).

Keywords*:* Financial reform, FMR model, GCC, IFAC, IPSAS, public financial information, Palestine, transparency

1. Introduction

During the last three decades, transparency in the management of public funds has been one of the most sensitive and critical issues for governments and international organizations, as well as among academic researchers and the general public, in both developed and developing societies. Governments of all colours have sought to develop their financial information systems to make them more informative, efficient and transparent, and important reforms have been implemented in this respect. [1,2,3]

It is generally accepted that the financial information compiled and provided by governments must be reliable, timely, comparable and transparent. The term transparency has been widely used in the press in discussing issues such as the reliability of financial reports, corruption, inadequate disclosure and the accounting methods used. [4]

Organizations like the International Monetary Fund (IMF), the World Bank and the International Federation of Accountants (IFAC) have contributed to enhancing financial transparency. Since 2000, the International Public Sector Accounting Standards Board of the IFAC has published its International Public Sector Accounting Standards and recommended their adoption to ensure the highest quality of public sector financial information. [5]

During the last decade, great efforts have been made by researchers worldwide in the field of financial transparency. This is especially so in Anglo-Saxon and European countries, but relatively little attention has been paid in this respect to Arab countries in general [6] and to Palestine in particular.

Accordingly, the present paper aims to contribute to a better understanding of financial transparency in Arab countries. We believe it is important to contextualise this study, by carrying out a review of the legislative reforms that may influence financial transparency in the countries in this geographic area. Two groups of countries were selected: the first group consisted of the only Gulf Cooperation Council countries that publish year-end accounting reports, namely Oman, Bahrain and Kuwait. These are wealthy, oil-producing countries and therefore face no pressure from donors to improve transparency. The second group of countries consists of Jordan, Egypt and Palestine, all of which receive significant quantities of international aid.

Among these aid-recipient countries, the case of Palestine warrants special attention, not only because of the financial reporting requirements imposed by funding agencies and donor countries, but also in view of its unique social, economic and political situation. Moreover, since the Oslo Accords of 1993, Palestine has been immersed in a radical redesign and configuration of its public sector.

We first provide an overview of recent reforms in accounting laws and procedures in above-mentioned Arab countries, with special attention to Palestine and focusing on the most important factors underlying the reforms made to its governmental financial information system, with a view to promoting financial transparency. We then present the results of our analysis, and in the final section, some conclusions are drawn.

2. Public sector reforms to enhance financial transparency

In recent years, many countries have made public sector reforms. The governments which are most successful in this respect benefit themselves and their countries, achieving more efficient governance, greater transparency and increased public confidence, and provide a better public service.[7]

Researchers have studied various aspects of financial transparency and of governmental financial reforms[8], examining the underlying factors and the processes that facilitate accounting reform and transparency.[9]

Transparency of public accounts is an important element in establishing political democracy. Citizens want to know how and where public funds are employed, how income from tax and non-tax revenues is distributed among the regions (or provinces or municipalities) and to what purpose public money is used.[10]

Many countries are seeking to revitalize their public administration by improving financial management and reporting to make it more productive and effective. Accordingly, governments have introduced innovations in structures, practices and capabilities, and the ways in which human capital, information technology and financial resources are mobilized to provide better services to the population.[11]

Governments are currently under increasing pressure to improve financial management and reporting processes in order to facilitate decision-taking on macroeconomic, monetary and fiscal issues, to ensure transparency and accountability and to demonstrate effective performance in the provision of services.[12] The reform of governmental accounting can be studied at different levels: theoretical, normative (laws, rules and recommendations) and practical.[13]

In this respect, the IMF recommends developing countries to follow the Government Finance Statistics manual, last updated in 2001, the aim of which is to improve the transparency of governmental accounting and financial reports and to harmonize financial reporting worldwide.[14] However, the diversity of reforms made to governmental financial information systems meant it was necessary to harmonize international accounting standards, resulting in the development of the International Public Sector Accounting Standards (IPSAS).[15]

The International Public Sector Accounting Standards Board (IPSASB) is part of the International Federation of Accountants (IFAC) and is responsible for issuing the IPSAS. There are currently thirty-two IPSAS applicable to accrual accounting, and one that is applicable to cash accounting. The IPSAS recommendations are important stimuli for harmonising financial information in the public sector. Areas covered by the IPSAS include the presentation of financial statements and the effects of changes in currency exchange rates, financial instruments and liabilities. IPSAS are designed to facilitate good-quality public financial reporting and are internationally comparable.[16]

The main goal of introducing accrual accounting into the public sector is to achieve a more transparent, effective and informative system.[17,18] IPSAS help users improve the quality and consistency of the information provided to decision makers.[19] Although cash accounting has its merits, accrual accounting was introduced to improve the financial information systems of public sector entities. Because cash accounting gives little information concerning liabilities and the potential future benefits of assets, accrual accounting is better suited for planning, financial management and decision making. Accrual accounting could also improve the comparability of financial performance between government entities and favour greater accountability.[20]

Several countries have adopted financial accounting reforms at one or more levels of government, replacing their traditional cash accounting systems or transforming them to support accruals in order to increase financial accountability and transparency and improve the measurement of government sector performance.[21]

The accrual basis of accounting offers more than the cash basis in terms of both quantity and quality,[22] and thus it is not surprising that most developed countries have now introduced forms of accrual basis accounting in their public sectors as part of an overall public sector reform.[23] The trend toward accrual accounting can be explained by the need for transparency, efficiency and performance in management and the IPSAS provide powerful arguments for their use.[24]

3. Legislative reforms and financial transparency in Arab countries

In order to contextualise the changes made in public financial information systems in Palestine, in this section we analyse the most important reforms carried out in this respect in neighbouring countries, talking into account the considerable diversity in the region. Two groups of Arab countries were selected, according to their level of economic development. The first group was comprised of Oman, Bahrain and Kuwait, countries with significant levels of income from oil, and the only Gulf Cooperation Council (GCC) countries that disclose and publish financial accounting reports. The second group represent a group of Arab countries – Jordan, Egypt and Palestine – that receive a high percentage of income in the form of international aid. We now examine the growth of legislative measures related to governmental accounting and financial transparency in these Arab countries.

Oman is a relatively young country, having gained its independence from the United Kingdom in July 1970. Its first financial law was issued in 1982, after 12 years of independence, under Royal Decree 56/1982. In 1998 this was replaced by a new financial law issued under Royal Decree 47/1998. One year later, some articles of this law were amended under Royal Decree 74/1999. According to Articles 6-9 of Financial Law 47/1998, the Ministry of Finance (MOF) is responsible for determining accounting procedures and practices and this Ministry has issued various manuals, the latest in 2009 under Ministerial Order 118/2008. In the preparation of its financial reports, Oman uses the modified cash basis of accounting.

The State Audit Institution of Oman was established in 2000 under Royal Decree 55/2000, which replaced Royal Decree 129/1991. The new State Audit Law authorised this institution to investigate a broad range of public agencies, including the state administrative apparatus, government entities and departments, as well as private institutions that receive government assistance. This Law was reinterpreted in the 2009 manual.

Bahrain gained its independence from the UK in 1971. Royal Decree 1/1975 sets out the rules for preparing the State budget, audit and final accounts. Royal Decree 4/1994 subsequently reorganised the MOF and all its functions. Ministerial Order 5/1998 established standards for governmental accounting and control, and in 2002, further legislation was passed (Law 16/2002) establishing the Supreme Audit Commission. The General Budget Law 39/2002 regulated budgeting and final accounts procedures, and this was subsequently amended by Law 3/2007.

In 2006, the MOF published its Standardised Financial Manual Systems, under Article 59 of Law 39/2002, which complemented the existing manual of fixed assets systems, drafted under the same Article, in the elaboration of year-end financial reports Bahrain uses the modified cash basis of accounting. Thus, it is clear that over the past two decades, governmental accounting systems in the State of Bahrain have evolved, and regulatory and administrative changes made to improve the efficiency, effectiveness, transparency and responsibility of governmental accounting systems.

After its independence, Bahrain carried out important administrative changes and major reforms were implemented with the aim of improving overall efficiency, effectiveness, transparency, performance, accountability and budget management. This goal was addressed through various reforms and the new laws as mentioned above.

The case of Kuwait is somewhat different. The first budget for the Kuwaiti government was drawn up in 1955 under a Ministerial order that included the preparation of budgets for all ministries and government entities. Royal Decree 1/1960 established rules for preparing the State budget and final accounts, and for control procedures. These developments took place before Kuwait gained its independence from the UK in June 1961. Royal Decree 1/1960 was later revoked by Royal Decree 31/1978, which remains in force today, although some articles were amended by Royal Decrees 18/2000 and 27/2000, setting the dates of the financial year, from 1 April to 31 March for all ministries, government bodies and committees.

Kuwait's accounting information system was modernised in 1981 when the MOF issued Ministerial Order 13/1981 establishing a unified manual of accounting for government entities. This was later amended by Ministerial Orders 18/1985 and 11/1989, and subsequently by Order 21/2002, which set out the financial control responsibilities of governmental accounting directors.

In 2004, the MOF consulted IMF experts on the modernisation and development of the Kuwaiti governmental accounting information system, which led to the preparation of the Reengineering Financial Transactions Project (RFTP). In 2008, implementation of this project began: it has a scheduled duration of four years and consists of three stages: the reconstruction of financial management, budget and accounting information in accordance with IPSAS; the reconstruction of stock inventory, fiscal and cost project management; and finally, the reconstruction of asset management.

As noted above, these three countries have made great efforts to develop their financial and accounting framework over the last three decades; laws have been promulgated to reform their political, economic and financial systems, and some have implemented governmental and ministerial reforms and adapted governmental systems to changing socioeconomic conditions.

Palestine, Jordan and Egypt, the three countries in this study in receipt of Official Development Assistance (ODA), share a common socio-political history with the GCC countries; Islam is the religion of all Arab countries and Arabic is their official language. However, their economies are quite different; the three recipients of ODA are considered developing countries, and different reforms to enhance financial transparency have been applied during the last decade.

In 1952, the Jordanian MOF issued State Audit Bureau Law No. 28, which was subsequently amended by Laws No. 31/1987, 3/2002 and 18/2007. Financial Law No. 3/1994 organised accounting principles and practices, and Budget Law No. 39/1962 addressed State budget procedures.

Recently the Jordanian MOF undertook an important programme of reform to develop the governmental financial and accounting system in order to increase efficiency in the planning, preparation and execution of the general budget. This programme includes a rationalisation of the budget preparation procedure aimed at achieving a result-oriented budget with clear sectoral priorities, together with greater financial transparency and a higher quality of government service to citizens and investors, through the enhanced accountability and transparency of ministries and spending units. At present, the cash basis of accounting is employed.

In Egypt, various laws have been adopted to enhance financial transparency in governmental accounting, such as Law No. 53/1973 on the organisation of the State budget; some articles of this law were amended by Laws No. 87/2005 and 109/2008. In 1981, Accounting Law No. 127 was issued, and this was later modified by Law No. 35/2009.

The central auditing organization of Egypt was established by Law No. 129/1964 which was later revoked by Law No. 144/1988, and this latter was subsequently amended by Law No. 157/1998. A new draft law is being prepared for the central auditing organization, aimed at increasing the transparency of governmental accounting. Although this organization is an independent body with legal personality, it generally follows the President's indications. Its main purpose is to supervise the State funds dedicated to Government ministries, entities and committees, as well as companies that are more than 25% State-owned.

The Palestinian National Authority (PNA) was established in 1994 following the 1993 Oslo Accords between the Palestine Liberation Organization (PLO) and the government of Israel, with responsibility for the West Bank and Gaza. Following this date, the PNA began to establish the necessary administrative frameworks for the corresponding ministries and governmental entities. At first, these bodies had inadequate controls, procedures and financial legislation, but the Palestinian financial system has gradually developed and improved.

From 1994 to 1998, the governmental accounting system was regulated by various resolutions, instructions and financial regulations issued by the MOF. There was no specific financial legislation, but the PNA has issued several financial instructions and circulars governing the financial and accounting issues of ministries and governmental entities. In 1997, the MOF began to consult experts to better establish the financial system and implement rules to control government revenue and expenditure, and financial regulations and the current and capital expenditure guide were published.

In 1998 the first financial law, No. 7/1998, was issued to regulate public budget and financial affairs. In the same year, Law No. 9/1998, regulating general supplies, was issued.

In 2004, the PNA issued Financial and Administrative Control Law No. 15, after which the Council of Ministers issued Resolution No. 43 in 2005 on the financial system applicable to ministries and public institutions. All these laws are intended to enhance transparency in governmental accounting systems.

Taking into account the wave of international public sector reforms, based on the IPSAS, in the next section we consider Lüder's financial management reform process (FMR Model),[25] and use this to discuss the development of Palestinian legislation regarding financial transparency and the governmental financial information system.

4. Financial management reform process

Governments introduce innovations in their structures, practices and capabilities, and in the way in which human capital, financial information, technology and financial resources are applied in order to provide better services to citizens and to achieve their objectives.[26,27] An appropriate accounting system, structured to effectively manage public resources, can help governments achieve these objectives and benefit citizens.[28]

According to the network Comparative International Government Accounting Research (CIGAR), Lüder's contingency model of governmental accounting innovations has been used as a framework for analysing the development of governmental accounting in many countries.[29,30,31]

Political change is a major factor in the innovation process.[32] In analysing this process, we must address not only the context in which it begins and ends, but also the variables that affect the internal process of the development of innovation in accounting, as indicated in the comments made on the Contingency Model.[33, 34, 35]

Lüder's contingency methods,[36,37] have been used (and modified) in many studies, including Godfrey et al. (1996),[38] Jaruga and Nowak (1996),[39] Budäus and Buchholtz (1996),[40] Yamamoto (2000),[41] Pallot (1996),[42] Chan et al. (1996),[43] Montesinos and Vela (1996)[44] and EI-Batanoni and Jones (1996).[45] Furthermore, in 2001 Lüder adapted his own contingency model in the form of the FMR Process Model.[46] These modifications were aimed at enabling the method to be applied in other countries with different environments, or were required due to the absence of certain factors.

Lüder's FMR Process Model includes various contextual variables to characterize the institutional organization of a country. It corrects the contingency model's emphasis on context and provides a feedback mechanism to relate the attitudes and behaviour of the key actors in the process with the final results. Thus, it addresses the possibility that the reform process might be carried out in several stages. This model aims to shed light on the process by which innovations are generated in governmental accounting.

The FMR Process Model (Figure 1) consists of two contextual variables (stimuli and institutional arrangements), three behavioural variables (drivers of reform, promoters of political reform and stakeholders) and two instrumental variables (the concept of reform and implementation strategy).

[Figure 1]

Stimuli are defined as events that occur prior to the innovation stage of accounting and which generate the need for more informative accounting information. Examples of stimuli include economic crisis, corruption or dominant doctrine within the government. On the other hand, drivers of reform are institutions and professionals in the field, such as government commissions, professional associations, academic and standard-setting bodies, at the national or international level.

Promoters of political reform may include the Minister of Finance, parliamentarians and other political actors with the ability to initiate reform and the power to enforce it. Institutional arrangements are the social structural variables (political and administrative) and barriers to implementation that may influence the legal or regulatory system, such as the state structure, the administrative structure, the qualifications of the personnel involved and the national culture (political, social and administrative). Stakeholders are those institutions or individuals who are affected by the reforms and whose condition is not that of drivers of reform or promoters of political reform; this category includes citizens, parliament, departments or administrative agencies and statistical offices.

Finally, in terms of instrumental variables, it is important to note that the mode in which reform is implemented will affect its degree of success or failure, as well as the presence or absence of deviations between the concept and results of the reform. This process could be affected, for example, by the particular implementation strategies used, i.e. whether it is more or less participatory, whether one or more phases are involved, and whether the training policy is followed. Innovations in governmental accounting are more likely to succeed if conditions are favourable, namely the existence of at least one stimulus, of strong political competition and of users who demand a more informative accounting system, the influence of private sector accounting on staff training, an administrative culture prepared to accept change and an absence of barriers to implementation.[47]

5. Analysing the development of the governmental financial information system in Palestine

Figure 2 illustrates the factors affecting the development of the governmental financial information system in Palestine.

[Figure 2]

5.1 Stimuli

The main influences on the development of governmental accounting system and transparency in Palestine are, on the one hand, the financial/economic crisis, and on the other, its dependence on international aid (from the IMF and agencies such as USAID) to support the Palestinian budget. Furthermore, financial scandals and corruption are also considered important factors in this respect. One of the major requirements for public sector reform is the harmonization of accounting procedures among government ministries and public institutions in order to facilitate a better understanding of financial reports.

5.2 Drivers of reform

The following are the main drivers of reform:

- Governmental commissions; the budget and financial affairs committee has contributed to the development of financial laws, especially Law 7 of 1998, to regulate the public budget and financial affairs.
- Professional associations; the State Audit and Administrative Control Bureau is considered the supreme audit institution of Palestine. It has contributed to the development of governmental accounting and transparency in Palestine.
- Academic networks; some scholars have recommended the development of the governmental accounting system in Palestine[48].
- Consulting firms; some international agencies have been consulted with respect to developing the financial system. No clear contribution has been made by Standard Setting Bodies to the development of governmental accounting systems.

5.3 Promoters of political reform

In analysing the situation of Palestine, we noted the existence of the following promoters of political reform:

- Members of government; the Council of Ministers supported the creation of the Anti Corruption Committee in 2005.

- Members of Parliament; the members of the Palestinian parliament have also contributed to the development of the governmental accounting information system. Their role is to participate in the drafting of laws and regulations for discussion and approval. Laws adopted include those establishing the Anti-Corruption Committee and the State Audit and Administrative Control Bureau, and accounting and budget laws.

5.4 Institutional arrangements

The following contextual variables of institutional arrangements are relevant to the development of transparency in Palestine:

- The legal system, which is active in promoting the development of the governmental accounting system.
- The State structure; the executive authority drafts laws and regulations to be presented to the legislative authority. The separation of authorities contributes to this development.
- The political parties.
- The Administrative structure; although the administrative system is centralized; it can promote the development of transparency.
- Culture; the population is free to criticize the government. Civil society exerts pressure, calling for the development of the accounting system. An example of the role played by civil society is the pressure exerted by the Coalition for Accountability and Integrity (AMAN) which was established in 2000 at the initiative of a number of Palestinian civil society organizations working in the fields of democracy, human rights and good governance.

5.5 Stakeholders

The following stakeholders influence the development of governmental accounting and transparency:

- The general public; as stated above, citizens can criticize government activities and the financial situation, and thus may influence the development of the governmental accounting system. Public interest is also expressed through demonstrations against corruption, unemployment and the financial situation.
- Parliament; the influence of the Palestinian parliament is expressed via the different political parties.

5.6 Implementation strategy

A better understanding of the legal system, the State structure, the political system and public pressure can help us to determine how a new implementation strategy to develop the accounting system in Palestine has been elaborated. As noted above, this development process was carried out in conjunction between the Government, local and international organizations and consultants, as a multi-step procedure with central guidance from the Ministry of Finance.

6. Conclusions

In the absence of prior research studies on the development of government financial information systems to promote transparency in the Arab countries, this paper analyses the legal reforms carried out in this respect, differentiating two groups of countries in terms of their level of economic development, and focuses particularly on the case of Palestine, which presents certain special characteristics.

In the selected GCC countries, Oman and Bahrain still use the modified cash basis, and appear to have no clear plans to adopt accrual basis accounting, despite some amendments made to their accounting laws in response to economic development. It seems that these countries need to take further steps to develop their financial reporting systems. The case of Kuwait is somewhat different. This is the only GCC country in this group that has a plan to adopt IPSAS. In 2008, Kuwait initiated a plan aimed at adopting the full accrual basis of accounting, with the incorporation of IPSAS into the governmental accounting system; this plan is expected to be accomplished by the end of 2012.

The second group of countries - Jordan Palestine and Egypt – are seeking to develop their financial reporting systems. They are still using the modified cash basis of accounting, but Jordan plans to adopt the accrual basis. In the case of Palestine, there does not appear to be any plan to adopt the accrual basis of accounting, although the governmental accounting system and the level of financial transparency have improved considerably since the Oslo Accords. Furthermore, the financial reports are prepared using the modified cash basis the accrual basis at the same time.

With respect to the contingency model, the following factors facilitate the development of the Palestinian governmental accounting system.

- Contextual variables: the dependence on international aid, together with the need for public sector reforms, and the presence of corruption. These are all factors requiring the development of the accounting system and the adoption of cash IPSAS. The legal system and the State structure are additional factors favouring the development of the governmental accounting system.

- Behavioural variables: audit institutions, governmental commissions and academic networks are considered to be drivers of reform and elements favouring the development of the governmental accounting system. Promoters of political reform and stakeholders are also considered favourable to development and reform.
- Instrumental variables: the implementation strategy in Palestine is a multi-step participative reform effected with central guidance.

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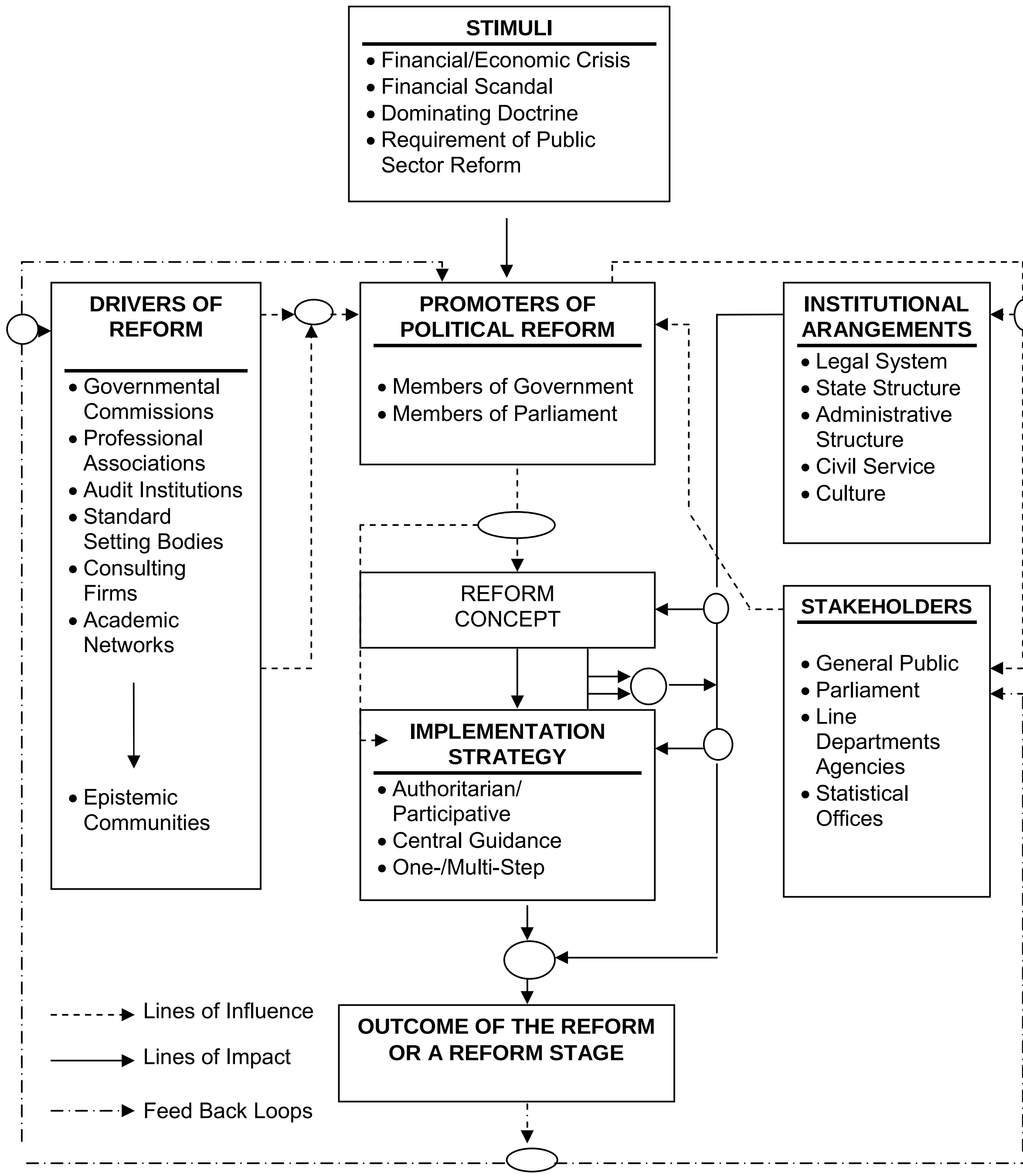

Figure 1. Financial management reform process model (FRM model)
Source: Lüder (2001)

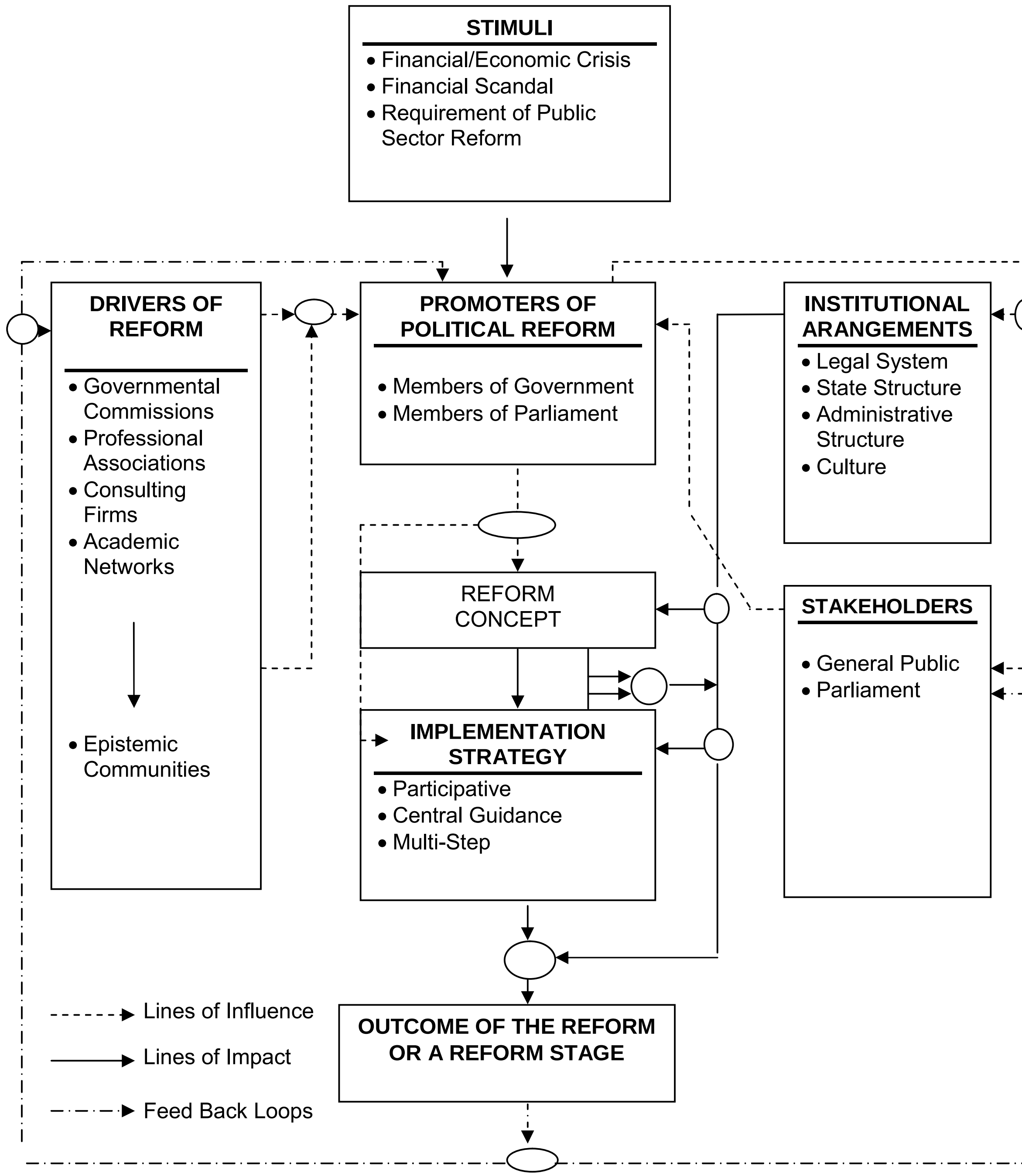

Figure 2. Financial management reform process model of Palestine
Source: The authors

CAPITULO 5

CONCLUSIONES Y FUTURAS LÍNEAS DE INVESTIGACIÓN

1. Conclusiones

Las principales conclusiones de nuestro trabajo de investigación se resumen como sigue:

1.- En la revisión bibliográfica de los estudios realizados sobre comparación de sistemas de información financiera gubernamental se pone de relieve que la mayoría de ellos se han centrado en países europeos y anglosajones, recibiendo escasa atención otras áreas geográficas.

También se constata que la mayor parte de los estudios son de tipo analítico, siendo el modelo de Contingencia de Lüder el más utilizado, aplicándose normalmente a países desarrollados. Sin embargo, este modelo ha sido escasamente adaptado a la realidad de países en desarrollo, en particular, no abundan estudios en países de Oriente Medio.

2.- En el desarrollo de nuestra investigación hemos utilizado un índice para medir el nivel de la información financiera publicada anualmente y hemos comparado los resultados con las recomendaciones de IPSAS 1 y 2 del IPSASB de la IFAC para los estados financieros del sector público.

Este estudio está centrado en la información financiera pública divulgada por un grupo de países árabes de Oriente Medio. Todos ellos pertenecen a una misma zona geográfica, y tienen el árabe como lengua oficial y el Islam como su religión, por lo tanto, se puede suponer que comparten características socioculturales. Sin embargo, los países analizados constituyen dos grupos distintos en cuanto a su desarrollo económico:

por un lado, los países del CCG son los más ricos de la zona (aunque se analizan los tres países que publican información financiera pública Omán, Bahrein y Kuwait), y por otro lado, los países menos desarrollados, de los cuales se han analizado los que reciben la ayuda más internacional - Egipto, Jordania y Palestina.

Teniendo en cuenta las recomendaciones de IPSAS 1 y 2, se evidencia que, a pesar de las importantes reformas administrativas realizadas respecto de las leyes financieras que se han hecho en las últimas décadas, todavía el nivel de de desarrollo de la información financiera presentada es bajo para todos los países estudiados.

Aunque la elección de los países para el análisis se ha visto influenciada por la disponibilidad de información, se concluye que estos países presentan grados similares de transparencia y cumplimiento de los IPSAS 1 y 2, y no se observaron diferencias significativas, en este sentido, entre los países receptores de la ayuda financiera internacional y los no receptores. No obstante, los países receptores de ayuda financiera internacional tienden a publicar más detalles en el cuerpo principal del estado de resultados financieros, y menos información en las políticas contables y las notas.

3.- Los resultados obtenidos evidencian, en contra de las conclusiones de estudios anteriores, que los países estudiados presentan un nivel muy similar de la información financiera pública, según las cuales un mayor nivel de desarrollo se asociaba con un mayor nivel de presentación de la información. Para explicar estos hechos pueden sugerirse diversos argumentos. En primer lugar, en el caso de los países del CCG, su nivel de desarrollo económico está directamente relacionado con los ingresos del petróleo. Por tanto, hay menos necesidad de obtener ingresos fiscales y los ciudadanos están menos motivados para comprender y controlar las finanzas públicas.

En segundo lugar, la similitud de la divulgación de la información entre los países que integran los dos grupos podría explicarse, por un lado, por el hecho de que los países receptores de ayuda están obligados a responder a las demandas de los donantes y los organismos internacionales y, por tanto, han comenzado a poner en práctica las políticas estipuladas en las recomendaciones internacionales y, por otro, por el hecho de que los países del CCG - cuyas necesidades financieras son satisfechas por los ingresos del petróleo - están menos sujetos a la presión externa. Este hecho, junto con la ausencia de la presión interna, antes mencionada, explicaría por qué tres de los seis países del CCG (Qatar, Arabia Saudita y Emiratos Árabes Unidos) no divulgan la información financiera y otros dos (Bahrein y Omán) lo hacen sólo parcialmente.

4.- Del análisis realizado se desprende que las reformas de la normativa relacionada con los sistemas de información contables en los países del CCG siguen siendo insuficientes. Omán, Bahrein, Emiratos Árabes Unidos y Arabia Saudita siguen utilizando la contabilidad de caja modificada, y no parecen tener planes claros para adoptar la contabilidad con base en el devengo, a pesar de la modificación de las leyes de contabilidad en respuesta al desarrollo económico. Estos países tienen que adoptar nuevas medidas para el desarrollo de sus sistemas de información financiera. Los casos de Kuwait y Qatar son algo diferentes. En 2008 Kuwait inició un plan tendiente a la adopción del criterio de devengo completo en los sistemas de información contables, con la adopción de las IPSAS en el sistema de contabilidad gubernamental, lo que se esperaba que fuese realizado a finales de 2012. En este sentido, Qatar se comprometió recientemente a desarrollar su propio plan para adoptar las IPSAS.

Por lo que se refiere al segundo grupo de países – los receptores de ayudas financieras internacionales: Jordania, Palestina y Egipto - están tratando de desarrollar sus sistemas de información financiera. Ellos todavía están utilizando la base de la contabilidad de caja modificada, pero Jordania tiene previsto adoptar el criterio de devengo. En el caso de Palestina, no parece haber ningún plan para adoptar el criterio con base en el devengo, aunque el sistema de contabilidad gubernamental y el nivel de transparencia financiera han mejorado considerablemente desde los Acuerdos de Oslo. En este caso, la elaboración de los informes financieros se realiza utilizando la contabilidad de caja modificada y la base de devengo, al mismo tiempo.

5.- Observando el caso particular de Qatar, cuyo estudio se justifica por ser un país considerado rico que ha adoptado recientemente el compromiso de aplicación de las IPSAS, en el análisis del desarrollo de su sistema de contabilidad gubernamental se identifican tres períodos. En el primer período, se crea el Ministerio de Hacienda y se promulga la primera ley financiera, en la que se asignaron todas las responsabilidades para el desarrollo del sistema de contabilidad al mencionado ministerio. En el segundo período, Qatar desarrolla su sistema de contabilidad pública y elabora el primer presupuesto del Estado, así como se establece la Oficina de Auditoria del Estado. Se modificaron y se emitieron varias leyes relativas a la contabilidad gubernamental para satisfacer las necesidades de Qatar para el desarrollo y la expansión. Durante el tercer período, Qatar se ha convertido en un país altamente desarrollado y es el más rico del

Medio Oriente. Aunque se había prestado poca atención a la actualización de sus leyes de contabilidad, el sistema de contabilidad gubernamental fue reformado y se desarrolló, pero sin ningún tipo de nueva legislación. Qatar utiliza la contabilidad de caja modificada, pero ha iniciado recientemente planes para adoptar las IPSAS.

6.- De la aplicación del modelo de contingencia se desprende que, los factores que favorecen la innovación en el sistema de contabilidad gubernamental de Qatar son las siguientes:

Variables contextuales: la crisis económica y la necesidad de reformas del sector público son la base para el plan de la adopción de las IPSAS, mientras que el sistema jurídico y la estructura del Estado son favorables a la innovación en el sistema de contabilidad gubernamental.

Variables de comportamiento: las asociaciones profesionales, las instituciones de auditoria y empresas consultoras se consideran impulsores de la reforma y favorecen la innovación en el sistema de contabilidad gubernamental. Por otro lado, los promotores de la reforma política y los grupos de interés se pueden consideran desfavorables para la innovación y la reforma.

Variables instrumentales: la estrategia de Qatar para aplicar los IPSAS y el Manual de estadísticas de finanzas públicas 2001 (MEFP 2001) es una prioridad principal para el ministerio de hacienda. Está previsto que el proceso de reforma se lleve a cabo en varios pasos.

7.- El estudio del caso de Palestina tiene su justificación tanto por los requisitos de información financiera impuestos por los organismos internacionales como por especial situación social, económica y política. De la aplicación del modelo de contingencia al caso de Palestina se evidencia que, los factores que facilitan el desarrollo de su sistema de contabilidad gubernamental son:

Variables contextuales: la dependencia de la ayuda internacional, así como la necesidad de reformas del sector público, así como la presencia de la corrupción. Todos estos son factores que favorecen el desarrollo del sistema de contabilidad y de la adopción de la normativa internacional de contabilidad de caja. El sistema jurídico y la estructura del Estado son factores adicionales que favorecen el desarrollo del sistema de contabilidad gubernamental.

Variables de comportamiento: las instituciones de auditoria, comisiones gubernamentales y redes académicas se consideran impulsores de la reforma y son los elementos que favorecen el desarrollo del sistema de contabilidad gubernamental. Los promotores de la reforma política y los interesados también se consideran favorables para el desarrollo y la reforma.

Variables instrumentales: la estrategia de implementación de la reforma en Palestina es una reforma participativa de múltiples pasos efectuados con guía central.

2. Futuras líneas de investigación

A la luz del presente trabajo, y de sus principales conclusiones, creemos que esta línea de investigación en el área del los países Árabes es nueva y necesita ser desarrollada. En este sentido, creemos que como futuras líneas de trabajo podríamos destacar las siguientes:

- Realizar un amplio estudio comparativo para el análisis descriptivo y analítico de los sistemas de contabilidad gubernamental de los países del CCG que se consideran ricos y compararlo con otros grupos de países Árabes pobres que reciben ayuda financiera internacional.
- Análisis comparativo de los estados financieros de los países Árabes.
- Evaluación de la armonización del los sistemas de contabilidad gubernamental del los países Árabes.
- Análisis de los sistemas de información financiera de los gobiernos locales de los países Árabes.
- Realizar un estudio sobre los sistemas de control externo de la actividad económico-financiera de los gobiernos de los países Árabes.
- Realizar estudios comparativos sobre el proceso de la elaboración del presupuesto de los países Árabes.