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Public Financial Management Assessment following the 2016 PEFA Methodology

Draft Report

Project No. 2016/375005/1

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Presented by

AECOM International Development Europe SL (Spain)

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CURRENCY and EXCHANGE RATES

Currency unit = Jordanian Dinar (JD)

JD 1 = US$ 1.41

The Jordanian Dinar has been pegged to the US Dollar since October 1995

Government Fiscal Year (FY): 1 January – 31 December

ACRONYMS AND ABBREVIATIONS

AB	Audit Bureau
AGAs	Autonomous Government Agencies
BCG	Budgetary Central Government
BS	Budget Support
CBJ	Central Bank of Jordan
CG	Central Government
CoA	Chart of Accounts
COFOG	(UN) Classification of Functions of Government
CD	Customs Department
CVDB	Cities and Villages Development Bank
DBS	Direct Budget Support
DMFAS	(UNCTAD) Debt Management Financial Analysis System
EU	European Union
FRP	(USAID) Fiscal Reform Project
FY	Fiscal Year
GAD	General Accounts Directorate (MoF)
GAM	Greater Amman Municipality
GBD	General Budget Department
GCC	Gulf Cooperation Council
GDD	General Debt Directorate (MoF)
GDP	Gross Domestic Product
GFS	Government Finance Statistics (IMF)
GFMIS	Government Financial Management Information System
GoJ	Government of the Hashemite Kingdom of Jordan
GRD	General Revenue Directorate (MoF)
GSD	General Supplies Department
GST	General Sales Tax
GTD	Government Tender Department (MPWH)
GUs	Government Units (Central Government Bodies not included in Main Budget)
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
ISTD	Income and Sales Tax Department
IT	Information Technology
JD	Jordanian Dinars
JPD	Joint Procurement Department (Medical Supplies)
LGU	Local Government Unit (Municipality)
LSD	Lands and Surveys Department
MDAs	Ministries, Departments and Agencies
MEMR	Ministry of Energy and Mineral Resources
METAC	(IMF) Middle East Regional Technical Assistance Centre
MHESR	Ministry of Higher Education and Scientific Research
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoMA	Ministry of Municipal Affairs
MoPIC	Ministry of Planning and International Cooperation
MPSD	Ministry of Public Sector Development
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability

PM	Prime Minister
SAI	Supreme Audit Institution
SIGMA	Support for Improvement in Governance and Management (OECD/EU)
SN	Sub-National
SST	Special Sales Tax
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
ToR	Terms of Reference
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

1. Jordan has been receiving assistance towards the improvement of public financial management (PFM) for more than a decade, principally from USAID and the European Union (EU). EU assistance, which has mainly been provided through budget support, has generally been partly conditional on the maintenance of macro-economic stability, the implementation of a continuing programme of public financial management (PFM) reform, and further improvements in the transparency of PFM. This assessment, which is sponsored by the EU, is intended to provide an overview of progress in PFM since the previous assessment in 2011, and at the same time to establish a benchmark for the future measurement of progress against the criteria set out in the new Performance Measurement Framework published in February 2016 by the PEFA partners.

2. The assessment focuses mainly on **budgetary central government** (BCG - the 53 Chapters of the main budget) which accounts for 80 per cent or more of expenditure under the control of central government bodies. But it also covers at various points the revenue and expenditure of the 59 extra-budgetary Government Units (GUs) which are increasingly treated in the same way as BCG in annual budget legislation and for the purposes of expenditure and cash management. Most of these bodies fulfil administrative or regulatory functions, but a few are public utilities or even trading bodies. Sub-national governments play a relatively minor role in PFM in Jordan, being responsible in total for about 6 per cent of General Government expenditure, more than half of which is attributable to the Greater Amman Municipality (GAM). The funded social security scheme functions separately outside the main budget or that for the GUs.

3. Jordan has faced a much more difficult macro-economic environment during the period covered by this assessment (2013-16) than the country faced during the period 2008-10 covered by the previous PEFA assessment made in 2011. This primarily reflects the impact on Jordan's economy and society of the intensified conflicts in Syria and Iraq, which have damaged Jordan's trade and investment, and precipitated an influx of refugees who put large additional strains on Jordan's public services and public finances. The country's tax and other revenues have fallen well short of what is needed to finance the maintenance of adequate public services while at the same time meeting the infrastructure needs of a rapidly expanding population. Meanwhile the proportion of GDP collected as tax revenue remains some 5 percentage points lower than it was in 2007 as a result of decisions on tax rates and exemptions. Jordan has thus remained dependent on external help from the Gulf Cooperation Council, European and North American development partners to balance its external payments and to finance significant public investments.

4. Much of the framework within which external assistance has in recent years been provided to Jordan has been set by the Stand-By Arrangement (SBA) concluded for the period 2012-15 with the International Monetary Fund (IMF). This foresaw substantial fiscal consolidation to be achieved by increasing tax revenues, reducing the losses incurred by the electricity supply company (NEPCO), containing other current expenditures, and reprioritizing public investment. At the same time PFM improvements were to be sought by improving cash forecasting and control, especially by implementing the commitment control module of the Government Financial Management Information System (GFMIS) and extending the coverage of the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ). Following the completion of the SBA a new agreement has recently (August 2016) been concluded with the IMF on an Extended Fund Facility (EFF), which in addition to committing to further fiscal consolidation provides for continuing improvements in tax administration, reorganization of public debt management and publication of a new debt management strategy, more complete and transparent budget execution reporting, and production of a road map for the introduction of full accruals-based budgetary accounting.

5. This assessment shows that Jordan has generally been able to maintain **aggregate fiscal discipline,** with effective cash and debt management**,** and prompt and accurate budget execution reporting. Aggregate expenditure has been kept within budgeted amounts, although there have been fluctuations in the balance between recurrent and capital expenditure. Actual domestic revenue has been fairly close to forecast, and the commitment control module of GFMIS is working effectively. Payroll control and procurement management are generally satisfactory. The recent fall in world oil and gas prices has considerably eased Jordan's fiscal position, making it possible to stem NEPCO's losses without politically damaging increases in electricity tariffs.

6. Considerable efforts have been made to improve the **strategic allocation of resources**, through the preparation of strategic plans for service delivery, and the requirement for key performance indicators (KPIs)

to be specified for every Department's expenditure programmes against which actual achievements are measured. For the moment, however, the KPIs for the most part are defined in terms of outputs or activities rather than outcomes in terms of service improvements, and the budget documentation does not provide any clear indication of the actions to be undertaken in order to achieve given outputs, let alone outcomes. The Government's Vision 2025 document and the Executive Development Programme 2016-18 provide a framework within which specific decisions on investments or other actions to achieve service improvements should be fitted. The establishment of the public investment management unit in the Ministry of Planning and International Cooperation (MoPIC) as a prior action under the EFF should further strengthen performance. This will be supplemented by the initiative currently in progress by MoPIC and the General Budget Department (GBD) to introduce systematic arrangements for the monitoring and evaluation of investment projects. But the impact of these arrangements is held back by what are admitted to be the inadequate links between strategic plans and actual decisions. Furthermore the scope for initiatives is limited by the lack of fiscal space: a very high proportion of total expenditure is devoted to civil and military pay, with most of those concerned being engaged on administrative functions rather than service delivery. At the same time the relatively low proportion of GDP collected in taxes limits the availability of resources to meet the costs of service improvements.

7. High scores on PFM Indicators do not necessarily show that resources are used efficiently for **service delivery.** This assessment shows that the focus is on ensuring that correct procedures are followed rather than on good performance in providing public services. Although there are ongoing efforts to improve internal and external audit, these activities have remained mainly focused on compliance with regulations. Increasing attention is now being given to the performance of systems and to financial reporting. The resources and procedures devoted to internal control through layers of supervision of each expenditure transaction remain excessive, although again there are ongoing efforts to rationalise the resources devoted to these activities. The very high proportion of total employment in the country accounted for by employment in government services (some 40 per cent of total employment as registered for social security purposes) already raises questions about the efficient use of resources by general government; the very low proportion of women in the labour force, despite the fact that girls reach higher standards in school than boys, provides further evidence that cultural factors may stand in the way of economic and social development. Although external audit has made progress in developing performance audit alongside its traditional emphasis on compliance control, it has not yet made much impact in identifying ways to deliver services more efficiently. Internal audit is beginning to look at the performance of control systems rather than just at the incidence of non-compliance with applicable rules, but again the main focus is not on improving the efficiency of service delivery. Controls over staff numbers and payroll work efficiently to prevent errors, but there is no career planning to ensure that people with the most useful abilities and experience are available to fill demanding senior posts.

8. Overall the picture is of continuing gradual improvement in PFM despite a very unfavourable external economic environment. Financial management information systems have improved substantially, as has cash management and control. A commitment control module has been successfully introduced into GFMIS, and work is under way to rationalise internal control and further develop internal and external audit. Much fiscal information is published promptly, although there is still scope for improvement. Following a World Bank consultancy in 2015, the Government decided in June 2016 to implement new arrangements for Public Investment Management. These provide that MoPIC should take responsibility for managing the single pipeline of possible projects, and that no project is undertaken until its viability and priority have been confirmed by economic analysis carried out according to predetermined criteria. At the same time a framework is being developed for monitoring and evaluation of the results of investment decisions and policy initiatives. Tax collection has been to some extent reorganized, and some progress has been made in imposing control on tax arrears; but Jordan's tax collected as a proportion of GDP is 5 percentage points lower than in 2007 as a result of policy decisions, while a complex structure of tax exemptions was estimated in 2013 to cost 7 per cent of GDP.

9. There are good prospects for continuing improvements in PFM, supported by EU and USAID assistance. The Government's undertakings to the IMF in the context of the EFF provide further confirmation of this, and the further fiscal consolidation which is part of this programme should eventually free up resources to be used for service improvement. An improvement in the situation in neighboring countries would offer the prospect of a stronger economy in Jordan and reduced strains on the country's infrastructure and public services, but for the time being this cannot be relied on. Meanwhile continuing efforts will be needed to make tax collection more

efficient, to make internal control less burdensome, and to reorient internal and external audit work to contribute more effectively to improving the efficiency of service delivery. But it has to be recognized that PFM structures and procedures which match all the PEFA criteria for measuring good practice will not of themselves ensure the delivery of good public services: this will also depend on political decisions about the amounts to be raised through taxation, and the relative priorities given to the different activities of government.

Table 1: Summary of Performance Indicator and Dimension scores

Indicators	PI score	Dim 1	Dim 2	Dim 3	Dim 4
Pillar 1: Budget reliability					
1. Aggregate expenditure out-turn	A				
2. Expenditure composition out-turn	C+	A	C	A	
3. Revenue out-turn	C+	C	B		
Pillar 2: Transparency of public finances					
4. Budget classification	D				
5. Budget documentation	B				
6. CG operations ex fin. reports	C+	C	C	B	
7. Transfers to sub-national governments	A	A	A		
8. Performance info. for service delivery	C	B	B	D	D
9.Public access to fiscal information	B				
Pillar 3: Management of assets & liabilities					
10. Fiscal risk reporting	C	C	C	C	
11. Public investment management	D+	C	C	D	D
12. Public asset management	D+	D	C	D	
13. Public debt management	A	A	A	B	
Pillar 4: Policy-based fiscal strategy					
14. Macro-econ. and fiscal forecasting	C+	D	A	C	
15. Fiscal strategy	C+	C	B	C	
16. Medium-term expenditure budgeting	B	A	A	B	D
17. Budget preparation process	B	C	A	C	
18. Legislative scrutiny of budgets	C+	A	C	C	A
Pillar 5: Predictability and control in budget exec.					
19. Revenue administration	C	B	B	D	D
20. Accounting for revenue	A	A	A	A	
21. Predictability of in-year resource allocation	B	A	A	C	C
22. Expenditure arrears	B+	B	A		
23. Payroll controls	A	A	A	A	A
24. Procurement	B	B	A	B	D
25. Internal controls on non-salary exp.	A	B	A	A	
26. Internal audit	C+	C	C	A	B
Pillar 6: Accounting and reporting					
27. Financial data integrity	D+	D	D	D	B
28. In-year budget reports	C+	A	B	C	
29. Annual financial reports	C+	A	B	C	
Pillar 7: External scrutiny and audit					
30. External audit	D+	D	D	B	D
31. Legislative scrutiny of audit reports	C	D*	C	D*	A

1. INTRODUCTION

1.1 RATIONALE AND PURPOSE

1. For more than ten years the Government of the Hashemite Kingdom of Jordan (GoJ) has been pursuing a wide variety of initiatives to improve different aspects of Public Financial Management (PFM), with the support of international development partners. In 2015 the EU paid the first tranche of a new sector budget support programme "Support to public finance and public administration reforms (PFPA)" under which a total 40 million Euro should be paid in three tranches, with a further 7.5 million for technical assistance. This followed an earlier programme "Support to the Public Financial Management Reform Programme in Jordan under which 75 million Euros was paid during the period 2011-14. The earlier programme looked for improvements in cash flow and debt management, in budget preparation and the allocation of funds, in revenue mobilization and in transparency and accountability of revenue and expenditure. The current programme looks to support the achievement of improved service delivery, increased transparency and accountability in the use of public funds, enhanced domestic revenue mobilization and better control of tax arrears.

2. USAID has recently initiated its third Fiscal Reform Programme with $35 million available over 4.5 years covering revenue policy and administration, budget preparation and execution (including continuing support to the Government Financial Management Information System (GFMIS)), fiscal policy, and decentralization. This follows the 2009-16 Programme which provided $43 million over the period 2009-16. In addition the World Bank (WB), International Monetary Fund (IMF) and the national aid agencies of Japan, Germany, France and Korea have all provided assistance to specific PFM improvement initiatives.

3. Jordan has made very considerable progress in PFM over this period, an achievement recognized by both the Government and the development partners. An initial Public Expenditure and Financial Accountability (PEFA) assessment was made in 2007, and this was followed by a much more thorough assessment in 2011 which found good progress. Since then much further work has been done, including particularly the development and implementation of GFMIS, against a background of increasing economic difficulty resulting from the civil wars in neighbouring Syria and Iraq. The current assessment is intended to measure progress over the last five years, and to provide the basis for consideration of priorities for further action supported by the EU and other development partners.

1.2 ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

4. The assessment has been commissioned and is managed by the EU, with the agreement of GoJ. The assessment team, presented by AECOM International Development Europe, consists of two international consultants, John Wiggins (team leader) and David Biggs, and a senior local consultant, Omar Al Bokairat. The criteria set out in the new PEFA Framework published by the PEFA partners in February 2016 have been used in this assessment. The terms of reference were prepared by the EU (Amman Delegation (Ms. Kaluwa Vergamota) and DEVCO at European Commission Headquarters (Ms. Elena Arjona Perez)) in discussion with GoJ (Ministry of Finance (Ms. Abeer Amira), Ministry of Planning and International Cooperation (Mr. Emad Shanaah), General Budget Department (Mr. Majdi Shuraiki) and Audit Bureau (Mr. Mohammed Hiassat)), and were submitted to the PEFA Secretariat on 5 May 2016. The response of the PEFA Secretariat received on 19 May was taken into account in the final version issued to the consultants. The report has been produced with the full cooperation of all the sections of GoJ concerned, and this final version takes into account all their comments on the initial draft. It also includes information from a number of non-Governmental stakeholders (NGOs, Chamber of Industry, tax advisers) in different aspects of PFM. In addition to review by all those concerned in GoJ, the text has been reviewed by the EU (Amman Delegation and DEVCO), the PEFA Secretariat, and the International Monetary Fund (IMF) with whom GoJ have recently concluded an agreement on an Extended Fund Facility (EFF). Their comments have all been taken into account in preparing the final report.

Summary of assessment management and quality assurance arrangements

PEFA assessment management organization
Assessment manager: Ms Kaluwa Vergamota, EU Delegation, Amman (until 31August 2016), Ms Giulia Pietrangeli, EU Delegation Amman (from 1 September 2016)
Assessment Team: John Wiggins, Team Leader, David Biggs, Senior international consultant, and Omar Al Bokairat, Senior local consultant (team presented by the international consultancy AECOM (Madrid)

Review of terms of reference
Date of draft concept note: 4 April 2016
Invited reviewers: Ms Elena Arjona Perez (EC DEVCO, Brussels), Ms Abeer Amira (Ministry of Finance), Mr Maji Shuraiki (General Budget Department). Mr Emad Shanaah (Ministry of Planning and International Cooperation, Mr Mohammed Hiassat (Audit Bureau), PEFA Secretariat
Reviewers who provided comments: Government officials listed during April 2016, PEFA Secretariat 19 May 2016
Date of final terms of reference: 25 May 2016

Review of the assessment report
Date of reviewed draft report: 15 September 2016
Invited reviewers who provided comments: PEFA Secretariat (17 October 2016), European Commission (EUD and DEVCO) (17 October 2016), IMF (Mr Saji Thomas) (23 October 2016), GoJ Ministries (different dates from 25 October to early December 2016)
Date of revised draft report: 2 February 2017, with response from PEFA Secretariat, 10 February 2017
Date of final text: 23 February 2017

1.3 ASSESSMENT METHODOLOGY

5. The main focus of the report is on the 53 bodies (Ministries and Departments within Ministries which are presented as separate Chapters in the budget) covered by the Budgetary Central Government (BCG), which are the subject of each year's General Budget Law. However, there are also 59 Government Units (GUs) whose budgets are contained in a separate annual budget law. Some of these bodies are regulatory agencies or service providers which are self-financing or even generate surpluses, but collectively they incur a deficit which adds to overall government indebtedness. BCG and GUs together cover almost all General Government, apart from municipalities, the Jordan Social Security Corporation (JSSC), and the public universities. JSSC reports separately, and the public universities which are partly funded by fees are excluded as semi-independent. For overall reporting purposes GUs which are companies and therefore outside the GFS definition of General Government are not separated from the rest. Where a Performance Indicator or Dimension is scored on the basis of the most recent three years' experience, the period chosen is 2013-15; 2015 is the most recent fiscal year for which full information is available. Where the score is based on the latest situation, this is at September 2016. All the 31 Performance Indicators in the new 2016 Framework are assessed. The information used in preparing the report is derived from published fiscal reports, discussion with GoJ officials, and reports prepared by the IMF, EU, and World Bank.

2. COUNTRY BACKGROUND INFORMATION

2.1 COUNTRY ECONOMIC SITUATION

1. Jordan's economy grew on average by about 6.5 per cent a year during the period 2000-09. But the global and regional slow-down following the 2008 financial crisis reduced growth to 2.3 per cent in 2010. There was a slow recovery to growth of 3.1 per cent in 2014, but in 2015 it fell back to 2.3 percent, disappointing hopes of continuing improvement, and the prospect for 2016 appears no better. The sluggish economic performance reflects the severe adverse impact on Jordan of intensifying conflicts in the region, which have reduced trade, inward investment and tourism receipts while obliging Jordan to shoulder the burden of a massive influx of refugees from Syria and Iraq. Whereas official figures previously estimated the population of Jordan at less than 7 million, a census at the end of 2015 found that it was now 9.53 million, of which a third are non-Jordanian; of these 1.3 million are Syrian (of whom only 130,000 are in refugee camps) and 0.6 million Iraqi. These figures mean that income per head in Jordan is much lower than previously estimated; while previous figures put income per head at about 3,900JD in 2014, this falls to less than 2,900JD in 2015 once allowance is made for the much larger population. With the economy growing slowly, tax receipts are similarly held back: but the demands on public services increase rapidly, with no increase in resources generated to meet these demands. The consequence for Jordan has been a persistent fiscal deficit and rising public debt. Table 1 summarises some main elements of the situation.

Table 1: Selected Economic Indicators

	2013	2014	2015	2016 Proj.
GDP at current market prices (JD millions)	23,852	25,437	26,637	26,970
GDP real increase (%)	2.8	3.1	2.4	2.8
Population (millions)	8.11	8.80	9.53	…

GDP per head (JD)	2,941	2,890	2,795	…
CPI (% increase, end of period)	3.1	1.7	- 1.6	1.25
External current account (%GDP)	-10.8	-6.8	-9.0	-9.0
Total public sector deficit (% GDP)	-9.4	-9.2	-5.4	-3.8
Total net public debt (% GDP)	80.1	80.8	85.8	87.1
Total public external debt (% GDP)	30.0	31.9	35.2	36.9

Sources MoF Financial Bulletin, IMF cr15/225 and 16/295, GoJ Dept of Statistics

2. The incidence of poverty and unemployment in Jordan is very high. According to Jordan's Vision 2025 14.4 per cent of the population was considered to be in poverty in 2010, and this figure will not have taken into account the refugees who have since arrived in the country. Only 32 per cent of people of working age were employed in the formal economy in 2013 (54 per cent of men, and 10 per cent of women – among the lowest female participation rates in the world). The June 2014 IMF Report on the annual Article IV consultation with GoJ (cr14/152) noted that employment had increased by only one per cent between 2011 and 2013 while the working age population grew by 6 per cent. The Report found that 400,000 new jobs would be required during the period 2013-20 in order to absorb the growth in the population of working age, while the growth rate then projected (and now seen too have been too optimistic) would generate only 275,000. Meanwhile the officially measured unemployment rate of about 14 per cent takes no account of those unable to find employment in the informal sector; the overall unemployment rate is generally believed to be around 30 per cent. Since there is practically no room for further employment growth in the public sector, alleviation of the problem of unemployment must depend on growth in the private sector.

3. Jordan has ambitious plans to achieve its objectives in terms of social and economic development. These are set out in the Government's Vision 2025 Programme which covers all parts of the economy and society. More immediate actions are set out in the Executive Development Programme 2016-18, which makes relatively modest assumptions about economic growth, and provides a realistic diagnosis of many of the obstacles to improvements in public service delivery.

2.2 FISCAL AND BUDGETARY TRENDS 2013-15

4. Aggregate fiscal data are summarized in Table 2 which includes both the 53 Chapters in the main central government budget and the 59 other Government Units (GUs) which are the subject each year of a separate budget law.

Table 2: Aggregate fiscal data

	2013		2014		2015	
	JD m	**% GDP**	**JD m**	**% GDP**	**JD m**	**% GDP**
Total revenue – main budget	**5,758.9**	**24.1**	**7,267.6**	**28.6**	**6,796.4**	**25.5**
Domestic revenue – main budget	5,119.8	21.5	6,031.1	23.7	5,910.1	22.2
External grants	639.1	2.6	1,236.5	4.9	886.3	3.3
Total expenditure – main budget	**7,076.9**	**29.7**	**7,851.1**	**30.9**	**7,722.9**	**29.0**
Non-interest expenditure	6,340.4	26.6	6,925.2	27.3	6,808.5	25.6
Debt interest -main budget	736.5	3.1	925.9	3.6	914.4	3.4
Aggregate deficit – main budget	**1,318.0**	**5.5**	**583.5**	**2.3**	**926.5**	**3.5**
Primary deficit -main budget	581,5	2.4	-342.4	-1.3	12.1	-
Total revenue – GUs	506.9	2.1	617.4	2.4	1,232.5	4.6
Total expenditure – GUs	1,711.8	7.2	1,663.8	6.5	1,721.5	6.5
Net deficit – GUs	**1,204.9**	**5.1**	**1,046.4**	**4.1**	**483.0**	**1.8**
Total net financing	**2,515.9**	**10.5**	**1,486.7**	**5.8**	**2,292.4**	**8.6**
External net financing	2,302.1	9.7	795.6	3.1	1,360.4	5.1
Domestic net financing	213.7	0.9	663,2	2.6	932.0	3.5

Sources: MoF Government Finance Bulletin April 2016 for Main Budget statistics and Financing (calculated from Table of Main Public Debt Indicators). GUs from 2015 and 2016 Budget Laws (2015 figures are expected out-turns not actuals)

5. As Table 2 shows, total main budget expenditure in 2015 was contained below the level of the previous year in money terms, and thus reduced significantly in real terms and as a proportion of GDP. Aggregate domestic revenue fell slightly in money terms between 2014 and 2015 after increasing substantially between 2013 and 2014, but the overall reduction in revenue between 2014 and 2015 resulted mainly from lower external grant receipts. The sharp improvement in GUs' overall deficit between 2014 and 2015 was mainly attributable to reduced losses in the supply of electricity as generation costs were reduced through lower oil prices.

6. The allocation of resources to the different main functions of government is shown in Table 3 for the main budget only. (We do not have out-turn figures by function for GUs, only the original budget figures.)

Table 3: Functional allocation of Budgetary Central Government expenditure 2013-15

	2013		2014		2015	
Function	**JD m**	**% GDP**	**JD m**	**% GDP**	**JD m**	**% GDP**
General public services	1,134.9	4.8	1,444.5	5.7	1,370.9	5.1
Defence	849.0	3.6	899.2	3.6	935.8	3.5
Public order and safety	919.0	3.9	1,005.5	4.0	1,043.7	3.9
Economic affairs	407.5	1.7	577.6	2.3	512.3	1.9
Environmental protection	64.3	0.3	40.7	0.2	43.9	0.2
Housing and community amenities	279.2	1.2	219.6	0.9	238.8	0.9
Health	714.8	3.0	870.9	3.4	876.2	3.3
Recreation, culture and religion	135.3	0.6	140.5	0.6	155.4	0.6
Education	943,4	4.0	1,006.4	4.0	1,042.4	3.9
Social protection (incl. goods subsidies)	1,629.7	6.8	1,646.2	6.5	1,503.6	5.6
Total	**7,076.9**	**29,7**	**7,851.1**	**30.9**	**7,722.9**	**29.0**

Source: MoF Finance Bulletin April 2016

As Table 3 shows, the allocation of resources to different functions has generally been relatively stable over time, with only the allocation to social protection (including subsidies) – mainly benefits for current and former public employees - having been cut back significantly in 2015. Inclusion of GUs' expenditure would increase the health allocation to about 4 percent of GDP, while that for economic affairs would exceed 4 percent, and that for housing and community amenities would rise to some 3 per cent. The allocations to education and health are substantial as proportions of total expenditure (about 14 per cent and 11 per cent respectively), although they are well below the comparable figures for most OECD countries as proportions of GDP.

7. The distribution of 2013-15 expenditure by economic classification is shown in Table 4. This classification is that used by GoJ; it is not entirely consistent with GFS, since military expenditures are not distributed to the different economic categories (wages and salaries, goods and services, etc.). Similarly the amounts shown for miscellaneous expenditure would normally be distributed among the GFS economic categories. If the pay component in military expenditure was classified accordingly, the overall provision for employment costs would be at least doubled as a proportion of total expenditure. Most of the social benefits expenditure consists of pension payments to retired military and civil service personnel; pensions for other sections of the population, and for military and civil service personnel recruited after 1995, are paid by the Social Security Corporation. The table shows clearly how little room there is for other expenditure, once employment costs (including for the military), interest payments, and military and civil service pensions have been provided for. The very small provision for purchases of goods and services is likely to have a considerable impact in undermining the quality of public service provision.

Table 4: Economic classification of Budgetary Central Government expenditure 2013-15

	2013		2014		2015	
Economic category	**JD m**	**% total exp.**	**JD m**	**% total exp.**	**JD m**	**% total exp.**
Employment costs	1,268.8	17.9	1,320.1	16.8	1,344.6	17.4
Purchases of goods and services	270.5	3.8	479.5	6.1	402.6	5.2
Interest payments	736.5	10.4	925.9	11.8	914.4	11.8
Subsidies to GUs, etc.	78.6	1.1	78.3	1.0	94.1	1.2

Food, etc. subsidies	260.2	3.7	218.4	2.8	195.4	2.5
Grants to public bodies	192.7	2.7	205.8	2.6	117.2	1.5
Social benefits	1,357.9	19.2	1,472.6	18.8	1,442.0	18.7
Miscellaneous expenditure	113.0	1.6	91.7	1.2	115.8	1.5
Military expenditure	1,778.7	25.1	1,920.1	24.5	1,996.9	25.9
Capital expenditure	1,021.0	14.4	1,137.5	14.5	1,098.4	14.2
Total expenditure	**7,076.9**		**7,851.1**		**7,722.9**	

Source: MoF Government Finance Bulletin June 2016

2.3 LEGAL AND REGULATORY ARRANGEMENTS FOR PFM

8. Jordan is a constitutional monarchy where the legislature has relatively limited powers. The Constitution was originally promulgated in 1952, and has been amended on a number of occasions (with the approval of two thirds of the members of both Houses of the National Assembly), most recently in 2016 when the King's powers to make appointments without consulting the Government were somewhat enhanced. The King appoints the Prime Minister, and other Ministers in consultation with the Prime Minister. The Government is not dependent on the National Assembly except to the extent that a Government on appointment should seek a Vote of Confidence, and must resign if confidence is refused. The National Assembly consists of a Chamber of Deputies elected for a four year term, and an appointed Senate drawn from people with a record of experience in different aspects of public service. New principal legislation on the structure and rates of taxes and on the revenue and expenditure of government bodies included in the main annual budget and the budget of independent GUs (see paragraph 4 above) requires the approval of both Houses before being promulgated by the King (Articles 111 and 112 of the Constitution). The National Assembly is normally in session for four months each year beginning in November, and thus should be in a position to approve each year's budget before the new fiscal year begins. Much principal legislation lacks detail, and even substance, with the Government having the power to issue by-laws which actually determine many aspects of PFM.

9**. Budget preparation and execution** is governed by the Organic Budget Law No. 58 of 2008, which sets out the responsibilities of the General Budget Department (GBD), a separate unit which reports directly to the Minister of Finance, but the core principles relating to revenue and expenditure management and accounting, and financial control, are specified in the Financial By-law No.3 (1994) as subsequently amended, and in the Application Instructions for Financial Affairs No. 1 (1995). Rules limiting the extent to which budgetary provision can be reallocated during the year are set out in each year's General Budget Law. A more comprehensive Organic Budget law has been under discussion for several years, but no proposals have been submitted to the National Assembly. **Debt management** by the Ministry of Finance (MoF) is subject to the Public Debt Management Law No. 26 (2001), which sets an overall limit on gross public debt at 80 per cent of GDP, and gives no role to the National Assembly in approving increases in borrowing each year. The Supply Law No. 30 (2007) requires GUs to surrender their surpluses at the end of each year to the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ).

10. **Taxation** is administered by the Income and Sales Tax Department (ISTD), the Customs Department (CD) and the Lands and Survey Department (LSD) which is responsible for property taxes; all are separate units reporting to the Minister of Finance. Company and Personal Income Taxes are currently governed by the 2014 Income Tax Law, while sales taxes are covered by the 2010 General Sales Tax (GST) Law. Customs duties are covered by the 1998 law and numerous subsequent directives, and property taxes by the 1954 law as subsequently amended. The proportion of GDP collected in taxes has fallen back in recent years from 21.0 per cent in 2007 to 15.4 per cent in 2015, mainly as a result of exemptions from sales taxes and raising the threshold for the payment of personal income tax; according to the Executive Development Programme 2016-18 the exemptions reduce the yield by 2.5 per cent of GDP, while setting the threshold for personal income tax at more than eight times average incomes means that less than 3 per cent of the population pay income tax.

11**. Personnel management and payroll** are subject to the Civil Service By-Law for Human Resources Management and the payroll instructions in each Department. An annual by-law alongside the main budget law sets the numbers and grades of all employees of all Departments. Responsibility for **public procurement** is divided between the Ministry of Public Works and Housing whose Government Tenders Department manages almost all building and civil engineering procurement in accordance with the Government Works By-Law No.

71 (1986) as subsequently amended, the General Supplies Department (GSD) of MoF which manages purchases of goods and services in accordance with the Supplies By-Law No. 32 (1993) as subsequently amended, and the Joint Procurement Department (JPD) under the Prime Minister which coordinates purchases of medical supplies for public health services in accordance with the Joint Procurement Law (2002).

12. **Internal control and internal audit** are covered by Financial By-Law No. 3 (1994) as subsequently amended, and by Financial Control By-Law No. 3 (2011). These have been supplemented by the Amended By-Law for Financial Control No.11(2014) and Prime Minister's Instruction No. 9 (March 2015) which clarify the concepts of internal audit and internal control, and set out how each is to be applied in practice. There is currently a very heavy apparatus of control, with every payment required to be checked before it is made, by the Department's internal control unit, by an internal controller from MoF stationed in the Department, and still in about a third of cases by a member of staff of the AB also stationed in the Department. Work on internal audit is being developed across government Departments, coordinated by a unit of the MoF Control and Inspection Directorate. There is a current initiative to remove AB progressively from ex ante approvals when Departments are judged to have reliable arrangements for internal control. Regular reports about the performance of the internal control and audit functions are made by all Departments to MoF. **Audit** remains subject to the Audit Bureau (AB) Law No. 28 (1952) as subsequently amended; although a revised law which would somewhat strengthen the authority and independence of the AB has been under discussion for some time, it has not yet been approved by the National Assembly. The work of the **National Assembly in relation to budgeting, accounting and audit** is defined by the Assembly's own internal regulations.

13. **The Judiciary** is independent of both the Executive and the Legislature; judges are appointed by the separately constituted Judicial Committee; special Courts have been established to hear appeals against the decisions of the tax authorities which have not been resolved administratively.

2.4 INSTITUTIONS INVOLVED IN PFM

14. Jordan's main government budget (Budgetary Central Government) has 53 Chapters which are either whole Ministries or self-contained parts of Ministries. The annual budget law sets a limit to the expenditure on each Chapter which cannot be exceeded without the National Assembly's agreement to a revision of the law. In addition there are currently 59 Government Units (GUs) each established under separate legislation which perform public functions. A separate annual budget law is approved each year by the National Assembly covering the revenue and expenditure of these Units. Some of these units are regulatory bodies, some have specific responsibilities for promoting aspects of economic and/or social development, and others are public utilities. Government employees recruited before 1995 are covered by unfunded pension arrangements which affect only the expenditure side of the main budget. All government employees are covered by the Health Insurance Fund, a GU into which they contribute 3 per cent of their earnings. The rest of the population, including government employees recruited after 1995, are covered by the social security arrangements (pension, unemployment, industrial injury and maternity benefits) provided by the country's Social Security Corporation which is financed by employer and employee contributions currently (2016) set in total? at 21 per cent of earnings up to a ceiling of 36,000 JD per year. The 10 public universities receive an annual subsidy through the Ministry of Higher Education and Scientific Research, but are not treated as GUs or reported as part of the General Government sector. In the category financial public corporations the Central Bank of Jordan is treated as a GU; there is also the Cities and Villages Development Bank (CVDB) created by the Government, but not treated as a GU, which channels funds to municipalities, and may provide them with loans or overdraft facilities subject to the approval of the Ministry of Municipal Affairs (MoMA).

15. The country is divided into 12 Governorates which oversee government operations in their area. At present they remain deconcentrated parts of central government under the Ministry of the Interior, and do not have elected or appointed Councils. Their operations are all accounted for as part of BCG. However, work is in progress to decentralise government activities, and to increase local accountability for the delivery of public services. Meanwhile by far the most important sub-national government with local accountability is the Greater Amman Municipality (GAM), whose annual expenditure substantially exceeds that of all the country's other 100 municipalities taken together. Amman has a Council half of which is elected, with the remainder appointed by the government. Other municipalities have wholly elected councils. Altogether the annual expenditure of all municipalities, including Greater Amman, corresponds to about 10 per cent of Budgetary

Central Government expenditure. Each municipality's annual budget is subject to approval by MoMA and MoF. Table 5 sets out the total amounts of revenue and expenditure for the whole public sector in 2015, and Table 6 presents a consolidated picture of central government.

Table 5: Structure of the public sector

JD millions

2015	Main Budget	Government Units	Social Security Corporation	Higher Education	Financial public corpns.
Central Government	53 Chapters Rev: 6,796 Exp: 7,723	59 Units Rev: 1,232 Exp: 1,721	1 Unit Rev: 1,254 Exp: 793	10 Units Rev: 494 Exp: 601	Central Bank CVDB
Greater Amman Mun.	1 Unit Rev: 315 Exp: 315				
Other municipalities	100 Units Rev: 240 Exp: 260				

Sources: Budget documents, MoMA, SSC, MHESR

Table 6: Consolidation of central government expenditure

JD millions

2015	Budgetary Central Government	Government Units	Social Security	Higher Education	Aggregate total
Revenue	6,796.4	1,232.5	1,254	494	9,618.5
Expenditure	7,722.9	1,721.5	793	601	10,838.4
Transfers to other CG units	-99.4(Soc. Sec) -57.0 (univs)				

16. The Ministry of Finance (MoF) has the lead responsibility for PFM. The central section of the Ministry is responsible for economic management and forecasting, fiscal policy (including setting the Medium-Term Fiscal Framework), cash and debt management, financial reporting and the coordination of internal control and audit throughout the Government. Separate sections of the Ministry are responsible for the preparation and execution of the Budget (The General Budget Department (GBD)), and the collection of taxes (Income and Sales Tax Department (ISTC), Customs Department (CD), Lands and Survey Department (LSD) which collects the taxes on the transfer of property). In addition the General Supplies Department (GSD) purchases goods and services on behalf of other Ministries and Departments, and is responsible for general questions of procurement policy. As well as setting out the detailed revenue and expenditure figures for the year immediately ahead, the budget documents covering both the main budget and those of the GUs contain projections in comparable detail of revenue and expenditure during the two following years.

17. The lead on long-term planning is taken by the Ministry of Planning and International Cooperation (MoPIC), which was responsible for the preparation of the country's Vision 2025 plan for economic and social development and for the Government's Executive Development Programme (EDP) 2016-18. MoPIC coordinates public investment planning in consultation with GBD; final decisions on major projects are taken by a Committee chaired by the Prime Minister. MoPIC is also responsible for relations with development partners, and for preparing the Jordan Response Plan (JRP) for the Syrian Refugee Crisis 2016-18, which sets out the action the Government considers necessary, in alignment with the EDP, and the costs involved. The Ministry of Public Sector Development has the responsibility for pursuing improvements in the structure and organization of Ministries, Departments and Government Units, so as to make them more cost-efficient and responsive to the needs of the citizens in terms of public service delivery. The Delivery Unit in the Prime Ministry has the task of ensuring that 22 of the highest priority actions in Vision 2015 and the EDP are brought to fruition.

18. The numbers, grading, pay and allowances of all government employees are determined by an annual by-law alongside the budget prepared by the Civil Service Bureau (CSB) in consultation with GBD. All appointments and promotions require the approval of the CSB. External audit is undertaken by the Audit Bureau (AB) established under Article 119 of the Constitution. As noted in paragraph 12 above much of its work is still concerned with giving ex ante approval to all payment transactions in a third of Ministries and Departments. The main focus of its other work is on compliance checking of individual transactions. AB has staff stationed in all major Ministries and Departments, and also in the Social Security Corporation. All GUs are within AB's field of audit, although most of them produce annual financial statements which are audited by private sector auditors. AB reviews their financial statements and audit reports, and submits recommendations to the Prime Minister's office. AB's annual report used normally to be submitted to the National Assembly in March each year, based on its audit of individual transactions during the previous year; it did not give an Opinion on the Government's final budget accounts, which would not have been completed within this timescale. However in its report on 2015 submitted in the autumn of 2016 it did for the first time give an opinion on the accounts for that year.

3. ASSESSMENT OF PFM SYSTEMS

Throughout this Chapter of the Report Performance Indicators are scored on a scale from A (highest) to D (lowest). Where Indicators have more than one dimension, there are two methods of aggregation to arrive at an Indicator score. Under M1 (Weakest Link) the lowest score of any dimension is given, with a + added if any of the dimensions is scored higher. Under M2 (Averaging) the dimension scores are averaged in accordance with a table in the PEFA Handbook: thus if the scores of a three dimension Indicator are A, B, and C, the Indicator score is B.

PILLAR 1 BUDGET RELIABILITY

The first three performance indicators of the 2016 PEFA Framework assess the reliability of government budgets essentially by comparing the actual expenditure and revenue outturns with the originally approved budgets. The budget has to be reliable insofar as actual expenditure and revenue need to be close to what was originally intended, planned and approved. The three indicators assess the extent to which the budget is realistic and implemented as intended by considering the financial years 2013, 2014 and 2015 (the last-named being the latest for which the actual outturn is available).

PI-1: AGGREGATE EXPENDITURE OUTTURN

This is a single-dimensional indicator which compares the aggregate expenditure outturn with the original budget. It includes all expenditure, both capital and recurrent, as well as that portion financed by external loans and grants.

Comparison of actual aggregate expenditure against the originally approved budget shows that actual expenditure deviated from the original budget by -5.1% in 2013, -3.0% in 2014 and -2.0% in 2015. Since the difference was less than 5% in two of the three years, score is A. Under the 2011 Framework interest payments and externally financed project expenditure were not taken into consideration. Only small amounts were financed through external loans in 2013-15, and most external assistance was accounted for as current grants. If interest payments are excluded, the differences between budget and out-turn for the three years were -4.7%, -1.0% and -1.0% which would also have resulted in the score A.

Table 3.1 Budget execution rate for total expenditures

Figures in Million JD	2013	2014	2015
Originally approved budgeted total expenditure	7,456	8,096	7,877
Actual expenditure	7,077	7,851	7,723
Difference between actual & originally approved budgeted expenditure	-379	-245	-154
Actual aggregate expenditure as % of originally approved budgeted expenditure (%)	94.9%	97.0%	98.0%

Source: Annual Budget Laws, Annual financial statements, Central Government Finance Bulletins, MOF.

Indicator PI-1	2016 Score	Justification for 2016 score	Performance change and other factors
Aggregate expenditure out-turn compared to original approved budget	A	Deviations from original budget were less than 5 per cent in two of the last three years 2013-15.	No change: if the 2011 criteria are applied to the 2013-15 data, the score is A.

PI-2 EXPENDITURE COMPOSITION OUTTURN (SCORING METHOD M-1)

This indicator measures the impact of in-year budget reallocations on the composition of expenditure. There are three dimensions and the M1 scoring method is used for combining dimension scores. The variance is calculated by adjusting each original budget line by the overall difference between budget and out-turn, and then summing the absolute differences between these adjusted amounts and the actual expenditure on each line, which is then expressed as a percentage of total actual expenditure. Interest payments are excluded from dimension 2.1, but included for dimension 2.2.

2.1 EXTENT OF THE VARIANCE IN EXPENDITURE COMPOSITION DURING THE LAST THREE YEARS, EXCLUDING CONTINGENCY ITEMS

In terms of the first dimension, the variances in the functional composition of expenditure were 4.4% in 2013, 2.7% in 2014 and 2.7% in 2015 (a detailed functional analysis table is shown in Table 3.2 below). Since the functional expenditure composition variance was less than 5% in all 3 years, the score for dimension (i) is A. This result indicates that the available budget resources have been largely distributed in accord with planned overall limits and that MDA spending has been kept within budgeted limits.

Analysis of the main COFOG functions shows that, in all 3 years, the biggest "loser" was Economic Affairs in terms of experiencing falls in its relative share of budgetary resources.

Table 3.2 Functional allocation of expenditure 2013-15

JD millions

Function	2013 Budgt	2013 Actual	Adj. Budget	Abs. Diff.	2014 Budget	2014 Actual	Adj. Budget	Abs. Diff.	2015 Budget	2015 Actual	Adj. Budget	Abs. Diff.
Gen. Pub. Services	384	383	366	17	341	355	331	24	377	370	369	1
Defence	849	849	809	40	900	899	874	25	937	936	918	18
Public Order	922	919	878	41	1008	1006	979	27	1046	1044	1025	19
Econ. Affs.	541	408	515	107	648	578	629	51	607	512	595	83
Env. Prot.	86	64	82	18	63	41	61	20	51	44	50	6
Housing, etc	291	279	277	2	231	220	224	4	246	239	241	2
Health	723	715	689	26	911	871	885	14	886	876	868	8
Recreation, etc.	139	135	132	3	146	141	142	1	158	155	155	-
Education	981	943	934	9	1026	1006	996	10	1036	1042	1015	27
Soc. Prot.	1725	1630	1643	13	1688	1646	1639	7	1515	1504	1485	19
Alloc. exp	6641	6325	6325	277	6962	6761	6761	184	6859	6722	6722	183
Interest	800	737			1100	926			1003	914		
Contin-gency	15	15			35	164			15	87		
Total exp.	7456	7077			8096	7851			7877	7723		
Variance as % of actual				4.4				2.7				2.7

2.2 EXPENDITURE COMPOSITION OUTTURN BY ECONOMIC TYPE

The variances in the economic composition of expenditure were much greater than the functional variances. They are calculated as 11.2%, 13.3% and 13.4% respectively. These results correspond to a C score since the variance is less than 15% in each of the three years. In each year the most significant absolute and relative variance against original budget was experienced in the area of capital expenditure where actual expenditure exceeded budget in all three years. Detailed figures are shown in Table 3.3.

Table 3.3 Expenditure variance under economic classification

JD millions

Econ. Head	2013 Budget	2013 Actual	Adj. Budget	Abs. Diff.	2014 Budget	2014 Actual	Adj. Budget	Abs. Diff.	2015 Budget	2015 Actual	Adj. Budget	Abs. Diff.
Emp. Costs	1304	1267	1237	30	1383	1320	1341	21	1403	1345	1376	31
Goods & Services	375	271	356	85	509	480	494	14	470	403	461	58
Interest	800	737	759	22	1100	926	1067	141	1003	914	983	69
Subsidies	306	340	290	50	306	298	297	1	298	291	292	1
Grants to GUs	390	193	370	177	470	206	456	250	381	117	373	256
Social Benefits	1487	1358	1411	53	1506	1473	1461	12	1445	1442	1417	25
Other exp.	156	113	148	25	125	92	121	29	148	116	145	29
Capital exp.	740	1021	702	319	648	1138	629	509	609	1098	597	501
Military exp.	1898	1779	1801	22	2049	1920	1987	67	2120	1997	2079	82
Total exp.	7456	7077	7077	793	8096	7851	7851	1044	7877	7723	7723	1032
Overall Diff. (PI-1)		5.1%				3.0%				2.0%		
Variance as % of actual				11.2				13.3				13.4

2.3 THE AVERAGE AMOUNT OF EXPENDITURE ACTUALLY CHARGED TO THE CONTINGENCY VOTE OVER THE LAST THREE YEARS

Jordan makes very limited use of a Contingency vote (the largest amount being 164 million JD out of total original budget of over 8 billion JD (2.0%) in 2014 (see Table 3.4 below). The vote appears as a separate programme in the Ministry of Finance Chapter of the budget under the heading “Contingent Expenditure Programme” Given the small percentage of budgeted expenditure (the average over the three year period being 1.1%) the dimension score is A.

Table 3.4 Use of contingency vote (in million JD and % budgeted expenditure)

Year	Contingency estimate	Contingency actual 1	Original Budget 2	Actual expenditure percentage
2013	15	15	7,456	0.2%
2014	35	164	8,097	2.0%
2015	10	87	7,882	1.1%
Average in the period 2013-15				1.1%

Source: Annual Budget Laws, Annual financial statements

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M1)	**C+**		
(i) Expenditure composition outturn by function	A	Variance in expenditure composition by function was less than 5% in all 3 years (4.4%, 2.7% and 2.7%)	Externally financed project expenditure was previously excluded from consideration. Since most external assistance was accounted for as current grants, exclusion of externally-financed projects would not have much impact on the analysis.
(ii) Expenditure composition outturn by economic type	C	Variance was greater than 10% but less than 15% in all three years (11.2%, 13.3% and 13.4%)	New dimension in 2016 framework
(iii) Average amount of expenditure charged to the contingency vote in 2013-15	A	Actual expenditure charged to a contingency vote was on average 1.1% (0.2%, 2.0% and 1.1%)	No change

PI-3: REVENUE OUT-TURN (SCORING METHOD M2)

This indicator comprises two dimensions and measures the aggregate revenue variance and the revenue composition variance. It uses the M2 scoring method for combining dimension scores

The indicator contributes to the assessment of budget reliability by considering the accuracy of revenue forecasting. It incorporates both a comparison of budgeted and actual aggregate government revenue and an analysis of changes in revenue composition from budget to outturn. The detailed data for the three - year period ended 31 December 2015 are shown in Table 3.6. The summarised results matrix is in Table 3.5 below.

Table 3.5 Results Matrix

Year	Total revenue deviation	Composition variance
2013	93.7%	7.4%
2014	104.1%	11.0%
2015	91.8%	6.8%

Source: Annual Budget Laws & Annual financial statements

3.1 AGGREGATE REVENUE OUT-TURN

The table shows that, in the three years covered by the assessment, the aggregate revenue differences were -6.3%, 4.1% and -8.2% % respectively. Since actual revenue was between 92% and 116% of budgeted revenue in two of the three years, the score for dimension 3.1 is C. If domestic revenue only were taken into consideration (and external grants excluded) as under the 2011 Framework, the differences were -3.3%, +3.8% and -5.9%, which would have resulted in the score B.

3.2 REVENUE COMPOSITION OUT-TURN

The revenue composition variances were 7.4%, 11.0% and 6.8% respectively in the last three years. This corresponds to a PEFA score of B as two of the three variances were less than 10%. Analysis of the data shows that revenue from grants was significantly below budget in 2013 and 2015. Property income, by contrast, performed well in 2014 and 2015. It should be noted that although the budget documentation shows the expenditure of each Ministry or Department in great detail, it does not show which Ministry/Department is responsible for each element of revenue.

Table 3.6 Revenue composition variance

JD millions

Econ. Head	2013 Budget	2013 Actual	Adj. Budget	Abs. Diff.	2014 Budget	2014 Actual	Adj. Budget	Abs. Diff.	2015 Budget	2015 Actual	Adj. Budget	Abs. Diff.
Taxes on Income	765	682	717	35	765	766	796	30	880	859	808	51
Taxes on property	110	113	103	10	132	132	137	5	140	125	128	3
Taxes on G & S	2610	2533	2446	87	2840	2811	2956	145	3000	2780	2753	27
Taxes on Intl. trade	285	325	267	58	340	327	354	27	350	333	321	12
Total taxes	3770	3653			4077	4036			4370	4097		
Social Contribs.	24	22	23	1	24	21	25	4	19	19	17	2
Property income	340	300	319	19	316	516	329	187	294	345	270	75
Receipts from sales	807	792	756	36	977	883	1017	134	1014	851	931	80
Fines, etc.	47	52	44	8	51	-	53	53	54	50	49	1
Other rev.	308	302	289	13	386	574	402	172	529	550	485	65
Ext. Grants	850	639	797	158	1151	1237	1198	39	1128	886	1035	149
Total Non-tax rev.	2376	2107			2905	3231			3038	2701		
Total rev.	6146	5760	5760	423	6982	7267	7267	797	7408	6798	6798	464
Overall Diff. (PI-3.1)		-6.3%				+4.1%				-8.2%		
Variance as % of actual				7.4				11.0				6.8

Indicator PI-3	2016 score	Justification for 2016 score	Performance change and other factors
Overall score	**C+**		
(i) Aggregate revenue	**C**	Out-turns were between 92 per cent and 116 per cent of budget in two of the three years	The methodology has changed and now covers external revenue as well as domestic revenue. If external revenue is excluded, the out-turns were in the range 94% - 112% in all three years, a significant improvement as compared with 2008-10 when the out-turn fell below 92% in two of the three years.
(ii) Revenue composition	**B**	Revenue composition variances were less than 10% in two of the last three years	New dimension

PILLAR TWO: TRANSPARENCY OF PUBLIC FINANCES

Performance Indicators 4-9 examine the transparency of the budget presentation and of other aspects of PFM, including the extent of central government operations outside fiscal reports, the transparency and predictability of central government transfers to sub-national governments, and the provision of performance information about public service delivery.

PI-4: BUDGET CLASSIFICATION

This single dimension Indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. The requirement for an A score is that budget formulation, execution and reporting are based on every level of administrative, economic and functional classification using GFS/COFOG standards.

In many respects Jordan meets these requirements. However, the economic classification is incomplete, since 25.9 per cent of 2015 actual expenditure is classified as “Military” expenditure, and a further 1.5 per cent as “Miscellaneous”. These are not economic categories according to GFS. This practice has now been changed as military expenditure is disaggregated by economic classification in the 2017 budget. There may also be a question whether some expenditure which is presented as capital should not more correctly be classified as current expenditure on maintenance. The Chart of Accounts should ensure the availability of the full GFS-consistent economic breakdown of all expenditure, but the complete information was not presented in Budget proposals or expenditure out-turn reports for 2015. A full breakdown of expenditure according to administrative and economic classifications is required for a C score; in the absence of the economic classification of all expenditure, the score for the time being is D. The new arrangements should in future justify A.

It does not appear that there had been any change since 2011 in the extent of disclosure; the previous assessment did not address the problem of the incompleteness of the economic classification.

PI-4	2016 score	Justification for 2016 score	Performance change and other factors
Budget classification	D	Although complete information on the administrative, functional and sub-functional classifications is provided, more than 25 per cent of expenditure is not allocated to GFS economic categories.	No change. The 2011 assessment did not address the issue of the incompleteness of the economic classification.

PI-5 BUDGET DOCUMENTATION

This is a one dimensional indicator that assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specialized list of basic and additional elements shown below.

The Draft General Budget Law of 2016, the Draft Detailed volume of the Budget Law, the Draft Law of Government Unit Budgets, and the Budget Speech were presented to the House of Representatives (HoR) on November 8, 2015. Table below shows the information included in these documents and is compared to the key elements.

Table 3.7 Information in Budget documentation for 2016

Elements required	Fulfilled	Document
Basic Elements:		
1. Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	It was stated in the Budget speech that the combined deficit of central government and government units will decline from JD 1.7 billion or 6.2% of GDP in 2015 to JD 1.4 billion or 4.9% of GDP in 2016.
2. Previous year's budget outturn, presented in the same format as the budget proposal.	Yes	Previous year outturns by administrative unit and in summary economic classification (2014) were presented in the same format as the budget proposal in the draft Budget Law. The functional allocation summary was provided only for 2016, but amounts for each programme in 2014 (actual), 2015 (expected out-turn) and 2016 (budget estimate) were included in the detailed documentation. As of 2017, full information is provided in the budget documentation.
3. Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	Current year (2015) budget was presented in the same format as budget proposal; figures are re-estimated and shown in the Draft Budget law of 2016.
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. (Budget classification is covered in PI-4.)	Yes	The Draft General Budget Law included summary and detailed tables for both revenue and expenditure according to the main heads of the economic, and administrative classifications; including data for 2014 (actual) and 2015 (re-estimate), as well as indicative data for 2017 and 2018.
Additional Elements:		
5. Deficit financing, describing its anticipated composition.	Yes	The Draft General Budget Law described the financing sources for 2016 and included the detailed financing budget for the years 2014-2018.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	No	The Draft General Budget Law and the Budget Speech included several macroeconomic assumptions for the next three years (2016-2018): Growth in GDP at current and constant prices; Inflation rate ; Growth in exports ;Growth in imports; Current account deficit as a percentage of GDP; Number of months that national imports of goods and services can be covered by Central Bank reserves. However, these assumptions did not include interest rates or the exchange rate as it is pegged to the dollar.
7. Debt stock, including details at least for the beginning of the current fiscal	Yes	The Draft General Budget Law included the outstanding external debt for the years 2013-2015,

Elements required	Fulfilled	Document
year presented in accordance with GFS or other comparable standard.		the net domestic debt for the years 2013-2015, and debt financing the budget for the years 2014-2018.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	No	There was no information of government financial assets in the budget documentation for 2016. However, information on the government's financial position (assets (bank deposits, etc but not advances, tax arrears or the value of shareholdings) and liabilities) was included in the annual Financial Statements for 2014 published on the website of MOF and sent to the HoR in November 2015.
9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structured financing instruments such as public-private partnership (PPP) contracts, and so on.	No	Contingent liabilities for 2015 are shown on the MOF website under the final account icon. There is no clear mention of any contingent liabilities embedded in structured financing instruments such as PPP contracts, although PPP Unit has become part of MoF, and projects have to be approved by the Council of Ministers.
10 Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	Yes	The Budget Speech for 2016 included an explanation of the budget implications of new policy initiatives.
11. Documentation on the medium-term fiscal forecasts.	Yes	The Draft budget document included the budget details of information on budget year 2016 and indicative figures for 2017 and 2018 (MTEF).
12. Quantification of tax expenditures.	No	No information was provided about the revenue foregone through tax exemptions.

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
PI-5	**B**	Budget documentation fulfils 8 elements including all four basic elements, and four others.	Criteria reformulated: no underlying change.

PI-6 CENTRAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS

This reformulated Indicator has three dimensions: it reviews the amount of expenditure controlled by central government bodies which is not included in government financial reports, the amount of revenue of such bodies which is not included in fiscal reports, and the timing of the submission to sponsoring Ministries in the Government of the annual financial reports of government bodies whose operations are not included in the budget. M2 aggregation is applied.

6.1 EXPENDITURE OUTSIDE FINANCIAL REPORTS

The expenditure of the Government Units (GUs) which are not included in the main central government budget is all reported in final accounts in the same way as that of Ministries and Departments which are included in the main budget. The Social Security Corporation (SSC) publishes its audited annual financial statements within four months of the end of the year to which they refer. The only expenditure by bodies subordinate to the central government which is not the subject of a financial report is that of the 10 public universities, whose expenditure in 2015 as reported to the Ministry of Higher Education and Research amounted in aggregate to some 600m JD, equivalent to about 7.8 per cent of main budget expenditure.

According to the PEFA criteria, the score for this dimension is C when this amount is between 5 per cent and 10 per cent of main budget expenditure.

6.2 REVENUE OUTSIDE FINANCIAL REPORTS

Just as public universities' expenditure is not the subject of a consolidated financial report, their revenue, which amounted to 494m JD in 2015, equivalent to 7.3 per cent of main budget revenue, is similarly not covered, again indicating the score C. It may be noted that the value of military equipment provided without charge by other Governments does not appear anywhere in the budgets or final accounts.

6.3 FINANCIAL REPORTS OF EXTRA-BUDGETARY UNITS

All GUs including the public universities submit their individual financial reports to their sponsoring Ministries or Departments within four months of the end of the fiscal year in accordance with the requirements of Article 11 of the annual Budget Laws, while the SSC report is available within the same timescale. This situation results in the score B.

PI-6 (M2)	2016 score	Justification for 2016 score	Performance change and other factors
Central government operations outside financial reports	C+		
6.1 Expenditure outside financial reports	C	2015 expenditure by government bodies not included in financial reports was equivalent to between 5 per cent and 10 per cent of main budget expenditure.	No underlying change. PI-7(i) under the 2011 criteria looked for reports covering both budget and out-turn.
6.2 Revenue outside financial reports	C	2015 revenue of government bodies not included in financial reports was equivalent to between 5 per cent and 10 per cent of main budget revenue.	New dimension in 2016 Framework.
6.3 Financial reports of extra-budgetary units	B	Full financial reports are submitted by all GUs to their sponsor Ministries/Departments within 6 months of fiscal year end.	New dimension in 2016 Framework.

PI-7 TRANSFERS TO SUB-NATIONAL GOVERNMENTS

This indicator assesses the transparency and timeliness of transfers from central government to sub-national governments with direct financial relationships to it. It looks at the system and basis of transfers and the timing of the supply of information from central government to sub-national government. The indicator comprises two dimensions, the scores for which are combined using the M2 method.

In Jordan sub-national government comprises100 municipalities plus the Greater Amman Municipality (GAM) which, as the capital city, enjoys a pre-eminent position in local government. There are also 12 governorates which are deconcentrated units of central government and included in the General Budget Law.[1] The municipalities vary significantly in size and are divided into four categories as follows:

Category 1 – centres of the Governorates or cities with a population of more than 100,000 (11 excluding Amman)

Category 2 – centre of district or towns with a population of more than 15,000 (47)

Category 3 – centres of sub-districts or towns with a population of less than 15,000 42

The municipalities and their fiscal relationship to central government are regulated by the Law of Municipalities 14/2007 and the Finance By-Law 77/2009. Their functions include local roads, street lighting, sewage disposal, refuse collection, markets, licensing and public parking. They also have responsibilities in promoting and controlling local economic development. In principle, and in the letter of the law, municipalities are financially independent but they do rely on central government transfers to supplement their own revenues. Administratively, they relate to the Ministry of Municipal Affairs (MOMA). Another important

[1] This status may change under decentralisation plans.

institution is the Cities and Villages Development Bank (CVDB) which acts as a financial intermediary between the central government and the municipalities.

7.1 SYSTEM FOR ALLOCATING TRANSFERS

According to the CVDB, total local government spending in 2015 excluding Amman amounted to some 260 million JD and total revenue was approximately 240 million JD. Of the latter sum, approximately 175 million JD (73%) came in the form of transfers from central government in respect of two sources of revenue that belong by law to local government. By far the larger of these sums was the 150 million JD paid to local government as a global sum in lieu of an entitlement to 8% of the revenue from the sale of oil products. The remaining 25 million JD represents local government's 40% share of the fees from the registration of motor vehicles. The horizontal distribution of these transfers is done by means of a formula approved by the Council of Ministers. The formula, which is periodically revised, is currently based on four factors which are 1) the size of the population, 2) the distance from a regional centre, 3) the unemployment rate and 4) the rate of poverty. Funds are transferred from MoF to the CVDB which distributes then in accordance with the formula.
Since the horizontal allocation of all transfers to local governments is determined by transparent, rules-based systems, the score is A.

7.2 TIMELINESS OF INFORMATION ON TRANSFERS

The process for informing the municipalities of the amount of transfers that they will receive is clearly defined in the Law of Municipalities 2007 and the annual budget calendar. Municipalities usually start preparing their budgets in August on receipt of an instruction from MOMA that contains guidelines including an indication of the amount of transfers that they ae likely to receive. The budget proposal is submitted to MOMA for review and decision on the amount of transfers for each municipality that will be provided. This information is provided by the end of October leaving the municipality adequate time to finalise its budget and submit it to MOMA for approval.
Since information on transfers is provided to municipalities by the end of October each year, the score for this dimension is A.

Indicator/Dimension PI-7 (M2)	2016 score	Justification for 2016 score	Performance change and other factors
Transfers to subnational governments	**A**		
(i) System for allocating transfers	**A**	The horizontal allocation of all transfers to SNG from central government is determined by transparent, rules-based systems	No change
(ii) Timeliness of information on transfers	**A**	Information is provided in accordance with the budget calendar allowing municipalities two months to complete their budget planning on time.	No change

PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY

This demanding new Performance Indicator asks whether information is published annually about policy and programme objectives, including outputs to be produced and outcomes to be achieved as measured by key performance indicators, disaggregated by programme or function; and whether information is published about the performance achieved against these objectives. It also asks whether information is available about the resources received by individual service delivery units (e.g. primary schools and health clinics) and whether any independent evaluations have been made of the efficiency and effectiveness of service delivery within the last three years. M2 aggregation is applied.

8.1 PERFORMANCE PLANS FOR SERVICE DELIVERY

For the purposes of the budget documentation all the activities of all Ministries or Departments are broken down into programmes, with key performance indicators (KPIs) setting out the actions to be undertaken and the outputs produced. In many cases these indicators are specified in terms of administrative actions (e.g. numbers of officials to be trained), although in others they are concerned with outputs (e.g. rate of bed occupancy in hospitals, percentage of children inoculated against infectious diseases). But they are not generally specified in terms of outcomes (e.g. reductions in the incidence of diseases, increase in the number of students achieving specific academic standards). An A score requires both outputs and outcomes to be specified for 75 per cent of Ministries or Departments; outputs are sufficient for the score B. It should be noted that although the outputs to be achieved are specified in every case in the documentation attached to the annual Budget Law, this documentation does not generally explain what actions are to be taken to achieve them; thus increases in hospital bed occupancy could be achieved by treating more patients (for which there may be no demand) or by rationalising hospital provision (so making it possible to devote more resources to primary healthcare provision), but the documentation does not provide any further explanations. Since outcomes are not generally specified, score for this dimension is B.

8.2 PERFORMANCE ACHIEVED FOR SERVICE DELIVERY

The detailed budget documentation for all Ministries and Departments for 2016 includes in addition to KPIs for 2016 and the two subsequent years, the values expected to be achieved for the same KPIs in 2015 and the values actually achieved in 2014. Again these are generally in terms of outputs but not outcomes, so again the score is B.

8.3 RESOURCES RECEIVED BY SERVICE DELIVERY UNITS

This dimension corresponds to PI-23 in the 2011 Framework. An A score requires that information on the resources received by individual front-line service delivery units (SDUs) of at least two large Ministries (typically Education and Health) is collected and recorded, disaggregated by sources of funds, and compiled into a report at least annually. If only one large Ministry is covered, the score is B. If a survey has been carried out in the last three years to obtain estimates of the resources received by SDUs of at least one large Ministry, the score is C. In Jordan no information is publicly available about current expenditure on health and education by Governorate, and there is apparently no question of the actual annual revenues and costs of individual schools or health clinics being reported. It is possible that information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual SDUs could be extracted from GFMIS, but for the time being this has not been done. Thus the score remains D, as in 2011.

8.4 PERFORMANCE EVALUATION FOR SERVICE DELIVERY

This dimension asks what independent evaluations have been made of the efficiency and effectiveness of service delivery. Performance audits by the Audit Bureau (AB) are taken into consideration in this dimension. An A score requires that independent performance evaluations have been undertaken covering 75 per cent of Ministries and Departments during the last three years. Lower scores are given for reduced coverage. MoPIC and GBD are preparing a Monitoring and Evaluation (M&E) Framework which would be applied throughout the government, and reported in a common format. But there is no evidence of any significant evaluations having yet taken place in accordance with this initiative. AB began to undertake performance audit work in 2004, and this has received further impetus through a recent twinning arrangement with the Supreme Audit Institutions (SAIs) of Spain, Netherlands and Estonia focusing on performance and environmental audit. However, coverage of the delivery of main public services has so far been relatively limited to some institutions. Score: C

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-8 Performance information for service delivery (M2)	C		
8.1 Performance plans for service delivery	B	Ministry and Department plans show intended actions and outputs, but not outcomes.	Some development of the main budget presentation.
8.2 Performance achieved for service delivery	B	Budget documents contain information about the extent to which previously announced targets have been met.	New dimension
8.3 Resources received by service delivery units	D	Information about the resources received by individual schools and health clinics is not collected.	No change from 2011 PEFA assessment, PI-23.
8.4 Performance evaluation for service delivery	D	Although performance evaluations of some aspects of service delivery have been undertaken by AB since 2004, the coverage has so far been relatively limited.	New dimension.

PI-9 PUBLIC ACCESS TO FISCAL INFORMATION

This indicator assesses the comprehensiveness of specific elements of critical fiscal information made available to the public. There is one dimension for this indicator.

The publication of key fiscal information via easily accessible media and in time to be relevant is presented in Table 3.8 below.

Table 3.8 Criteria on Public Access to Key Fiscal Information

Elements of information	Fulfilled	Availability of information
Basic elements		
1. Annual executive budget proposal documentation. **A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.**	Yes	The budget proposal is made available on the GBD website in 1-2 days from the date it is sent to the National Assembly. The budget speech and the proposal (summary) are published in the newspapers, and the budget debate is televised.
2. Enacted budget. **The annual budget law approved by the legislature is publicized within two weeks of passage of the law.**	Yes	Once the budget law is approved by the National Assembly, it is published on the GBD website within 1-2 days.
3. In-year budget execution reports. **The reports are routinely made**	Yes	The "General Government Finance Bulletin" which is prepared by MoF and is available in print and on the

available to the public within one month of their issuance, as assessed in PI-27.		website (http://www.mof.gov.jo) published monthly usually by the end of the following month provides information on expenditures, revenues, and public debt, usually within a month of their availability.
4. Annual budget execution report**. The report is made available to the public within six months of the fiscal year's end.**	Yes	The final account for the year 2015 was published on the MOF website in April 2016.
5. Audited annual financial report, incorporating or accompanied by the external auditor's report**. The reports are made available to the public within twelve months of the fiscal year's end.**	Yes	The AB receives the annual financial report from MoF within six months of the fiscal year's end. Its report for 2015, including for the first time an Opinion on the Government's financial statements, was published on the MoF website in November 2016.
Additional elements		
6. Prebudget statement. **The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year.**	No	No information about the broad parameters of the following year's budget is given in advance of the presentation of the actual budget proposal.
7. Other external audit reports**. All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.**	No	No reports on central government consolidated operations other than the annual report are published by AB. The proposed amendment of the AB law would allow the Bureau to publish separate reports other than the annual report. The last annual report available to the public is of 2014.
8. Summary of the budget proposal. **A clear, simple summary of the executive budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.**	Yes	The GBD used to publish "Budget in brief" and "Citizens' Guide to the Budget. Starting in 2016 it incorporated the two booklets in one. This year's Guide was published in January 2016 at the time the budget was approved.
9. Macroeconomic forecasts. **The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.**	No	These forecasts are usually prepared for the purpose of preparing the budget. This process takes a long time until the budget is submitted to the HoR, and the budget speech is delivered and published, with the forecasts being part of it.

Changes and factors affecting the performance

The 2016 PEFA methodology has 9 elements to evaluate public access to fiscal information while that of 2011 had only 6 although 4 basic elements are the same in both. The 2016 PEFA has more on publishing audited information..

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
PI-9	**B**	The government makes available to the public all five basic elements, and one additional element, within the specified time frame.	Publication of the Citizen's Guide and the AB's Opinion on the previous year's accounts represent improvements compared with 2011.

PILLAR THREE: MANAGEMENT OF ASSETS AND LIABILITIES

This section of the report brings together the management of fiscal risks, the management of public investment, the management of financial and non-financial assets, and the management of debt. Fiscal risks and debt management were covered respectively by PIs 9 and 17 under the 2011 Framework, although the criteria have been revised; The Indicators concerned with public investment and public assets management are new.

PI-10 FISCAL RISK REPORTING

In Jordan public enterprises are budgeted and reported in the same way as other extra-budgetary units (see PI-6 above). M2 aggregation is applied to this Indicator.

10.1 MONITORING OF PUBLIC CORPORATIONS

In Jordan all Government Units, including those which supply goods or services as well as those performing regulatory or other non-market functions, are required in accordance with the Surplus Laws (2007 and 2015) to keep their bank balances in the Treasury Single Account, and to surrender any surpluses to MoF. All make reports on their financial situation to the government at least quarterly, with the large majority reporting monthly, as well as submitting annual financial reports. The Government submits a consolidated annual statement of the accounts of all GUs to the National Assembly, with the same breakdown of information as is provided in the annual budget law. By far the most important public enterprises are the National Electric Power Corporation (NEPCO) and the Water Authority of Jordan (WAJ). Ten other GUs (apart from the Central Bank) are constituted as companies (three water companies, an electricity generator, two railway companies, the postal service, an agricultural supply company, and the Amman Stock Exchange). During the period 2013-15 NEPCO incurred heavy losses when the supply of relatively cheap Egyptian gas was cut off, and imported oil at US$100 a barrel had to be used to generate supplies without any adjustment to the prices paid by consumers which are controlled by the government. Meanwhile WAJ continued to incur deficits each year as its investment needs far outstripped its water supply charges. Overall GUs incurred deficits of 1,204mJD, 1,046mJD and 483mJD for the three years 2013-15. The aggregate deficits of GUs organized as companies during these years were 1,210m JD, 1,191mJD and 424m JD respectively. Borrowing by GUs is guaranteed by the Government, and included in public debt statistics (see Table 2, Chapter 2 above).
An A score for this dimension requires, in addition to an annual consolidated report on the financial performance of those GUs which charge for the supply of goods and services (and therefore qualify to be treated as public corporations), that all (i.e. at least 90 per cent) of the GUs concerned publish audited financial reports within six months of year end. The requirement for the provision of a consolidated annual report can be considered to be satisfied by the inclusion in the budget documentation of Table 24 showing the financial performance of those GUs which are subject to company law. However, audited reports for 75 per cent or more of these bodies were only available within 9 months of the end of the previous fiscal year, resulting in the score C.

10.2 MONITORING OF SUBNATIONAL GOVERNMENTS

As noted in PI-7 above, municipalities receive financing from central government through the Cities and Villages Development Bank (CVDB), from which they may borrow, subject to approval by the Ministry of Municipal Affairs (MoMA). The most recent consolidated information about their revenue and expenditure published in the monthly MoF Finance Bulletin is for 2013. Total outstanding borrowing by municipalities at the end of 2015 amounted to 88mJD (73mJD long-term (up to 10 years) and 15mJD overdraft). MoF has information available in real time about municipalities' bank balances, and may delay transferring revenue and grants to CVDB if municipalities' cash position is considered adequate. An A score requires that all municipalities to publish audited financial statements within nine months of fiscal year end, and that the government publishes a consolidated report on their financial position at least annually. For a B score audited financial reports should be published by 75 per cent of municipalities. 60 out of the 100 municipalities submitted their 2014 reports within the required timescale in 2015, which is sufficient for the score C.

10.3 CONTINGENT LIABILITIES AND OTHER FISCAL RISKS

Fiscal risks may arise inter alia from adverse developments in the country's economic situation, from the need to make good losses incurred by public enterprises, from future pension payment obligations, and from commitments made where investments are financed through public-private partnership (PPP) arrangements. Jordan has faced a deteriorating macro-economic environment during 2013-16, the need to make good large losses incurred by the main electricity utility, and a rising bill for unfunded pension payments to civil service and military pensioners. The Government's policy is where possible to finance major new public investments through PPP schemes, although as yet there are apparently no substantial contingent liabilities under such schemes. Most fiscal risks have been regularly analysed and assessed in reports prepared by the International Monetary Fund (IMF) in consultation with the Government during the 2013-15 Stand-By Arrangement (SBA), and will similarly be covered in the reports produced in the context of the recently (August 2016) agreed Extended Fund Facility (EFF). Since these are not, strictly speaking, financial reports prepared by government bodies, a C score is proposed.

Indicator/ Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-10 Fiscal risk reporting (M2)	C		
10.1 Monitoring of public corporations	C	Most public corporations (GUs which are subject to company law) publish audited financial reports within 9 months of year end, and a consolidated table of their financial results is produced by the government.	No underlying change; fiscal risk reporting is now covered by new dimension 10.3.
10.2 Monitoring of subnational governments	C	A majority of municipalities submit unaudited financial reports to MoMA within the required timescale.	No underlying change; criteria have been reformulated.
10.3 Contingent liabilities and other fiscal risks	C	Fiscal risks are regularly assessed in reports produced by the IMF in discussion with the Government.	New dimension.

PI-11 PUBLIC INVESTMENT MANAGEMENT

This new Indicator looks at four aspects of public investment management: whether economic analysis is consistently applied to project proposals; whether projects are prioritised by reference to consistent published criteria; whether the total life-cycle costs of major investment projects are included in budget documentation, together with an annual breakdown of costs for the three years ahead; and whether the costs and physical progress are monitored in accordance with standard procedures and the results published annually. M2 aggregation is applied.

11.1 ECONOMIC ANALYSIS OF INVESTMENT PROJECTS

Investment projects are planned within the framework of the Government's Vision 2025, with those which should if possible go ahead within the next three years listed in detail in the Government's Executive Development Programme (EDP) 2016-18. The EDP will be rolled forward annually consistently with each successive year's budget documentation. Following a World Bank consultancy in 2015, the Government decided in June 2016 to systematize Public Investment Management (PIM). MoPIC has been given the responsibility for managing the single pipeline of possible projects consistent with Vision 2025, while all projects should now be subjected to economic analysis using a model approach specified by the World Bank. No projects should receive final approval unless they are shown by this test to deserve priority. At the same time decisions should be taken whether to execute projects on budget or through PPPs. While it is clear that some major projects have hitherto been subjected to economic analysis in which GBD and MoPIC were involved as well as the sponsoring Ministry, often at the instigation of donors, no guidelines were in operation setting out how such economic analysis should be performed. Dimension score: C.

11.2 INVESTMENT PROJECT SELECTION

All major projects are prioritised and decided by a Committee chaired by the Prime Minister and serviced by MoPIC. These arrangements have operated throughout the period covered by this assessment. But standard criteria to be applied in decision taking have only recently been established. Dimension score: C

11.3 INVESTMENT PROJECT COSTING

An A score for this dimension requires the budget documentation to include the total life-cycle costs of major investment projects, including both capital and recurrent costs, and also a year by year breakdown of the costs of each project for at least the budget year and the two following years. For a C score information must be provided on the total capital costs of each major project, together with the capital spend during the year immediately ahead. In Jordan the budget documentation shows the spending each year on each capital project, but the total capital costs of each project are not shown anywhere. Score: D

11.4 INVESTMENT PROJECT MONITORING

A high score for this dimension requires a high level of compliance with standard procedures and rules established for project implementation, with information published at least annually on costs and physical progress in project implementation. In Jordan progress in project execution is effectively monitored by the responsible line Ministry or GU, and reported to MoPIC; but it is not published. Nor have any standard rules and procedures been established for project execution. Score: D

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-11 Public investment management (M2)	D+		
11.1 Economic analysis of investment proposals	C	No national guidelines have been established for the economic analysis of project proposals. The case for each project is assessed by GBD and MoPIC as well as by the sponsoring Ministry/GU.	New dimension
11.2 Investment project selection	C	Major projects are prioritised by a Committee chaired by the Prime Minister, but no criteria have been published for project selection.	New dimension
11.3 Investment project costing	D	The total capital costs of each project are not published in budget documentation or elsewhere.	New dimension
11.4 Investment project monitoring	D	The costs and physical progress of projects are monitored by the sponsoring Ministries/Department, but no standard procedures and rules have been established, and there is no publication of reports.	New dimension

PI-12 PUBLIC ASSET MANAGEMENT

This new Performance Indicator assesses the management and monitoring of the government's financial and non-financial assets, and the transparency of asset disposal. M2 aggregation is applied.

12.1 FINANCIAL ASSET MONITORING

The government's financial assets include foreign currency reserves, bank deposits, loans to other parts of the economy, advances, tax arrears and shares in registered companies. The value of public enterprises, particularly if constituted as bodies constituted under company law, could also be taken into consideration. Best practice requires the government to keep a record of all its holdings in financial assets, valued in accordance with international standards, and to publish an annual report on their performance. In Jordan some information is included in the government's accounts about holdings of official reserves, bank deposits and advances. But other financial assets (e.g. tax arrears and the value of company shareholdings) are not covered in these reports. The Government has recently established the Government Contribution Company to hold and manage its shareholdings in companies which it does not fully control. The assessment team was told that this company has shares in some 20 companies, the most important of which are minority holdings in companies engaged in mining phosphates and potash. Financial returns from these companies are included in the Property Income category of non-tax revenues (there is also an element of royalty income from mining activity), but no details are published. Presumably the company will eventually have to publish its annual financial reports, but at present no information about its performance is available. Since no information is available about some categories of financial assets or about their relative importance in relation to the overall total of financial assets, the score for this dimension is D.

12.2 NON-FINANCIAL ASSET MONITORING

The Government has recently decided that its financial reports should be prepared in accordance with full accrual-based international accounting standards (at present the objective is to report in accordance with cash-based International Public Sector Accounting Standards (IPSAS)). MoF recognises that this will require the identification and valuation of all fixed assets, including their age and the use made of them, which can only be achieved over a considerable period of time. Some work has been initiated to review each Ministry's and GU's assets; for the time being each entity maintains a register of its assets, including valuations and accumulated depreciation, but these have not been consolidated. Score for this dimension: C

12.3 TRANSPARENCY OF ASSET DISPOSAL

A high score for this dimension requires the existence of predetermined rules for the disposal of financial and non-financial assets, with information on disposals included in budget documentation or other reports. For the time being there are no rules concerning the disposal of government assets. Score for this dimension: D

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-12 Public asset management (M2)	D+		
12.1 Financial asset monitoring	D	Financial reports contain partial information about holdings of financial assets. No information is available about the government's minority shareholdings in companies.	New dimension
12.2 Non-financial asset monitoring	C	Work has only just begun to review the government's holdings of non-financial assets, prior to revaluing them as part of the preparation for the application of full accrual-based international accounting standards.	New dimension
12.3 Transparency of asset disposal	D	No rules are currently in place to regulate the disposal of government-owned assets.	New dimension

PI-13 DEBT MANAGEMENT

This reformulated Indicator assesses whether domestic and foreign debt records are complete and accurate, whether the approval of debt and guarantees is the responsibility of a single entity, and whether the government has a debt management strategy in place. M2 aggregation is applied.

13.1 RECORDING AND REPORTING OF DEBT AND GUARANTEES

Jordan uses the latest version of the (UNCTAD) Debt Management Financial Analysis System (DMFAS). The responsibility for debt management is undertaken by MoF. Monthly reports are published of domestic and external debt, including GUs' debt guaranteed by the government. There are no doubts about the accuracy of the figures which are reconciled monthly. Score for this dimension: A

13.2 APPROVAL OF DEBT AND GUARANTEES

Under the Public Debt Management Law (2001) responsibility for public debt management is assigned to a Committee consisting of the Minister of Finance (Chair), the Minister of Planning and International Cooperation and the Governor of the Central Bank of Jordan (CBJ). All borrowing (including the issue of guarantees and the contracting of PPPs) is subject to approval by the Council of Ministers. These arrangements are considered to meet the requirement that debt management should be undertaken by a single entity. Documented policies and procedures are in place to guide debt management operations. Score for this dimension: A

13.3 DEBT MANAGEMENT STRATEGY

A debt management strategy for the period 2011-14 was published, but the assumptions were overtaken by events. A new strategy was prepared in 2015, but not published, and has now (August 2016) become out-dated. The Government has recently pursued a policy of increasing external borrowing on concessional terms, meanwhile reducing reliance on relatively more expensive domestic market borrowing. However, the additional fiscal risks resulting from increasing the country's exposure to foreign currency obligations limit the extent to which this policy should be followed. Although the 2001 Public Debt Law sets a limit on total public debt of 80 per cent of GDP (with limits of 60 per cent of GDP for both domestic and external debt), gross debt currently exceeds 90 per cent of GDP and net debt 85 per cent. The conditions of the recently agreed IMF Extended Fund Facility (EFF) require the publication of a new debt management strategy, which was done in September 2016. The IMF are also looking for a more pro-active debt management strategy, in which MoF sets objectives in terms of maturity structure and interest rates for new borrowing rather than rely on CBJ's approach of tailoring issues to the wishes of market participants. In the absence hitherto of annual reporting to the legislature against debt management objectives, the score for this dimension is B.

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-13 Debt management (M2)	A		
13.1 Recording and reporting of debt and guarantees	A	Data are complete, accurate, and reconciled monthly	No change
13.2 Approval of debt and guarantees	A	All decisions are taken by the Debt Management Committee chaired by the Minister of Finance and ratified by the Council of Ministers	No change
13.3 Debt management strategy	B	A debt management strategy was published in September 2016, but there have hitherto been no annual reports to the legislature on performance against debt management objectives.	New dimension

PILLAR FOUR: POLICY BASED FISCAL STRATEGY AND BUDGETING

Five Performance Indicators are included under this pillar, covering macro-economic and fiscal forecasting, fiscal strategy, medium-term perspective in expenditure budgeting, budget preparation process, and legislative scrutiny of budgets.

PI-14 MACRO-ECONOMIC AND FISCAL FORECASTING

This Indicator has three dimensions, covering macro-economic forecasts, fiscal forecasts and macro-fiscal sensitivity analysis.

14.1 MACRO-ECONOMIC FORECASTS

Macro-economic forecasting has proved difficult in Jordan over the last two years, with growth persistently falling short of expectations. This is perhaps not surprising, given the very difficult situation in Jordan's neighbour countries, with whom Jordan has close economic relations in normal times. The IMF have been concerned that MoF should attach higher priority to work on economic forecasting through the reestablishment of the Macro-Fiscal Unit (actually carried through in July 2016). The assessment team understand that the statistical basis for macro-economic forecasting is incomplete, since GDP figures take into account only information about value added; statistics based on income and expenditure information are available only up to 2012. The budget documentation (including the Budget speeches) for the 2014, 2015 and 2016 budgets included projections of real GDP growth and inflation for three years ahead, but there were no explicit projections of interest rates and the exchange rate. This apparently reflects the determination to maintain the peg for the Jordanian dinar to the US dollar at a rate of one US dollar = 0.71 JD, which leaves little scope for discretionary choice on interest rates. Score for this dimension: C

14.2 FISCAL FORECASTS

The documentation provided with the budget proposals for the three years 2014-16 included projections of the main fiscal indicators (revenues (by type), aggregate expenditure and the budget balance) for the budget year and the two following years. The underlying assumptions have been described in the annual Budget speeches, together with explanations why revenue and expenditure for the current year are now expected to be different from the amounts projected when the budget was presented the year before. (These matters are also covered in the regular reports prepared in consultation with the Government by the IMF during the currency of the SBA and EFF programmes.) Score: A

14.3 MACROFISCAL SENSITIVITY ANALYSIS

An A score for this dimension requires the publication of a range of fiscal forecast scenarios based on alternative economic assumptions alongside the government's central forecast. Publication of the range of scenarios is not required for a B score, but the budget documentation should include some discussion of the implications of alternative assumptions. Although there is a discussion of some of the implications of alternative economic assumptions in the assessments made each year by the IMF of the sustainability of the country's public debt, it does not appear that the forecasts/projections made by the Jordan government in recent years have included even a qualitative assessment of the impact of alternative assumptions. Score for this dimension: D

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-14 Macro-economic and fiscal forecasting (M2)	C+		
14.1 Macro-economic forecasts	C	Forecasts of real GDP growth and inflation for the next 3 years are included in the budget documentation. These forecasts assume the maintenance of the currency peg against the US dollar.	New dimension
14.2 Fiscal forecasts	A	The budget documentation includes forecasts of the main fiscal aggregates for the next 3 years, and includes some explanation for the differences from the previous year's forecasts for the same year.	New dimension
14.3 Macrofiscal sensitivity analysis	D	Fiscal forecasts produced by the Jordan Government do not include any discussion of the impact of alternative economic assumptions.	New dimension

PI-15 FISCAL STRATEGY

This Indicator assesses a government's ability to develop and implement a clear fiscal strategy, taking into account the fiscal impact of revenue and expenditure policy proposals which support the achievement of the government's fiscal goals.

15.1 FISCAL IMPACT OF POLICY PROPOSALS

The documentation for the 2014-16 budgets reflected specific proposals on revenue and expenditure for the year immediately ahead, but the figures given for the two following years left open the precise choices concerning revenue and expenditure which would achieve the aggregate objectives. The impact of all the revenue and expenditure proposals are fully reflected in the detailed budget documentation. The budget speeches identify the effects of specific proposals, such as those on pay increases for public servants and the amounts to be spent on investment projects. Score for this dimension: C

15.2 FISCAL STRATEGY ADOPTION

The published commitments made by the Government in the contexts of the recent Stand-By Arrangement (SBA) and the current Extended Fund Facility (EFF) concluded with the IMF have included specific objectives for the fiscal balance each year, including the size of fiscal adjustments to be made each year as a percentage of GDP. Although the Government has retained some discretion concerning the precise revenue and expenditure measures to be adopted in the second and third years in order to achieve these objectives, the budget proposals submitted each year to the National Assembly have been consistent with these commitments. Score for this dimension: B

15.3 REPORTING ON FISCAL OUTCOMES

The Letters of Intent (LoI) sent by the Government at each review of performance under the SBA, and on the conclusion of the current EFF, can be seen as constituting reports on progress made against its fiscal strategy. Explanations are given for any deviations from the intended path for the fiscal balance and other variables, as well as commitments for the future. But these LoI have not been submitted to the National Assembly as part of budget documentation, which is required for a B score. Score for this dimension: C

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-15 Fiscal strategy (M2)	C+		
15.1 Fiscal impact of policy proposals	C	Budget documentation reflects specific proposals on revenue and expenditure as they affect the year immediately ahead. But the figures for the following two years leave open the specific decisions required to achieve fiscal objectives.	New dimension
15.2 Fiscal strategy adoption	B	The Government's commitments to the IMF under the recent SBA and the current EFF constitute a fiscal strategy with specific time-bound objectives for the fiscal balance and other variables, which has been incorporated into each year's budget proposals.	New dimension
15.3 Reporting on fiscal outcomes	C	The Letters of Intent (LoI) sent by the Government to the IMF at each stage of the SBA and EFF constitute progress reports against the agreed fiscal strategy. But these LoI are not submitted to the National Assembly as part of budget documentation.	New dimension

PI-16 MEDIUM-TERM PERSPECTIVE IN EXPENDITURE BUDGETING

This Indicator covers much of the same ground as dimensions (i), (iii) and (iv) of PI-12 under the 2011 Framework, although the criteria are expressed differently. M2 aggregation applies.

16.1 MEDIUM-TERM EXPENDITURE ESTIMATES

An A score for this dimension requires that the annual budget includes estimates of expenditure for the budget year and the two following years allocated by administrative, economic, and programme or functional classification. In Jordan the documentation which constitutes part of the annual budget law approved by the National Assembly includes expenditure estimates for the next three years allocated by administrative, economic, programme, and functional and sub-functional classifications. Thus Jordan satisfies the requirements for an A score (although it should be noted that the economic classification is incomplete, see PI-4 above).

16.2 MEDIUM-TERM EXPENDITURE CEILINGS

An A score requires that the Council of Ministers approve the aggregate expenditure ceilings, and the ceilings for each administrative unit, for the budget year and the two following years before the budget circular is issued.. In 2015 and in agreement with the IMF, GBD issued preliminary ceilings for planning purposes to each entity on 26 May. Revised ceilings approved by the Government were issued in the Budget Circular on 29 September. Score: A

16.3 ALIGNMENT OF STRATEGIC PLANS AND MEDIUM-TERM BUDGETS

An A score for this dimension requires that 75 per cent of Ministries have prepared and costed strategic plans for the development of their activities, and that the expenditure provision in the medium-term budgets is consistent with the plans. Progressively lower scores are given as the coverage of strategic plans aligned with the expenditure provision falls further below 75 per cent. MoPIC state that well over half of Ministries have costed strategic plans, and that expenditure policy proposals are consistent with those plans, although financial stringency has repeatedly delayed their implementation. The Government's Executive Development Programme 2016-18 places the decisions already taken and the intentions over the three year period in the context of the strategic plans. But it also points to the lack of harmonization between national policies and strategies (page 23), and to the weak connections between strategies and financial planning at government departments (page 123). The instability of investment planning indicated in PI-2.2 provides further confirmation that strategic plans have limited traction. Accordingly, score for this dimension: B

16.4 CONSISTENCY OF BUDGETS WITH PREVIOUS YEAR'S ESTIMATES

The presentation of the 2016 Budget included an explanation of the differences between the expected out-turn for 2015 and the corresponding figures in the original budget. But there was no explanation for the differences between the 2016 figures presented with the 2015 budget and the actual 2016 budget proposals. Score:D

	2016 score	Justification for 2016 score	Performance change and other factors
PI-16 Medium-term perspective in expenditure budgeting (M2)	B		
16.1 Medium-term expenditure estimates	A	Expenditure estimates are provided for the budget year and two following years allocated by administrative, economic, functional, sub-functional and programme classifications.	No change, although criteria respecified
16.2 Medium-term expenditure ceilings	A	The budget circular includes expenditure ceilings for each budget Chapter for the budget year and the two following years, all of which have previously been approved by the Council of Ministers.	New dimension
16.3 Alignment of strategic plans and medium-term budgets	B	A majority of Ministries have strategic plans, with which policy proposals are aligned, although their implementation may be delayed by financial stringency.	Criteria respecified.
16.4 Consistency of budgets with previous year's estimates	D	No explanations were given for changes in the figures for what was the second year when that year became the budget year.	New dimension

PI-17 BUDGET PREPARATION PROCESS

This Indicator assesses whether there is a stable and generally observed calendar for orderly budget preparation, whether there is sufficient involvement of the political process in setting budget ceilings for each administrative unit, and whether there is timely submission of the budget to the National Assembly. The first two dimensions essentially reproduce dimensions (i) and (ii) of PI-11 under the 2011 Framework, while the third reproduces PI-27 (iii) from the previous Framework. M2 aggregation applies.

17.1 BUDGET CALENDAR

Budget preparation in Jordan essentially follows a budget calendar initially set by the then Prime Minister late in 2009. This budget calendar has since then evolved to better serve the budget preparation process. The calendar is not currently fixed by any principal legislation or by a Government-approved by-law. At the first stage of the 2015 calendar, in May, the General Budget Department (GBD) asked the line Ministries, departments and Government Units (MDAs) to submit their draft medium-term budgets in accordance with a directive issued by the Prime Minster including preliminary ceilings for each MDA. In July MDAs submitted the draft budgets for review by GBD. At the conclusion of this process GBD issued the final Budget Circular approved by Ministers on 29 September, including definitive ceilings for each MDA, with final budget submissions due by mid-October. The Budget Circular included overall policy direction, economic forecasts and assumptions, aggregate and individual expenditure ceilings, and directions for preparing budget submissions. The submissions were consolidated into the draft budget law for consideration by the Advisory Council for the Budget, and then in mid-November by the Council of Ministers. In accordance with a 2011 Constitutional amendment the draft Budget law (and the parallel law relating to the Government Units) was submitted to the National Assembly (NA) before the end of November. Since MDAs have only about two weeks between the issue of the main Budget Circular and the deadline for submissions, the score for this dimension is C.

17.2 GUIDANCE ON BUDGET PREPARATION

An A score for this dimension requires that a comprehensive and clear budget circular is sent to all spending Departments and Units, including expenditure ceilings for each of them which have previously been approved by the Council of Ministers. As explained in 17.1 above, Jordan satisfies this requirement.

17.3 BUDGET SUBMISSION TO THE LEGISLATURE

For an A score the budget proposals must be submitted to the National Assembly at least two months before the end of the year in respect of each of the last three budgets; for a B score submission must be before the end of October in two of the last three years. For C the submission must at least be before the end of November in two of the last three years. The actual dates of submission of the 2014, 2015, and 2016 budgets were 18 November 2013, 30 October 2014 and 8 November 2015. Score for this dimension is therefore C.

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-17 Budget	B		

preparation process (M2)			
17.1 Budget calendar	C	Ministries and Departments have less than four weeks to prepare final budget submissions after receipt of the budget circular.	No change since 2011.
17.2 Guidance on budget preparation	A	The budget circular includes expenditure ceilings previously approved by the Council of Ministers with which Ministries and Departments must comply.	No change
17.3 Budget submission to the legislature	C	Proposals for all the last three budgets have been sent to the National Assembly before the end of November every year, but in only one year before the end of October.	Performance improvement: the D score in 2011 reflected the suspension of the National Assembly during 2010.

PI-18 LEGISLATIVE SCRUTINY OF BUDGETS

This Indicator assesses the nature, extent and timing of legislative scrutiny of annual budget proposals. The first two dimensions and the fourth essentially reproduce PI-27 (i), (ii) and (iv) from the 2011 Framework, while 18.3 reproduces PI-11 (iii) from 2011. M1 aggregation applies.

18.1 SCOPE OF LEGISLATURE'S SCRUTINY

The budget documentation for the 2016 budget, including the draft General Budget law and the draft budget law for the 59 Government Units, contained information about revenue and expenditure for the next three years, including the deficits requiring financing each year, and the projected financing from external and domestic sources. GBD confirmed that the National Assembly's review covered medium-term fiscal forecasts and medium-term priorities for revenue and expenditure, in addition to details of revenue and expenditure for the year immediately ahead. This meets the criteria for A.

18.2 LEGISLATIVE PROCEDURES FOR BUDGET SCRUTINY

The most significant work on the budget is done by the elected House of Representatives rather than by the appointed Senate. The House of Representatives in accordance with its Standing Orders establishes a series of specialist Committees to deal with different aspects of its work; detailed consideration of the budget proposals has been undertaken by the Financial Committee (separate since 2013 from the Economic Committee). Article 112 (iv) of the Constitution precludes the National Assembly from proposing an increase in the amounts allocated to each of the 53 Chapters in the main budget and to each of the 59 Chapters in the separate budget for Government Units, although it may propose reductions. There is thus practically no scope for negotiation between the Assembly and the Government during the budget-setting process. The Clerk to the Assembly confirmed that consideration of the 2016 budget by the then Assembly included detailed examination of the proposals by the Financial Committee during hearings where questions were posed to Ministers and officials responsible for different Chapters. An A score for this dimension requires both arrangements for public consultation and the operation of negotiation procedures, and a B score presupposes the possibility of negotiations. The criteria for this dimension have been reformulated as compared with the comparable dimension under the 2011 criteria; in view of the very limited scope allowed by the Constitution for the Assembly's work in relation to the budget, with no real possibility for negotiations, the score is C.

18.3 TIMING OF BUDGET APPROVAL

The 2014, 2015 and 2016 Budgets were approved respectively on 26 January 2014, 8 March 2015, and 24 January 2016. Since in two of the three years approval was given within a month of the beginning of the year, score is C.

18.4 RULES FOR BUDGET ADJUSTMENT BY THE EXECUTIVE

An A score for this dimension requires the existence of clear rules limiting the executive's power to amend the budget during the course of the year without the approval of the legislature. In Jordan the executive can reduce the overall provision under each Chapter if financial stringency requires this, but the amount for each Chapter cannot be increased without a new law. The only exception to this is that provision may be transferred between Chapters where the expenditures concerned are capital projects financed by grant from the Gulf Cooperation Council. The rules restricting the extent to which provisions may be transferred during budget execution are included in each year's budget law. Within a Chapter provision may be transferred from current to capital, but not in the opposite direction, although this restriction does not apply to the National Assembly and those Chapters which constitute military expenditure. Since the rules are clear, universally observed, and effectively limit the executive's discretion to amend the budget during execution, the score is A, as in 2011.

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-18 Legislative scrutiny of budgets (M1)	C+		
18.1 Scope of budget scrutiny	A	GBD confirmed that the National Assembly's discussions covered medium-term fiscal forecasts and priorities as well as the details of revenue and expenditure for the year immediately ahead.	Performance improvement, since no legislature was in session during the period of the previous assessment
18.2 Legislative procedures for budget scrutiny	C	The re-specified criteria look for arrangements for public consultation, and for negotiation between the legislature and the executive, neither of which exist in Jordan.	No underlying change: the criteria are now more demanding.
18.3 Timing of budget approval	C	The budget has been approved within a month of the beginning of the fiscal year in two of the last three years.	Performance improvement
18.4 Rules for budget adjustments by the executive	A	Clear rules are enacted in each year's budget law which preclude any increase in any budget Chapter without a new law. Detailed rules govern the extent to which provision may be transferred within Chapters.	No change

PILLAR FIVE: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION

PIs 19-26 cover revenue administration, cash management (including expenditure arrears), payroll, procurement, internal financial control and internal audit.

PI-19 REVENUE ADMINISTRATION

The 2016 Budget provides for total domestic revenues of some 6.8 billion JD, of which 4.6 billion JD are tax revenues. The most substantial other revenues are from land registration fees (295m JD), revenue stamps fees (253m JD), vehicle registration and licensing (136m JD), work permit and residency fees (140m JD), and various property revenues (318m JD, including 90m JD from the main international airport, 50m JD dividends from company shareholdings, and 50m from telecommunications licensing). In addition the Social Security Corporation (SSC) expects to collect some 1.4 billion JD in contributions which are outside the budgets subject to the annual budget laws enacted by the National Assembly. Two thirds of tax revenues (3.1 billion JD estimated for 2016) are collected through sales taxes on goods and services; of the remainder company and personal income taxes account for 985m JD, customs duties 373m JD, and taxes on property sales 160m JD. This Indicator has four dimensions covering revenue payers' rights and obligations, revenue risk management, revenue audit and investigation, and the monitoring of revenue arrears. The criteria apply most naturally to tax revenues; A scores are given for the first three dimensions if the criteria are satisfied by entities collecting 75 per cent of total revenues. If social security contributions are considered alongside taxes for the purpose of this Indicator, the assessment of this Indicator can focus mainly on the bodies responsible for tax collection. M2 aggregation is applied.

19.1 RIGHTS AND OBLIGATIONS FOR REVENUE MEASURES

Both the Income and Sales Tax Department (ISTD) and the Customs Department (CD) provide taxpayers with ready access to all applicable legislation and regulations through their websites, as does SSC, although there are sometimes minor delays in updating advice when legislation changes, since the tax authorities are not permitted to warn taxpayers of impending changes until new laws have been enacted. The information includes details of appeal procedures against assessments. Both Departments respond to questions posed through their websites, as well as maintaining call centres to answer taxpayers' questions. Although the income and sales tax systems are relatively complex, with different rates and thresholds for different industries, the legislation is generally clear. Tax advisers consider that tax collectors have some limited discretion in assessing whether particular costs should be allowed when determining liability to corporate income tax. There are important exemptions from sales tax which were estimated in 2012 to cost some 2 per cent of GDP, which would imply an annual revenue reduction in 2016 of more than 500m JD (see IMF cr14/152, para. 21) It is a condition of the recently concluded EFF agreement with the IMF that the GST and Customs duty systems should be rationalised, and exemptions reduced, by early 2017 in accordance with technical assistance to be provided by the IMF.

A recent IMF Tax Administration Diagnostic Assessment Tool (TADAT) report found that there were some 12,000 appeals against assessments in 2015, of which 60 percent were resolved within 30 days, and 90 per cent within 90 days. Appeals must be made initially to the section responsible for the assessment; if agreement is not reached, an appeal can be made to ISTD's Administrative Appeals Committee. Information is not available about the reasons for appeals, the amounts involved, or the results of their consideration by ISTD's Administrative Appeals Committee. Nor was information available about the numbers of appeals to the specialised Tax Court, or the results of such appeals, although tax advisers considered that such appeals were subject to long delays and considerable costs for the taxpayer. Score: B

19.2 REVENUE RISK MANAGEMENT

ISTD, encouraged by the IMF and development partners, has been gradually moving away from subjecting every return to different layers of checks towards arrangements where a much smaller proportion of returns is subjected to careful inspection, with the targets being automatically selected by reference to established risk criteria. The Department is already organised so that separate sections deal with large, medium and small taxpayers with the main focus on VAT and company income tax which together account for two thirds of all tax revenue. However, it appears that more effort needs to be devoted to identifying professionals and unincorporated businesses that should be registered for tax but are not. ISTD maintains links with SSC and company registration databases which it seeks to use in identifying non-registrants; it may be for consideration

whether links could be improved with information held by municipalities (who issue trading licences to unincorporated businesses). The recent TADAT report pointed out that ISTD's lack of access to bank account and money laundering data represents a significant weakness in the Department's ability to identify non-filers. ISTD does not have a documented compliance improvement programme, which would assist compliant taxpayers; nor does the Department analyse the reasons for and results of appeals with a view to learning lessons about the way in which the system is structured and managed. Up to the end of 2015 ISTD continued to subject 30 per cent of all returns to detailed audit (the total number of taxpayers expected to submit returns for company and personal income tax and VAT is of the order of 250,000), although it appears that significant additional tax liability is found in only a relatively small minority of cases. Some 20 different criteria are taken into consideration in determining which returns to audit; since audits normally look back at the previous three years' returns, the coverage of audit remains very extensive. The TADAT report pointed to the need to pay more attention to specific risks across market segments or business activities in selecting taxpayers for further investigation.
Customs subject every declaration to an ex post check of the documentation to ensure that the correct amounts have been paid. In addition more detailed audits are carried out where anomalies are identified in the documentation, or in response to other intelligence. 75.850 cases of "violations" were identified in 2014, and 53,850 in 2015. There were 7,866 smuggling cases in 2014, and 8,265 in 2015. Total additional revenue of 13.2m JD was collected in 2014, and 17.3m JD in 2015; total Customs revenues for these years were 327.3m JD and 332.7m JD respectively, but the additional amounts collected will have included substantial elements of GST collected on imports but accounted for by ISTD.   Score: B

19.3 REVENUE AUDIT AND INVESTIGATION

According to ISTD the audit in 2015 of declarations amounting in total to 272m JD resulted in additional tax liability of 120m JD being identified. Total collections accounted for by ISTD in 2015 amounted to 3639m JD. But detailed information was not available about the extent to which planned audits were completed, about the taxes or taxpayers concerned, or how these results compared with the experience of previous years. Customs investigations yielded additional revenue of 13.2m JD in 2014 and 17.3m JD in 2015; total Customs revenues for these years were 327.3m JD and 332.7m JD respectively, but the additional amounts will have included GST payable on imports which would be accounted for by ISTD. As already noted, no documented compliance improvement programme is yet in place. Score: D

19.4 REVENUE ARREARS MONITORING

Tax arrears remain a problem, as they were in 2011.The movement of total ISTD tax arrears 2013-2015 is shown in Table 3.8 below.

Table 3.8 Tax arrears and total collections, 2013-2015

	JD millions		
	End 2013	**End 2014**	**End 2015**
Total ISTD tax arrears	2275	2210	1978
Total ISTD revenues	3300	3578	3639
Arrears as % of revenues	68.9%	59.6%	54.4%

Source: ISTD

The relative performance in collecting GST revenues is better than that in collecting company and personal income tax: arrears of GST at the end of 2015 were 1007m JD, or 36.2 per cent of collections of 2778m JD, as against arrears of income taxes of 971m JD, or 113 per cent of collections of 859m JD. A large part of the arrears is very old; of the 1547m JD outstanding at end 2015 which was not subject to any appeal or other process, only 356m JD was less than 5 years old, while more than 400m JD was more than 10 years old. There is no current provision enabling arrears to be written off, although ISTD assesses whether arrears are collectable or not. Of the 1547m JD outstanding at end 2015 and not subject to any appeal, 936m JD were attributed to taxpayers who would not be able to pay, while only 610m JD was attributed to solvent taxpayers. Some reduction in arrears was achieved during 2013-15 by offering an amnesty from the penalties (0.4% per week, subject to a maximum of 35%) for late payment, but this has the disadvantage of encouraging delay in payment if taxpayers can be confident that they will not suffer a penalty. Arrears are not an issue for Customs duties or taxes on the transfer of property, since goods are not released and property transfers are not executed unless taxes have been paid. (The property tax arrears noted in the 2011 PEFA assessment actually related to local government revenues, and thus are not taken into consideration in an assessment of central government.) Because ISTD arrears were more than 40 per cent of 2015 collections, score is D.

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-19 Revenue administration (M2)	C		
19.1 Rights and obligations for revenue measures	B	Entities collecting the majority of revenues provide payers with access to comprehensive and up-to-date information on revenue obligations and rights, including redress processes and procedures.	No change
19.2 Revenue risk management	B	Entities collecting the majority of revenues use a structured and systematic approach for assessing compliance risks for most revenue streams for which they are responsible.	Criteria reformulated: some underlying improvement in audit planning.
19.3 Revenue audit and investigation	D	No compliance improvement programme in place.	New criteria
19.4 Revenue arrears monitoring	D	Arrears exceeded 40% of 2015 collections.	No change

PI-20 ACCOUNTING FOR REVENUE

This Indicator assesses procedures for recording and reporting revenue collections, consolidating revenue collected, and reconciling tax revenue accounts. M1 aggregation is applied. It should be noted that, while the budget documentation provides very full detail about all expenditures (other than those classed as "military"), including costs incurred in collecting revenue, it does not provide any information about the revenues collected by each Department. All revenue collected in whatever form should now be paid without delay into the Treasury Single Account, even in cases where Departments are charging for services they provide, with expenditure financed from such charges being included in the total amount approved by the Parliament.

20.1 INFORMATION ON REVENUE COLLECTIONS

All central government revenue, including that collected by line Ministries, is paid daily into the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ). There are daily reconciliations between bank data and the collection data sent by revenue collectors to MoF Treasury. Every Department is required to make a monthly return of its revenue and expenditure to MoF Accounts Directorate. This should reflect reconciliation of the data between the collecting Department's records and those of the banking system. MoF produces a monthly consolidated report to the Council of Ministers, which includes a breakdown of the revenue collected. Score for this dimension: A

20.2 TRANSFER OF REVENUE COLLECTIONS

All revenue collected whether through government offices or through the banking system is banked and transferred to the TSA daily. This is the practice according to the agreement between MoF and Housing Bank for the period 2013-16 and the new agreement between MOF and Cairo Amman Bank that is valid for 3 years starting in the beginning of 2017.Score for this dimension: A

20.3 REVENUE ACCOUNTS RECONCILIATION

Customs duties and General Sales Tax on imports must be paid before goods are released into circulation, so there is only a possible divergence between amounts owed and amounts paid where the tax amount is subject to an appeal. Similarly there is no question of tax arrears on the sale of property, since property cannot be transferred until the tax has been paid. All taxpayers registered with ISTD now have separate accounts in a module of GFMIS, which recognises when assessments have not been paid by the due date and initiates the issue of reminders. ISTD and Customs undertake monthly reconciliations of aggregate receipts of each type of revenue and amounts transferred to the Treasury. A full reconciliation of the overall position on revenue arrears is undertaken only annually. Since the position of individual taxpayers is continuously updated in GFMIS, and there are monthly reconciliations by the Tax Departments of aggregate assessments, collections and transfers to the Treasury, an A score is proposed.

Indicator/Dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-20 Accounting for revenue (M1)	A		
20.1 Information on revenue collections	A	Every Department makes a monthly return to MoF, which produces a consolidated report including a breakdown of revenue by type.	No change
20.2 Transfer of revenue collections	A	All revenue is transferred daily to the Treasury Single Account at CBJ.	No change
20.3 Revenue accounts reconciliation	A	Individual taxpayers' accounts in GFMIS are continuously updated so that action can be initiated when payments are overdue. Full reconciliations are made monthly of aggregate amounts assessed, collected, and transferred to the Treasury.	Performance improvement through the development of GFMIS

PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION

This indicator assesses the extent to which the MOF is able to forecast cash commitments and requirements and to provide reliable information on the availability of budgetary funds for service delivery. It comprises four dimensions the scoring for which is combined using the M2 method.

21.1 CONSOLIDATION OF CASH BALANCES

The dimension reviews cash management arrangements at the time of the assessment.

In Jordan, the Public Treasury Directorate (PTD) of the MOF is responsible for managing the Government's Treasury Single Account (TSA) through which all 54 Ministries, Departments and Agencies(MDAs) channel all their expenditures and revenues. MDA Trust Accounts are also managed by the Treasury, but through a non-TSA special account.

The Central Bank of Jordan (CBJ) maintains all Treasury accounts, to which the MOF has real-time access. For each MDA the CBJ maintains expenditure and revenue sub-accounts, the balances on which are swept on a daily basis so that each sub-account has a balance of zero at the end of the day. A daily report by the CBJ allows the Treasury to know the source of all financial transactions.

Other BCG (and GU) bank accounts are kept outside the TSA, most notably project accounts that receive external funding where the maintenance of separate bank accounts is required by the loan or grant agreement. However, those attributable to BCG are recorded in GFMIS, thus ensuring that the Treasury has full knowledge of their existence. These accounts amounted in 2015 to JD 17.5 m in respect of entities covered by the main budget, and JD 0.5 m in foreign currencies and JD 276 m in local currency attributable to GUs. Since these amounts constituted only about 3 per cent of total expenditure of BCG and GUs combined (thus easily passing the 90 per cent test), and are consolidated daily, the score is A.

21.2 CASH FORECASTING AND MONITORING

Each MDA produces a cash flow forecast for the entire year in January of each year. These are updated on a monthly basis reflecting the results from the previous month and the year-to-date situation, including the cash releases made by the Treasury. The Treasury is able to monitor the cash transactions and cash position of every MDA at the CBJ. Score: A

21.3 INFORMATION ON COMMITMENT CEILINGS

MDAs require confidence that they will receive their budgetary allocations in accordance with the cash flow forecasts that they prepare and submit to the central authorities. In Jordan, however, cash releases are made on a monthly basis on the strength of a quarterly financial order, and may or may not match the amounts expected by the MDAs, depending on cash availability and the balances on MDA bank accounts at the CBJ. This can create uncertainty and hamper effective planning of service delivery at the MDA level. Score: C

21.4 SIGNIFICANCE OF IN-YEAR BUDGET ADJUSTMENTS

The General Budget Law and Article 112 of the Constitution prohibit the transfer of appropriations from one chapter to another except by law. With the approval of the Minister of Finance, and upon the recommendation of the Director General of the Budget Department, appropriations may be transferred from current expenditure to capital expenditure, but not vice versa. Similar provisions apply to the transfer of capital appropriations from one governorate to another. These and other restrictions do not apply to the Parliament, Ministry of Defence, Royal Medical Services, Public Security, Civil Defence and Gendarmerie Forces. Virement is allowed within an individual budget chapter with the exception of transfers from Compensation of Employees to other current or capital expenditures.

Supplementary appropriations normally require the approval of Parliament at an ordinary or extraordinary session. The accounts for the latest completed fiscal year (2015) show that in-year reallocations amounted to only 12.52m JD which is about 0.2% of total expenditures. However, the Budget law enables externally financed investment to be increased (by nearly 500mJD in 2015) without the requirement for a supplementary budget provided offsetting savings of current expenditure are available. Score: C.

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M2)	**B**		
(i) Consolidation of cash balances	A	TSA balances are consolidated daily. Balances on other accounts are reviewed weekly.	No change
(ii) Cash forecasting and monitoring	A	MoF Treasury updates the annual cash flow forecast monthly, or more often, in the light of experience	No change
(iii) Information on commitment ceilings	C	Cash is released in monthly instalments, which may result in MDAs not being able to meet bills when they arrive.	Lower score than in 2011 reflects greater stringency in cash availability in 2013-15
(iv) Significance of in-year budget adjustments	C	The amounts of in-year reallocations are insignificant, but externally financed investment may be increased substantially without a Supplementary Budget.	No change

PI-22 EXPENDITURE ARREARS

This indicator measures the size of expenditure arrears and the extent to which there is a system for addressing and controlling any problem that may exist. It contains two dimensions, the scores for which are combined using scoring method M1.

22.1 STOCK OF EXPENDITURE ARREARS

The practice in Jordan is to regard all unpaid invoices as arrears. The GFMIS has the facility to generate a report of all unpaid invoices but does not routinely analyse this amount by date of invoice or type of payment. MoF keeps a record of arrears reported by both Budgetary Central Government and Government Units. Total amounts of arrears of health sector, unified purchases, electricity company, Jordan petroleum refinery, and water authority were at the end of 2012, 2013, and 2014 as follows: JD 310.3, 429.9, and 576.5 million respectively. These amounts constituted out of total expenditures of BCG and GUs 3.4%, 4.3%, and 5.9% in 2012, 2013, and 2014 respectively. In 2015 the ratio was over 7%, while IMF report 16/295 points to arrears of 1.4 per cent of GDP in the electricity sector and 1.1 per cent of GDP on health insurance, that is in addition to the possible arrears within the BCG (altogether amounting to about 8.5 per cent of 2016 expenditure), which should be paid off progressively under the terms of the current EFF agreement. In the 2017 budget, the government allocated JD 360 million to pay for arrears. Since arrears were less than 6% of total expenditure in two of the three years 2013-15, the score is B.

22.2 EXPENDITURE ARREARS MONITORING

At the time of the assessment, MOF obtains a monthly report of expenditure arrears from both BCG and GUs reported by MDAs. Score: A.

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M1)	**B+**		
(i) Stock of expenditure arrears	B	Arrears amounted to less than 6% of total expenditures in 2 of the 3 years 2013-15.	Not rated in 2011
(ii) Expenditure arrears monitoring	A	MOF keeps monthly record of arrears.	Better data

PI-23 PAYROLL CONTROLS

This indicator is concerned with the management of the payroll for public servants. It comprises four dimensions, the scores for which are combined using s coring method M1.

23.1 INTEGRATION OF PAYROLL AND PERSONNEL RECORDS

Jordan operates a system whereby the payroll function is decentralised to individual MDAs. There is no centralised system under the supervision of the Ministry of Finance. However, personnel records, although maintained by the Human Resources Division (HRD) of the MDA, are controlled directly by the Civil Service Bureau (CSB), which maintains a central database of all public servants. The CSB is established by means of the Civil Service By-Law Number 30 of 2007 (as amended). The By-Law empowers the CSB, inter alia, i) to obtain data and statistics from MDAs regarding their personnel and ii) to examine records, documents and files concerning MDA personnel. Appointments to the civil service and promotions are subject to procedures laid down by the By-Law and the CSB.

There is a direct computerized link between personnel and payroll records, and a direct link between establishment and budgeted employee remuneration through controls exercised by the CSB. Thus, if an employee gains a new qualification for example, the personnel and payroll records would be simultaneously updated. The linkages are in fact in the process of being strengthened even further as the CSB operates a comprehensive Human Resources Management Information System (HRMIS) to which the government budget and 7 MDAs are currently linked with more planned.

The various linkages are sufficiently robust to ensure budgetary control, data accuracy and immediate reconciliation. Score: A

23.2 MANAGEMENT OF PAYROLL CHANGES

All changes to the payroll and personnel records require the approval of the CSB. Prior consideration takes place in the HR Committee of the MDA on which the CSB is represented in order to ensure that proper procedures are followed. Changes are implemented promptly (at least monthly) and retrospective adjustments represent much less than 3% of total salary payments. Score: A

23.3 INTERNAL CONTROL OF PAYROLL

Internal control procedures in respect of payroll are very strong, with a key role being played by the Internal Control Unit (ICU) in each MDA. The ICU exercises a pre-audit role that involves the review of individual salaries and ensures compliance with the By-Law. It submits 4 reports per annum to the Ministry of Finance and Audit Bureau and informs the CSB of any complaints. The CSB handles approximately 10,000 such issues per annum that require it to take a decision. Updating of the personnel and payroll records is the responsibility of the Director of Human Resources in each MDA and a clear audit trail exists to support data integrity. Score: A

23.4 PAYROLL AUDIT

Payroll audits are carried out by both the CSB and the AB. The CSB's role relates to administrative matters such as whether MDAs are following the performance appraisal system correctly and matching job descriptions correctly to posts. Employing INTOSAI standards, the AB carries out an annual payroll audit of all MDAs using a specially-developed audit programme that incorporates a system review, sampling and review of the regulatory framework. The AB has found that the payroll system is one of the most accurate systems in government and this is endorsed by the CSB which states that, in relation to 227 employees in 104 entities, the error rate is only 1% due to factors that include the presence of CSB representatives in MDAs, significant amounts of training and regular visits to MDAs by CSB staff. Score: A

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M1)	**A**		
(i) Integration of payroll and personnel records	A	There are strong links between the approved budget, personnel records and payroll records	No change since 2011
(ii) Management of payroll changes	A	Payroll changes are authorised and prompt	No change since 2011
(iii) Internal control of payroll	A	Close and effective control of payroll applies	No change since 2011
(iv) Payroll audit	A	Regular payroll audits by AB and CSB	Strong payroll audit causes performance improvement

PI-24 PROCUREMENT

This indicator assesses key aspects of procurement management. It comprises four indicators, the scores for which are combined using the M2 scoring method.

24.1 PROCUREMENT MONITORING

Jordan does not have a centralised procurement entity. Instead the main procurement activities are shared between three procurement bodies. These are the General Supplies Department (GSD) of the MOF, the Joint Procurement Department (JPD) under the OPM and the General Tenders Department (GTD) of the Ministry of Public Works and Housing (MPWH). Their responsibilities are as follows:

GSD – to obtain supplies (moveable property and services) for ministries, government offices and public establishments

JPD – procurement of drugs and medical supplies

GTD – management of tendering procurement for works procedures and engineering services.

Each procuring agency operates under the auspices of its own regulatory framework[2]. They all maintain records of their own procurement activities with respect to contract awards, including the items procured, the contract value, and the name of the successful tenderer.

However, it should be noted that:

1. According to the Supplies Act & regulations, Any MDA is a procuring agency for contracts below 20,000 JD subject to a member from GSD participating in the tender committee as part of the decentralization process.
2. Works contracts may be managed by an individual MDA without the involvement of the MPWH/GTD which does not receive records of such procurements despite this being required by law and the records being requested. This occurs particularly with donor-financed projects.

[2] The Supplies Act, the Joint Procurement Law of Medicines and Medical Supplies 2002 and the Government Works By-Law respectively.

Given these circumstances, it cannot be concluded that the records are complete although it is reasonable to assume that procurement databases are maintained for most procurements, and that 75 per cent or more of procurements are covered. The total value of 2015 procurements of goods and services shown in table 3.9 below corresponds to about half the total expenditure on goods and services (402.6m JD) shown in the government's 2015 accounts. Score: B

24.2 PROCUREMENT METHODS

Competitive procurement is the default method for both the GSD and the GTD. The situation is rather different with the JPD where suppliers of drugs and medical supplies need to prequalify by registering with the Jordan Food and Drug Administration (JFDA) before they can be eligible to be awarded Government contracts. Bids are invited from registered suppliers and the cheapest offer is selected. The statistics for 2015 in the following table show that over 92% of GTD contacts and 98% of GSD contracts were awarded using competitive methods. All contracts for the supply of drugs and medical supplies are based on price competition between registered suppliers. Where projects are financed by donors, possibly outside the normal procurement arrangements, the donors insist on competition using their procedures.

Table 3.9 Procurement methods 2015

Procurement agency	Value of procurement (JD m) 1	Amount procured by competitive methods 2	Per cent competitive 2/1*100
GSD	81	79	97
GTD	192	177	92
JPU	113	113	100
Total	386	369	96

Score: A

24.3 PUBLIC ACCESS TO PROCUREMENT INFORMATION

This dimension is scored on the basis of the number of a set of pre-defined items of procurement information are made available to the public in a readily accessible way. In Jordan, all the procurement agencies maintain websites containing the information shown in Table 3.10 below. The website addresses are www.gfd.gov.jo, www.jpd.gov.jo and www.gsd.gov.jo.

Table 3.10 Procurement information made available to the public

Item	Availability
1. Legal and regulatory framework	Yes
2. Government procurement plans	No
3. Bidding opportunities	Yes
4. Contract awards	Yes
5. Data on resolution of procurement complaints	No
6. Annual procurement statistics	Yes

Since the procurement agencies make 4 of the 6 items available, the score is B.

24.4 PROCUREMENT COMPLAINTS MANAGEMENT

All 3 major procurement entities use internal processes to consider complaints in accordance with their governing regulations. There is currently no independent complaints mechanism. Score: D

Indicator/Dimension PI-24	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M2)	**B**		
(i) Procurement monitoring	B	Complete and accurate records kept for most procurement.	Criteria reformulated
(ii) Procurement methods	A	Competition is default method and used in almost all procurements.	Criteria reformulated

(iii) Public access to procurement information	B	4 out of 6 items available to public	More information now available than in 2011
(iv) Procurement complaints management	D	No independent complaints mechanism	No change

PI-25 INTERNAL CONTROLS ON NON-PAYROLL EXPENDITURE

This indicator assesses the effectiveness of non-salary expenditure controls at the time of the assessment. It contains three dimensions, the scores for which are combined using scoring method M2.

25.1 SEGREGATION OF DUTIES

There is an extensive (even excessive) system of internal controls of non-salary expenditure which involves ex-ante approval of payments by both the ICU of an MDA, an out-stationed control unit of MoF and, still in about a third of MDAs, the AB playing a "pre-audit" role in accordance with instructions from the Prime Minister. The regulatory framework is provided in various ways. First, by the Financial By-Law no.3 of 1994 as subsequently amended (including the Applications Instructions for Financial Affairs No.1 (1995) as amended) which covers all MDAs. These contain provisions allocating duties throughout a financial transaction process, although the segregation of duties is not explicitly addressed. Secondly, there are laws and by-laws which regulate the procurement of goods, services and works. Finally, there are strong controls built into GFMIS which separate the responsibility for different stages of automated expenditure processes. It seems clear that effective segregation is generally applied, and that there is very little possibility of controls being circumvented (for example through the requirement that a committee should confirm the receipt of goods in accordance with a contract). Meanwhile the allocation of responsibilities within the structure of each MDA ensures that segregation of duties is effective in practice. Steps are being taken to make the control systems less burdensome, which should result in a more appropriate and efficient control environment. Score: B

25.2 EFFECTIVENESS OF EXPENDITURE COMMITMENT CONTROLS

In the case of all MDAs in BCG apart from those involved in defence (about 15 per cent of total expenditure: work is ongoing to bring them within the system), all expenditure payments are processed through the Payments Module of the GFMIS. In order for a payment to be executed it must be covered by a budgetary allocation, the quarterly general financial order and the monthly ceiling (cash allocation). A Financial Position Report is available which details invoices received, invoices paid, cash allocations, cash spent and pending invoices. Commitments are controlled through the recently introduced Purchase Order Module, which requires finance to be allocated before an order can be placed. The GFMIS reserves the required finance on the appropriate budget line, without which a purchase order cannot be sent to the supplier to initiate the purchase.

Score: A

25.3 COMPLIANCE WITH PAYMENT RULES AND PROCEDURES

Given the extensive attention paid to pre-audit verification of payments it is to be expected that compliance rates with rules and procedures will be high. For the most part, such an expectation is borne out in practice. However the Internal Control and Inspection Department of MoF in its monthly reports to the Assistant Secretary-General for Administrative Affairs (copied to the AB) identifies so-called "violations" of internal control procedures which it gives MDAs the opportunity to correct. These are mainly violations of legislation such as the Financial By-Law and Procurement Laws, overstepping responsibilities, lack of supporting documentation, or differences between vouchers and the supporting documentation. Error rates before correction by MoF Control Units are estimated to be of the order of 5-10% of the number of transactions. There are no problems regarding payments not following prescribed procedures. Score: A

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
PI-25 Internal controls on non-salary expenditure (M2)	A		
(i) Segregation of duties	B	By-laws are mainly effective in ensuring segregation of duties, reinforced by the controls built into GFMIS.	New dimension
(ii) Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability	Performance improvement linked to wider application of GFMIS controls
iii) Compliance with payment rules and procedures	A	Most MDAs comply with most rules and procedures	No change in performance

PI-26 INTERNAL AUDIT

This indicator assesses the operations of internal audit. It comprises four dimensions, the scores for which are combined using scoring method M1.

26.1 COVERAGE OF INTERNAL AUDIT

This dimension assesses the extent to which government entities are subject to internal audit at the time of the assessment.

Efforts have been under way in Jordan since 2011 to develop internal audit. Historically, there has been much confusion between the nature of “ex-ante” internal financial control and genuine internal audit which provides independent advice to top management on the performance of systems and the efficiency of service delivery. So-called "internal auditors" have in practice been playing "ex ante" roles which have made them part of the systems that internal audit is expected to audit. This contradiction has been recognised by the GOJ in the amended by-law for Financial Control No. 11 (2014) and the associated Prime Minister’s Instruction No. 9 (March 2015) which distinguish clearly between internal control and internal audit. A continuing training programme has been initiated by MoF and AB to improve all aspects of public internal financial control, including the production of a Manual of Internal Control.

Each MDA has an Internal Control Unit (ICU) established in accordance with the By-Law 3/2011 which engages in a mixture of ex-ante transaction verification, financial inspection and ex post audit. The main purpose of the ICU is to ensure that legal, financial and administrative procedures are followed on each transaction. The work of these units is overseen by MoF internal control staff stationed in each MDA; monthly reports are made to the MoF Control and Inspection Directorate, which compiles an overall monthly report on the functioning of internal financial control and audit to the Minister of Finance. The work of 40 of the ICUs continues to be back-stopped by the requirement for all transactions to receive ex ante approval from AB; a process is now under way whereby AB will withdraw from this role once the ICUs have demonstrated their independent capability. Even in situations where internal audit is carried out, the tendency is to subject every transaction to ex-post verification rather than examine the functioning of the control system. In most MDAs, not much attention has been paid to risk assessment and management.

Given the situation described above, although it is difficult to conclude that internal audit is currently fully operational throughout government, it is operating to some degree in a majority of BCG Departments, as well as in some GUs, which would indicate the score C.

26.2 NATURE OF AUDIT AND STANDARDS APPLIED

This dimension assesses the nature of audits performed and the standards employed at the time of the assessment.

Internal audit activities are focused primarily on financial, legal and administrative compliance. To date there is in most MDAs little focus on systems audit and risk-based audit. Score: C

26.3 IMPLEMENTATION OF INTERNAL AUDITS AND REPORTING

This dimension assesses internal audit planning, implementation and reporting during the last completed financial year (2015).

Annual plans are produced and monthly progress reports are submitted to senior management of the MDA and to the Inspection and Control Directorate (ICD) of the MOF. Reports typically contain details of savings made and violations of procedures. Comments on the report are copied to MoF. According to ICD audits programmed for 2015 covered 161 entities (MDAs or parts of MDAs) and were all completed. Positive responses were given to audit findings, and appropriate remedial action taken, by 143 (89%) of the entities. Reports were made concerning the remaining 18 entities to the responsible Ministers and the Minister of Finance. Score: A.

26.4 RESPONSE TO INTERNAL AUDIT

This dimension assesses the extent to which management takes action in response to audit findings with reference to the last three years (2013-15)

Given the access of internal audit to Ministers and Secretaries-General, there is (as noted in 26.3 above) usually at least a partial response to audit findings by most entities within 12 months of the production of internal audit reports. Score: B

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
PI-26 Internal audit (M1)	C+		
(i) Coverage of internal audit	C	Much of the work is still “ex ante” pre-payment verification, but IA is functional to some degree in at least a majority of BCG entities.	Limited progress since 2011
(ii) Nature of audits and standards applied	C	Audit is mainly centred on compliance	Limited progress since 2011
(iii) Implementation of internal audits and reporting	A	Audit plans are produced and all of audits are completed	No change
(iv) Response to internal audits	B	Most entities respond within 12 months	No change

PILLAR 6 ACCOUNTING AND REPORTING.

This part of the PEFA Framework includes three indicators (PIs 27-29)

PI-27 FINANCIAL DATA INTEGRITY

This partly new indicator assesses the extent to which bank accounts, suspense accounts and advance accounts are regularly reconciled and how the processes in place support financial data integrity. It comprises four dimensions, the scores for which are combined using scoring method M2. The first three dimensions are assessed at the time of the assessment, covering the previous fiscal year and the fourth is considered at the time of the assessment.

27.1 BANK RECONCILIATION

This dimension assesses the regularity of bank reconciliation. All balances held by bodies controlled by the Government are taken into consideration, i.e. GUs as well as BCG.

For the MDAs that are part of the GFMIS system (coverage of the main budget is now complete except for 4 military institutions) bank reconciliation is a daily routine process. By-Law No. 3 of 1994 and the associated implementing instructions require monthly reconciliations to have been completed by budgetary institutions including at the governorate level by the end of the first week of the following month as a condition for receiving the next cash release. Government Units accounts are currently all included in TSA, but reconciliation of their accounts is carried out only every six months. For a C score bank accounts covering 90% or more of all central government expenditure must be reconciled at least quarterly. Since GUs in 2015 accounted for about 18% of total expenditure under Government control, this test is not met. Score: D

27.2 SUSPENSE ACCOUNTS

This dimension assesses the arrangements for reconciling and clearing suspense accounts.

The Treasury Financial Position Statement as at 31 December 2015 showed credit suspense account balances of 316 million JD and other credit balances of 272 million JD. It also showed debit suspense account balances of 187 million JD. Taken together, these balances total 775 million JD or approximately 10% of the annual budget. In general, sundry credit and debit balances are posted to other revenue and other expenditure respectively; unless they recur in which case they are classified. Reconciliation is required to take place monthly with clearance taking place annually no later than the end of the fiscal year. The large balances shown in the December 2015 position statement suggest this is not happening. Score: D

27.3 ADVANCE ACCOUNTS

This dimension assesses the reconciliation and clearance of advances.

The Treasury Financial Position Statement as at 31 December 2015 showed end-of-year advances amounting to almost 4.6 billion JD compared to a figure of 4.4 billion JD a year earlier. By far the largest components of these balances were advances to NEPCO (2.8 billion JD at 31-12-2015) and WAJ (381 million JD) at the same date. Another significant outstanding advance amounting to 300 million JD was to the Ministry of Trade in respect of oil supplies. Loans to military staff are also outstanding but the amount is not recorded. In theory advance accounts are supposed to be reconciled monthly and cleared annually but clearly there are significant delays in clearing large advances. Score: D

27.4 FINANCIAL DATA INTEGRITY PROCESSES

This new dimension assesses data integrity defined in terms of accuracy and completeness of data.

High standards are maintained in terms of access to data and authority to change financial records. The GFMIS logs all occasions when the system is accessed and by whom. A clear audit trail exists to support data integrity that ensures individual accountability and detects any attempt at intrusion to the system.

There is no specific body in charge of verifying data integrity but the combination of the GFMIS team and in-built system controls act as key determinants of financial data integrity. Score: B

Indicator/Dimension	2016 Score	Justification for 2016 score	Comment
PI-27 Financial data integrity (M2)	D+		
(i) Bank reconciliation	D	GU bank accounts which cover about 18% of total expenditure under Government control are reconciled only annually. At least monthly bank reconciliation takes place for all active BCG bank accounts	No underlying change
(ii) Suspense accounts	D	Significant un-cleared balances persist	It is not clear that the 2011 assessment considered all balances
(iii) Advance accounts	D	Significant un-cleared advances persist	It is not clear that the 2011 assessment considered all balances
(iv) Financial data integrity processes	B	Effective processes with clear audit trail	New dimension

PI-28 IN-YEAR BUDGET REPORTS

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. It comprises three dimensions, the scores for which are combined using the M1 scoring method. All dimensions are assessed in respect of the last completed fiscal year (2015).

28.1 COVERAGE AND COMPARABILITY OF REPORTS

This dimension assesses the comparability of the information contained in in-year budget execution reports with the original budget. Reports do not have to be published for the purposes of this PI.

In-year budget execution reports published by MoF show the breakdown of revenue and expenditure comparable with the original budget only in terms of the economic classification. All expenditure, including that carried out through deconcentrated Governorates is covered by the reports. Although the Chart of Accounts ensures that information classified by administrative unit and function is available in GFMIS, full reports based on economic classifications are published monthly only on aggregate level. However, a monthly breakdown by administrative unit, function, programme and economic classification in each case is available internally, which justifies the score A.

It should be noted that these reports cover only Budgetary Central Government (BCG), and exclude the Government Units whose budgets are covered by the separate Budget Law for GUs. However, revenue, expenditure and borrowing by GUs is reported monthly alongside that attributable to BCG, and borrowing is consolidated into total public debt statistics. Some expenditure by GUs is covered by the General Government Finance Bulletin (GGFB), but the data is incomplete and out of date. The budget balance presented in the GGFB covers only BCG, and thus may give a misleading impression if there is significant borrowing by GUs.

28.2 TIMING OF IN-YEAR BUDGET REPORTS

This dimension assesses the promptness on in-year reporting.

Budget execution reports are published monthly in the General Government Finance Bulletin and are issued within four weeks of the end of the month. Score: B

28.3 ACCURACY OF IN-YEAR BUDGET REPORTS

This dimension assesses the reliability and scope of information reported.

Whilst there are no concerns regarding the accuracy of data contained within the in-year budget reports, they record only payments and do not include commitments. Nor do they include information about GUs despite the fact that GUs' annual budgets are approved by the National Assembly in the same way as those of BCG. Score: C

Indicator/Dimension	2016 Score	Justification for 2016 score	Comment
PI-28 In-year budget reports (M1)	C+		
(i) Coverage and comparability of reports	A	Monthly reports by administrative, functional, programme and economic classification are available internally.	No change
(ii) Timing of in-year budget reports	B	Monthly reports produced within four weeks of end of month	No change but tighter standard now needs to be met for an A score (2 weeks for production)
(iii)Accuracy of in-year budget reports	C	Reports are accurate but do not include commitments	No change as commitments were not captured in 2011

Source: General Government Finance Bulletins

PI-29 ANNUAL FINANCIAL REPORTS

This indicator assesses the extent to which the annual financial statements are complete, timely and consistent with generally accepted accounting principles and standards. It contains three dimensions, the scores for which are combined using scoring method M1.

29.1 COMPLETENESS OF ANNUAL FINANCIAL STATEMENTS

This dimension assesses the completeness of annual financial statements for the last completed financial year (2015). It requires comparability with the approved budget and full information on revenue, expenditure, financial and non-financial assets, liabilities, guarantees and long-term obligations, as well as a cash flow statement.

The annual financial statements for 2015 (presented in late 2016) for the first time meet the above requirements. Specifically, they provide full information on revenue, expenditure, financial liabilities and cash balances, although this information is limited to BCG. A cash flow statement is provided, and unbudgeted revenues paid into Trust Accounts and expenditures met from them (which were previously excluded from the statements) are also taken into account The amounts involved in the Trust Accounts were stated to be small (17.5m JD in 2015 for BCG), and all these transactions will be treated as normal revenue and expenditure from 2017 in accordance with the programme agreed with the IMF under the current EFF. Score: A

29.2 SUBMISSION OF REPORTS FOR EXTERNAL AUDIT

This dimension assesses the timeliness of submission of reconciled annual financial reports for external audit in relation to the last report submitted. Ideally, in terms of the PEFA Framework, this should take place within 3 months of the end of the accounting period.

The latest annual financial statements for the year ended 31 December 2015 were submitted to the AB on 28 April 2016. Score: B

29.3 ACCOUNTING STANDARDS

This dimension assesses the extent to which annual financial reports are understandable to the users of the reports. It considers the last three fiscal years (2013-2015).

The GoJ has decided to migrate from cash accounting to full accrual accounting in accordance with the relevant International Public Sector Accounting Standards (IPSAS). A roadmap has been prepared which envisages the application of full accrual accounting in 2021 though a considerable amount of work will be required to meet that deadline.

In the meantime the financial statements covering BCG as a whole have been prepared mainly in accordance with the cash-based IPSAS. This basis has been consistently applied throughout the three-year period and most mandatory information has been provided including notes to the financial statements, although this is restricted to BCG, and excludes the GUs which are controlled by the government in the same way as Departments which are included in BCG. Until 2016 there has been no cash flow statement. Some additional, non-mandatory information has also been supplied such as various types of accounts payable. Score: C

Indicator/dimension	2016 score	Justification for 2016 score	Performance change and other factors
PI-29 Annual financial reports (M1)	C+		
(i) Completeness of annual financial reports	A	Complete statements including the Trust Accounts and a cash flow statement were presented for the first time for 2015.	Performance improvement.
(ii) Submission of reports for external audit	B	Financial statements for 2015 were submitted for audit before the end of April 2016.	No underlying change: criteria more demanding than in 2011.
(iii) Accounting standards	C	Cash IPSAS consistently applied but without cash flow statement	No change

PILLAR 7 EXTERNAL SCRUTINY AND AUDIT

This pillar comprises two indicators (PIs 30-31)

PI-30 EXTERNAL AUDIT

This indicator comprises four dimensions the scores for which are combined using the M1 soring method

External audit in Jordan is the responsibility of the Audit Bureau (AB), an office established under the auspices of Article 119 of the Constitution of Jordan 1952. The Audit Bureau Law was passed in the same year and has been the subject of several later amendments. The AB is charged with the “control of State revenues, expenses and the manner of expenditure”. The AB Law does not provide sufficient independence from the Executive. Consequently, in 2013 the AB prepared proposals for amendments to the law aimed at providing greater financial and administrative independence, legal immunity and judicial power for the President of the AB and its staff. Unfortunately, the process for enacting these changes has been rather protracted and the new legislation has not yet come into force.

The AB is a central participant in a major process of reforming public financial control practice in Jordan. Hitherto - and still to some degree – the AB has been playing a so-called “pre-audit” role in PFM. It has staff based in MDAs who have been inspecting and checking transactions before they take place (ex-ante) rather than restricting its attention to “ex post” review of control systems and risk-based transaction sampling. In this way, its role as an independent Supreme Audit Institution (SAI) has been compromised, with up to **30%** of audit hours being devoted to inspection and control rather than genuine audit.

This need to address this issue has been recognised by both the AB and MoF who have entered into an agreement whereby the AB is gradually withdrawing from the “pre-audit” role. Before this happens, it is necessary to ensure that the internal control environment in MDAs is sufficiently robust for the AB to withdraw without exposing MDAs to the risk of financial malpractice. Therefore, the AB undertakes biannual assessments of the state of readiness of the Internal Control Units (ICUs) in each MDA based on a rigorous framework comprising 16 criteria. A total score of 80 out of 100 is required before an ICU is deemed to be “ready”. Extensive training is being provided to bring all ICUs up to the required standard. In 2015 the AB withdrew from Customs Department and the Ministry of Interior. It is planned to withdraw from another 20 MDAs at the end of 2016 and a further 20 in 2017. This will free up valuable audit time, although the AB will stand ready to provide support should it be required by the Office of the Prime Minister.

30.1 AUDIT COVERAGE AND STANDARDS

As the SAI the AB is responsible for the external audit of all expenditure and revenue of budgetary central government, and also of Government Units, municipalities and the Social Security Corporation. Traditionally, the focus of audit has been on **compliance** with laws, the budget, by-laws and procedures. Since 2004 AB has sought to extend its work into the field of performance and environmental audit through the production of a manual and the establishment of a separate Directorate to undertake the work. This was given further impetus through the recent EU Twinning Project in partnership with the SAIs of Spain, Estonia and the Netherlands. The 10 performance audits carried out in 2015 covered, inter alia, forestry, non-potable water and the Ministry of Labor’s Employment Fund. Performance audits in 2016 are being carried out in line with an annual plan and

their results are contained in a separate chapter of the AB's annual report. However, performance audit now has to be considered in relation to PI-8.4 rather than here.
The AB is a member of ARABOSAI, the regional branch of INTOSAI and aims to apply international standards of public audit (ISSAIs) in all the work it does. These standards cover all aspects of audit work, starting from basic principles of public audit, and setting out how different types of audit (financial, compliance, performance) are to be organised and conducted. In recent years the AB began to focus more on the content of financial reports and the reliability of administrative and control systems. The 2016 PEFA criteria emphasise the role of the external auditor in relation to the annual financial statements, to which the AB has devoted little attention in the past; its stance has been that it would provide an audit opinion when financial statements were presented in accordance with international standards. MoF has for the first time in 2016 submitted to AB financial statements in compliance with international standards, and the AB has included its analysis, opinion and recommendations on them in its report on the subject published on MOF website in early November 2016. If this dimension were assessed on the basis of the most recent experience, the score would be B, but since the two preceding years also have to be taken into account, when comparable reports were not made on 2013 and 2014, the score is D.

30.2 SUBMISSION OF ANNUAL AUDIT REPORTS TO THE LEGISLATURE

Article119 of the Constitution requires the AB to submit a general report [on government financial operations] to each ordinary (annual) session of the National Assembly. Article 22 of the current Audit Law requires the AB to submit observations on each year's final account to the House of Representatives. The PEFA requirement relates to the length of time that elapses between the receipt of the annual financial statements from the Government and the date the audit report thereon is submitted to the National Assembly. In practice the timing of the annual ordinary session of the National Assembly (November – March) does not fit easily with the timing of the production of financial statements. Thus the AB could submit a report on its compliance audits during 2014 during the first half of 2015, but would only be able to submit observations on the 2014 financial statements to the 2015-16 ordinary session of the National Assembly at the earliest. In practice the time elapsed before submission of the report has been even longer than these constraints would indicate, as is shown by Table 3.12 below. The AB Opinion on the 2015 financial statements, which has already been published on the MoF website, is expected to be submitted to the NA along with the annual report for 2016.

Table 3.12 Auditing of annual financial statements

Financial Year	Date financial statements submitted to Audit Bureau (1)	Date audit report submitted to parliament (2)	Elapsed time (2-1)
2012	25 July 2013	12 November 2014	16 months
2013	30 June 2014	23 April 2015	10 months
2014	14 May 2015	9 February 2016	9 months
2015	21 April 2016	Not yet submitted to NA	More than 9 months

Since the elapsed time was greater than 9 months, the score is D.

30.3 EXTERNAL AUDIT FOLLOW-UP

The audit reports have tended to suffer from excessive length (often close to 2000 pages) and excessive amounts of detail. They consistently contain a large number of "violations", many of which repeat from one year to the next.[3] It appears that most of the errors found in the course of compliance audits are corrected, so far as possible, by the Departments concerned, so to that extent the findings by AB are followed up. AB follows up on unreconciled cases with the relevant institutions and later with the Prime Ministry. The latest evidence of follow up was the meeting held there between 14-17 April, 2016 where it was decided to send 26 cases to court, refer 4 cases to Integrity and Anti- Corruption Commission, transfer 4 cases to the Council of Ministers

[3] The 2014 report states that the AB issued 1535 enquiries and control letters. It also states that the AB through its work was able to save JD 71 million which would otherwise have been wasted.

for a decision, and send 22 cases to the Minister of Finance to take legal measures to recover wasted or stolen public funds. Dimension score: B

30.4 SUPREME AUDIT INSTITUTION (SAI) INDEPENDENCE

In theory the Audit Bureau enjoys the status of an "independent entity" (Article 1 of the Audit Bureau Law) and its Head is guaranteed immunity by law according to Article 119 (ii) of the Constitution. But the Head of AB is appointed by the Council of Ministers, subject to the appointment being notified to the House of Representatives; the consent of the House for his/her removal from office is required if the National Assembly is in session, but if not the Prime Minister must explain the circumstances of his/her removal from office when the House next meets. HoR proved on more than one occasion that it was keen to support the independence of the President of the AB by insisting on his reinstatement after being removed by the Council of Ministers. That happened in 1990, 2000, and 2007. The AB does not operate independently of the Executive with respect to the approval of its budget, which is presented to the National Assembly alongside the other 52 Chapters in the main budget, though it is allowed to execute its budget in accordance with the standard regulatory framework. It also has the right to access the records, documentation and information required to carry out its work. Amendments to the audit law which would grant greater immunity to the head of AB, and increase AB's financial independence, were presented to the National Assembly in 2013, but have not been acted upon. Given that the appointment and dismissal of the President remains largely at the discretion of the Executive, score is D.

PI-30 External Audit

Indicator/Dimension	2016 Score	Justification for 2016 score	Performance change and other factors
Overall score (M1)	**D+**		
(i) Audit Coverage and standards	D	An audit opinion has been given on the financial statements for 2015, but this was not done for the two previous years.	Revised criteria, which also exclude performance audit from consideration here.
(ii) Submission of audit reports to the legislature	D	Submission of audit reports to the legislature has been consistently over 9 months after receipt of the annual financial statements by the AB.	No underlying change: the 2011 PEFA report considered only the timing of the submission of AB reports, without regard to work on Financial statements.
(iii) External audit follow-up	B	Departments generally correct errors found in compliance audits, and further action is taken by the Government when findings are not followed up by MDAs.	No change
(iv) SAI independence	D	The Government appoints and can dismiss the Head of the AB, which also lacks financial independence from the Executive.	New dimension

PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS

This indicator focuses on the legislative scrutiny of the audited financial reports of central government. It comprises four dimensions, the scores for which are combined using the M2 method. The period considered is the last three completed fiscal years.

31.1 TIMING OF AUDIT REPORT SCRUTINY

Good accountability practice requires audit reports submitted by the SAI to the legislature to be considered in a timely manner. Parliamentary practice provides for the reports to be considered by the Finance Committee of the House of Representatives; at the time of the assessment, the latest AB report that the Finance Committee has considered is that of 2015 (submitted on 9 February 2016) which also includes material on the 2014 annual financial statements. The NA's recommendations to the Government were submitted on 13 April 2016. According to the Secretary of the House of Representatives Financial Committee, a letter of recommendations was submitted to the Government in September 2014 based on the AB's 2011 report. But no information was available about any responses by the NA to the reports on 2012 and 2013. Score: D*

31.2 HEARINGS ON AUDIT FINDINGS

The Finance Committee discusses audit findings with the responsible officials from the relevant MDA, though such discussions have not hitherto related to an audit opinion since none was given by the AB until very recently for the year 2015. The work of the Committee is supported by an Audit Analysis Unit. The Committee's recommendations are submitted along with the AB report to the House in plenary. Meetings are generally open to the public and attended by the media and civil society organisations. Plenary sessions are televised but not Committee meetings. In the absence of an audit opinion, the score is C.

31.3 RECOMMENDATIONS ON AUDIT BY THE LEGISLATURE

Recommendations by the legislature are submitted to the Office of the Prime Minister from which they are forwarded to the relevant MDA. The task of follow-up is left to the AB, which has been shown to be effective in following up on the implementation of the recommendations. The Finance Committee sends to the HoR recommendations on unresolved issues. Recently a special Committee was set up to follow on violations under the name " Integrity and Anti- Corruption Committee". The latest evidence of follow up is the letter sent on April 13, 2016 to the Prime Minister including inquiries and giving the Prime Ministry a week to respond. The Prime Minister answered on April 19, 2016 specifying measures that the government had taken to straighten situations. While there is clear evidence that the NA reacted promptly to the AB report submitted in February 2016, comparable information was not available in relation to the two previous AB reports. Score: D*

31.4 TRANSPARENCY OF LEGISLATIVE SCRUTINY OF AUDIT REPORTS

As stated above, hearings are conducted in public, following which reports of the Finance Committee are discussed in plenary session. A report on the review of audit reports is produced and published on the parliamentary website. Score: A

PI-31 Legislative scrutiny of audit reports

Indicator/Dimension	2016 Score	Justification for 2016 score	Comment
Overall score (M2)	**C**		
(i) Timing of audit report scrutiny	D*	While the most recent AB report was dealt with promptly by the NA, evidence was lacking about comparable arrangements during the two previous years.	No change
(ii) Hearings on audit findings	C	Hearings take place but there is no audit opinion	The 2011 report referred to audit opinions which are not given.
(iii) Recommendations on audit made by the legislature	D*	Recommendations were made to the OPM in 2016, which were promptly followed up. But evidence was lacking about comparable action in respect of the two previous AB reports.	Better follow up
(iv) Transparency of legislative scrutiny of audit reports	A	Audit reports are debated in public and parliamentary reports are produced and published.	New dimension

4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

4.1 INTEGRATED ASSESSMENT OF PFM PERFORMANCE

Pillar 1 Budget reliability (PIs 1-3)

1. In most respects the originally approved government budgets in Jordan may be relied upon as reasonably accurate predictors of actual expenditure. Both the aggregate expenditure performance indicator (PI-1) and the functional expenditure dimension of PI-2 scored A in the period under review, demonstrating that the Government continues to manage its expenditure within narrow tolerance limits. In addition, little recourse is used to charging expenditure to a Contingency vote which accounts for an average of only 1% of total expenditure in 2013-15. The only less reliable expenditure budget aspect concerns the economic classification of expenditure where PI-2.2 records a score of C. The main reason for this is that capital expenditure has been significantly greater than budget in all three years.

2. On the revenue side, the budget has been somewhat less reliable. A substantial part of the aggregate difference between budget and out-turn was due to external grants falling short of (2013 and 2015) or exceeding (2014) budget; if domestic revenue only were taken into consideration the differences were -3.3%, +3.8% and -5.9% for the three years 2013-15, which would have resulted in the score B under the 2011 Framework. Under the 2016 Framework the score is C, with actual revenue being less than 94% of budget in two of the three years. In 2014, however, actual revenue exceeded budget by 4%, mainly due to higher-than-forecast non-tax revenues, especially income from property. The new revenue composition dimension relating to revenue performance assessment scores better at B since only one of the three years reported a variance of greater than 10%. Here property income and grants income forecasts have proved least reliable.

Pillar 2 Transparency of public finances (PIs 4-9)

3. In most respects the central government budget classification system meets GFS/COFOG standards but the economic classification is incomplete because approximately 25% of 2015 actual expenditure is described as "Military Expenditure" and an additional 1.5% as "miscellaneous expenditure". Neither of these are economic categories. Hence the score is D.

There are few issues regarding central government operations outside financial reports (PI-6). The only expenditure which is not reflected in the fiscal reports is that of the 10 public universities whose expenditure in 2015 was equivalent to about 7.8% of the main budget expenditure. A similar situation applies with respect to revenue; hence the score for both dimensions is C. Financial reporting by extra-budgetary units is reasonably prompt scoring B.

The arrangements for financial transfers to municipalities work well with clear, rules-based systems in place and timely circulation of the forecast transfers to the municipalities (PI-7). The situation regarding performance information (covered by the new PI-8) is more uneven with creditable scores (B) for performance planning and the reporting of performance achievement but low scores where information is lacking about resources actually received by service delivery units and there have been no independent evaluations of service delivery (both score D). Jordan scores reasonably well (B) both on the provision of budget information to the legislature and on the provision of fiscal information to the general public, where the 2016 criteria ask new questions.

Pillar 3 Management of assets and liabilities PIs 10-13)

4. Overall, fiscal risk reporting (PI-10) is reasonably good, although there is scope for improvement. Most public corporations publish audited financial reports within 9 months of the year end, and these are supplemented by a consolidated table of their financial results produced by GoJ. A majority of municipalities submit unaudited financial reports in accordance with the required timescale (C). As for contingent liabilities and other fiscal risks, reliance is placed on IMF reports produced in discussion with GoJ (C); not much investment has hitherto been undertaken through PPPs.

5. The area of public investment management is the subject of a new indicator (PI-11). The indicator covers a range of issues on which Jordan scores C or D. These scores reflect the absence until recently of any national guidelines for economic appraisal of project proposals, the absence of published criteria for project selection, the failure to publish the total capital costs of each project, and the absence of standard procedures for monitoring and reporting on project implementation. These problems are being addressed through the current work to reorganise Public Investment Management.

6. Public asset management is another subject for a new indicator (PI-12) and a similar picture emerges as with PI-11. Again the overall indicator score is D+ attributable to the absence of information on GoJ's minority holdings in companies, the limited progress so far on the identification of GoJ's non-financial assets, and the lack of rules to regulate the disposal of government-owned assets.

7. On the final issue under Pillar 3 - debt management - Jordan scores well on the recording and reporting of debt and guarantees, as well as on the process by which debt and guarantees are approved (both dimensions score A). The remaining dimension concerns the existence of a published debt management strategy; such a strategy was published in September 2016, and is available on the MoF website.

Pillar 4 Policy-based fiscal strategy and budgeting

8. Despite experiencing difficulties in macro-economic forecasting (PI-14 score C+) in the last two years due to the highly volatile regional situation, Jordan produces three-year macro-economic forecasts and has very recently set up a Macro-Fiscal Unit in the MoF. The budget documentation includes forecasts of the main fiscal aggregates for the next three years, but does not explain how those forecasts have changed over time. Fiscal forecasts do not include a discussion of the impact of alternative economic assumptions.

9. On the new fiscal strategy indicator, Jordan scores moderately (C) in all three dimensions. The deficiencies reflect the absence of any indication of what steps will be taken to ensure the achievement of the fiscal objectives for years 2 and 3, and the failure to present the fiscal strategy to the National Assembly, leaving the GoJ with wide discretion over the decisions required to achieve it.

10. Medium-term expenditure estimates and expenditure ceilings are both present in Jordan's PFM with A scores being attained in both dimensions. In other respects the medium-term perspective is less positive, since links between strategic plans and medium-term budgets require strengthening and more explanation is needed for changes in estimates for the same period between one year's budget and the next.

11. The annual budget preparation process (PI-17) is good in terms of the inclusion in the budget circular of ceilings that have previously been approved by the Council of Ministers. However, more time needs to be allowed to MDAs to prepare their final budget submissions after receiving the budget circular and only once in the last three years has the budget been submitted to the National Assembly before the end of October (although it was never submitted later than the end of November).

12. Legislative scrutiny of budgets is well-established, if limited in scope. Well-established procedures exist to review the budget proposal and are followed. These involve the use of a specialist Finance Committee. However, there is no real scope for negotiation between the legislature and the executive, since the National Assembly cannot propose additions to any chapter in the budget. The timing of budget approval needs to be improved since in none of the three years under review was the budget approved before the start of the budget year. One strong feature concerns the rules governing in-year budget amendments which are clear, adhered to and effectively limit the Executive's discretion to amend the budget during execution.

Pillar 5 Predictability and control in budget execution (PIs 19-26)

13. The major tax authorities provide easy access to taxpayers to all applicable legislation and regulations via their websites. The regulatory framework, whilst relatively complex, is generally clear, and the appeal arrangements appear to be satisfactory. The approach to risk management has been recognised by the tax authorities and the IMF as being in need of improvement since there has been a tendency towards blanket checking of tax returns without much regard to the risks to the revenue in each case. More effort needs to be focused on ensuring the collection of all taxes assessed and on identifying professionals and unincorporated businesses that are not currently registered for tax. Tax arrears still exceed 50 per cent of annual collections. Some 1200m JD of the roughly 2 billion JD outstanding at end 2015 were more than 5 years old.

14. Accounting for revenue scores well in all three dimensions considered (A in each case). Information on revenue collection is complete, promptly provided and consolidated into a monthly report to the COM. All revenue collected is banked and transferred to the TSA on a daily basis. Revenue accounts reconciliation is effective with continuous updating of individual taxpayers' positions via GFMIS and monthly reconciliations of aggregate balances by the Tax Departments.

15. Consolidation of almost all BCG cash balances occurs daily, the only exception being in connection with bank accounts operated in relation to projects. The cash forecasting and monitoring systems work well with annual cash flow forecasts being produced by each MDA, updated monthly and monitored by the Treasury. Provision is released by GBD through quarterly financial orders within which Departments should plan their payments, but actual expenditure is limited by ceilings issued by MoF Treasury for a month or less, and Departments do not have assurance that the full amounts in the financial orders will be made available within the relevant period. In-year budget adjustments are restricted by the Constitution and General Budget Law; adjustments in 2015 other than those resulting from additions to externally financed investment amounted to only JD 802 thousand which is about 0.017% of total expenditures.

16. Payroll controls are strong in Jordan with all four aspects covered by PI-23 scoring A. There are automated linkages between payroll and personnel records which are currently in the process of being strengthened even further. Changes to payroll are well-managed with approval of the CSB being required. Internal controls within each MDA are strong with key roles being played by both the ICU and the HR Division. Finally, a good system of payroll audits exists involving both the AB and the CSB.

17. The major procurement responsibilities are divided between the GSD for procuring all goods & services, the JPD for drugs and medical supplies and the GTD for works and engineering services. Procurement records are maintained by each of these procuring entities but the position is less clear for smaller procurements executed by individual MDAs. Open competition is the default procurement method and is used for the majority of contracts. Public access to procurement information lacks information on government procurement plans and data on the resolution of complaints. The weakest aspect of procurement is the absence of an independent procurement complaints mechanism.

18. There are extensive (if not excessive) internal controls on non-payroll expenditure established by By-laws and other regulations. A specific module of GFMIS ensures that no commitments are undertaken for which there is no provision in the approved estimates. While the applicable by-laws and instructions do not explicitly address the question of segregation of duties, separate responsibility for decision-making, receipt of goods, accounting and payment is clearly distinguished, now reinforced by the controls over different elements of the expenditure process in GFMIS. Compliance with payment rules and procedures is high; according to Departmental ICUs minor errors are found in the documentation of 5 per cent of payments which are corrected before ex ante approval is given.

19. Internal audit is at an early stage of development in Jordan and cannot at this stage be said to be operationally effective across the majority of government activity. Internal audit that does take place (as opposed to ex ante pre-audit) tends to be focused heavily on compliance with less attention being paid to systems and risk-based auditing. Regular reports are submitted to management and the majority of programmed audits do take place with at least partial responses taking place within a year of the report.

Pillar 6 Accounting and reporting (PIs 27-29)

20. In terms of financial integrity, most bank reconciliations for BCG take place monthly within one week of the end of the month. Reconciliations are carried out only annually for GUs which are responsible for approaching 20 per cent of General Government expenditure. However, both suspense accounts and advances accounts are not being cleared in a timely manner at the year-end with substantial balances appearing in the annual financial statements for both 2014 and 2015. High standards are applied to the maintenance of financial records with a clear audit trail, so, despite the absence of a specific body to verify data integrity, there are no concerns to report.

21. In-year monthly budget execution reports are produced within four weeks in the same detail as the budget proposals, broken down by economic, administrative and functional/programme classification, although only the consolidated economic classification table is published in the monthly General Government Finance Bulletin (GGFB). Although accurate and reliable, the reports capture only payments, not commitments.

22. The annual financial statements contain information on revenue, expenditure, financial liabilities and cash balances, but the information on financial assets is incomplete, lacking information on tax arrears and company shareholdings. The statements were submitted to the AB for audit less than four months after the year end and were produced on the cash basis in line with the cash-based IPSAS apart from the omission until very recently of a cash flow statement. However, they were limited to Budgetary Central Government, and excluded the Government Units which are the subject of a separate annual budget law .

Pillar 7 External scrutiny and audit

23. External audit is the responsibility of the AB. A third of AB's capacity is still devoted to the ex-ante control of payments, although a process has begun whereby AB will withdraw from this activity once it is satisfied that Department internal control units have the capability needed to discharge this responsibility. A start has been made on undertaking performance audits (now considered in the context of PI-8), although these have not yet addressed efficiency and value for money in the delivery of main public services. The main emphasis of AB's work is still on the compliance testing of a very large volume of transactions, rather than on the performance of systems, and reports have not hitherto focused much on systemic issues. Nor until this year has much attention been paid to the content and presentation of the government's financial statements, pending their production in a form which is clearly consistent with international accounting standards.

24. Legislative scrutiny of external audit reports was prompt in 2016, but no evidence was available about comparable action in respect of the two previous AB reports. Hearings are conducted by the Finance Committee but only he most recent report (on 2015, not yet considered by the NA) contains an audit opinion. The legislature made recommendations to the Government in 2016 which was quick to provide a substantive response. The legislative scrutiny of the audit reports is transparent as hearings are conducted in public and reports are published on the parliamentary website after discussion in plenary session.

4.2 EFFECTIVENESS OF THE INTERNAL CONTROL FRAMEWORK

25. The internal control framework in Jordan is well-regulated in terms of By-Laws and other instructions but has traditionally placed heavy emphasis on multiple layers of "ex ante" checking of all transactions, receipts as well as payments. Internal audit is still at an early stage of development and the focus on ex ante work has even drawn in the AB, which is the SAI in Jordan, into a major "pre-audit" role which is only now gradually being abandoned through a phased withdrawal from internal control processes. It can, therefore, be argued that the internal control framework has been excessively heavy on resources and has had undesirable consequences in terms of distracting the AB from its full role as an SAI, while diluting managerial responsibility for the delivery of public services. The plethora of control and inspection activities and institutional actors may have resulted in an effective framework in terms of detecting errors and avoiding waste but have done so at the expense of efficiency, or cost effectiveness.

26. It is, therefore, very much to the credit of the Jordanian authorities that they have recognised the need for the AB to withdraw from its internal control role while at the same time ensuring that the ICUs are ready to assume fuller responsibility for the internal control processes. The MoF and AB are working together to ensure that the staff of the Departmental ICUs are properly trained to be able to play their role effectively. Their readiness is assessed biannually against a comprehensive set of 17 criteria developed by the AB so that no withdrawal takes place until a minimum score of 80% is attained. To date (August 2016) the AB has withdrawn only from the Ministry of Interior and Customs Department but is planned to withdraw from a further 20 MDAs by the end of 2016 and a further 20 in 2017. It should be noted that after the withdrawal of AB from ex ante control there will still be MoF financial controllers stationed in every Department to reinforce the work of the Departmental ICUs.

27. The internal control framework is clearly in a major state of transition which should lead to a situation where the control processes are not only effective but also much more efficient, while at the same time freeing up resources in the AB to play a stronger external audit role. In terms of the analysis of the internal control framework specified by PEFA, the control environment is one where strong hierarchical supervision is emphasized, although there is increasing recognition of the need for staff to be properly trained to discharge their responsibilities. As to risk assessment, the approach has been to operate sufficient checks to eliminate all

risks, even at the cost of considerable wasted resources. Control activities as set out in the by-laws and operating instructions cover authorisations, definitions of duties, verifications and reconciliations; increased attention is now being paid to review and reporting. The development of internal audit and of monitoring and evaluation will further strengthen the framework.

4.3 PFM STRENGTHS AND WEAKNESSES

28. So far as aggregate financial discipline is concerned, the Jordan PFM system has demonstrated its ability to contain expenditure within available resources, although this has been on occasion at the cost of having to cut expenditure during the course of the year, or to cut back on previous plans for the second and subsequent years. The elements of strategic planning of services and medium-term fiscal planning are in place to secure the strategic allocation of resources, but the constraints on available resources, and the difficulty of changing established structures and practices, have hitherto limited the extent of progress. Restoring tax revenues to the percentage of GDP achieved ten years ago would significantly improve the prospects of progress in transforming education, health and transport services. Again a number of initiatives have been established which should offer the prospect of greater efficiency in the use of resources: better planning of public investment, the institution of systematic monitoring and evaluation of policy initiatives, the development of internal audit, and the strengthening of external audit all have contributions to make towards this objective.

4.4 PERFORMANCE CHANGES SINCE 2011

29. Jordan has received considerable support from development partners in improving PFM during the period since the last PEFA assessment in 2011. The continuing development of the GFMIS has substantially improved the promptness and accuracy of financial reporting, while the institution of effective commitment control should greatly reduce the risks of expenditure arrears. Improvements have been made in the organization of tax collection, and work is in progress to rationalize internal financial control, to extend the coverage of internal audit, and to strengthen external audit covering both performance in service delivery and the content and quality of financial reporting. Much of this remains work in progress, and continuing efforts will be needed to secure the benefits in terms of economy and efficiency, and better services for the population as a whole.

5. GOVERNMENT PFM REFORM PROCESS

5.1 APPROACH TO PFM REFORMS

1. Since 2004 Jordan has been continuously engaged in seeking to improve PFM, both for the benefits it brings directly and because progress in this area is a condition to be met in maintaining the support of development partners, which continues to be of great importance in keeping the economy stable at a time of exceptional difficulty caused by external circumstances. Within the government the lead role is taken by the Ministry of Finance (MoF) (Including the General Budget Department (GBD), the three tax Departments and the General Supplies Department (GSD)); the other Ministries principally concerned are the Ministry of Planning and International Cooperation (MoPIC) which coordinates public investment planning (including responsibility for the current programme to improve Public Investment Management) and external assistance, and the Ministry of Public Sector Development (MPSD) which seeks to rationalise the structure of government and reduce the burden on the rest of the economy. Development partners have contributed, and are continuing to contribute substantially to these efforts, with new programmes begun in 2015 by the EU (direct budget support of 40 million Euro over three years, with an additional 7.5 million Euro for technical assistance), and in 2016 by USAID (the third Fiscal Reform Project providing $35 million over four years).

5.2 RECENT AND ONGOING REFORM ACTIONS

2. MoF are currently working in accordance with the PFM Reform Strategy (2014-17) which has four primary objectives: to ensure long-term aggregate fiscal discipline, to develop policy-based budgeting, to encourage economic growth and private sector investment, and to make government more responsive to ordinary citizens. The strategy includes a long list of actions to be undertaken by MoF and its associated Departments in pursuit of these objectives. MoF itself is looking to improve medium-term fiscal forecasting and planning, to produce a new public debt management strategy, to further extend the GFMIS to include procurement, to widen the coverage of the Treasury Single Account, to develop financial reporting in accordance with international standards, and to improve internal financial control and internal audit throughout the government.

3. GBD are aiming to update the General Budget Law to be consistent with results-based budgeting and to ensure full consideration of priorities before work begins on detailed budget submissions. Other initiatives include improving the classification and reporting of expenditure, including reclassifying some maintenance expenditure now treated as capital as recurrent, transferring the management of investment projects from MoPIC to the responsible Ministries, developing the medium-term budget framework covering both the main budget and the budgets of the 59 extra-budgetary Government Units (GUs) , undertaking in-depth reviews of important Departmental budgets, and ensuring that annual reports by GUs include information about their underlying financial situation and the risks they face of operating losses, bad debts and payment arrears. The tax Departments are looking to improve their organisations in the interests of efficiency in collection and in communication with taxpayers, while GSD aims to review the current legislation governing public procurement.

4. The government has also sought the advice of the IMF during the currency of the Stand-By Arrangement (SBA) 2012-15, on a variety of aspects of tax collection, accounting and financial reporting. These have pointed to the desirability of simplifying tax structures and reducing the extent of exemptions and special preferences, making tax audit less cumbersome and more productive, and consolidating financial reporting of the main budget and GUs consistently with international standards. The recently negotiated Extended Fund Facility with the IMF provides specifically for many of these initiatives to be taken forward over the period 2016-18.

5.3 INSTITUTIONAL CONSIDERATIONS

5. The Jordan central government sector contains a large number of independent or semi-independent units which need to work together to bring many initiatives to fruition. Many will be inclined to hold back in implementing changes which require changes in existing organisations or practices. The persistence of very cumbersome financial control arrangements applicable to both individual tax payments and all payments by government bodies, and of an approach to audit by the Audit Bureau largely based on compliance testing of individual transactions, are illustrations of the difficulty of achieving rapid change. There is now movement in both these areas, although there is still a considerable distance to travel before Jordan has financial control

and audit arrangements matching international best practice. Nor has the National Assembly readily accepted PFM reform: it has been more concerned to widen rather than block tax exemptions, and a modest proposal put forward in 2013 for strengthening the role of the Audit Bureau has yet to be acted on. The Government may need to be more pro-active in making the case in public for PFM improvements which are in the interests of society as a whole, rather than particular interest groups. The work of the Delivery Unit in the Prime Minister's Office which is charged with ensuring that a limited number of the Government's investment projects or social initiatives are implemented within the intended timescale may provide some useful experience in securing essential changes.

ANNEX 1 - PERFORMANCE INDICATOR SUMMARY

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
PI-1 Aggregate expenditure outturn	A	Deviations from original budget less than 5% in 2 of last 3 years (2013-2015)
PI-2 Expenditure composition outturn (M1)	C+	Variance less than 5% in all 3 years Variance between 10% and 15% in all 3 years Average amount of expenditure charged to Contingency 1.1%
2.1 Functional composition variance	A	
2.2 Economic composition variance	C	
2.3 Use of contingency	A	
PI-3 Revenue outturn (M2)	C+	Outturns in the range 92% -116% in 2 of 3 years Variance less than 10% in 2 of 3 years
3.1 Aggregate outturn	C	
3.2 Composition outturn	B	
PI-4 Budget classification	D	More than 25% of expenditure has not been apportioned between GFS economic categories
PI-5 Budget documentation	B	Fulfils 8 elements: 4 basic elements, and 4 others.
PI-6 Central government operations (M2)	C+	Expenditure equal to between 5 and 10% budget not included in financial reports Revenue equal to between 5 and 10% budget not included in financial reports All GUs submit financial reports to sponsor MDAs within 6 months of end of financial year
6.1 Expenditure outside financial reports	C	
6.2 Revenue outside financial reports	C	
6.3 Financial reports of extra-budgetary units	B	
PI-7 Transfers to sub-national governments (M2)	A	Transparent, rules-based systems Municipalities have 2 months to complete budget planning
7.1 System for allocating transfers	A	
7.2 Timeliness of information of transfers	A	
PI-8 Performance information for service delivery (M2)	C	MDA plans show activities and outputs, but not outcomes. Information reported about extent to which targets have been met. Relevant information not yet collected. Independent performance evaluations have had very limited coverage.
8.1 Performance plans	B	
8.2 Performance achieved	B	
8.3 Resources received by service delivery units	D	

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
8.4 Performance evaluation	D	
PI-9 Public access to fiscal information	B	All five basic elements and one additional element made available in timely manner
PI-10 Fiscal risk reporting (M2)	C	Published and audited financial reports within 9 months and a consolidated government report Majority of municipalities submit unaudited accounts within required timescale Fiscal risks regularly assessed by IMF in discussion with GoJ
10.1 Monitoring of public corporations	C	
10.2 Monitoring of subnational governments	C	
10.3 Contingent liabilities and other fiscal risks	C	
PI-11Public Investment Management (M2)	D+	No national guidelines established No project selection criteria Total capital costs not published No standard procedures and rules and no reports published
11.1 Economic analysis of investment proposals	C	
11.2 Investment project selection	C	
11.3 Investment project costing	D	
11.4 Investment project monitoring	D	
PI-12 Public asset management (M2)	D+	Important information about some holdings of financial assets excluded from financial reports. Asset registration started recently. No rules in place
12.1 Financial asset monitoring	D	
12.2 Non-financial asset monitoring	C	
12.3 Transparency of asset disposal	D	
PI-13 Debt management (M2)	A	Data complete, accurate and reconciled monthly All decisions taken by Debt Management Committee Strategy published in September 2016
13.1 Recording and reporting of debt and guarantees	A	
13.2 Approval of debt and guarantees	A	
13.3 Debt management strategy	B	
PI-14 Macro-economic and fiscal forecasting (M2)	C	3-year forecasts of real GDP growth and inflation in budget documentation but not interest and exchange rates. 3 year forecasts of main fiscal aggregates lack explanation of changes from forecasts made in previous year. No discussion of impact of alternative economic assumptions.
14.1 Macro-economic forecasts	C	
14.2 Fiscal forecasts	B	
14.3 Macro-fiscal sensitivity analysis	D	
PI-15 Fiscal strategy (M2)	C+	Specific decisions on revenue and expenditure cover only the budget year.

Current assessment		
Indicator/dimension	Score	Description of requirements met
15.1 Fiscal impact of policy proposals	C	Fiscal strategy effectively set through the IMF programmes and incorporated into annual budgets.
15.2 Fiscal strategy adoption	B	Letters of Intent which also report on fiscal outcomes sent to IMF but not submitted to Parliament
15.3 Reporting on fiscal outcomes	C	
PI-16 Medium-term perspective in expenditure budgeting (M2)	B	Medium-term estimates provided in all types of budget classification
16.1 Medium-term expenditure estimates	A	Ceilings for each budget chapter approved by COM included in budget circular
16.2 Medium-term expenditure ceilings	A	
16.3 Alignment of strategic plans and medium-term budgets	B	Some links between MDA strategic plans and financial plans
16.4 Consistency of budgets with previous year's estimates	D	Presentation of the 2016 Budget did not include an explanation of changes at the aggregate level between the new 2016 figures and those included in the 2015 Budget presentation..
PI-17 Budget preparation process (M2)	B	
17.1 Budget calendar	C	MDAs have less than 4 weeks to finalise budget submissions
17.3 Guidance on budget preparation	A	Circular includes expenditure ceilings approved by CoM
17.3 Budget submission to legislature	C	In all 3 years budget proposals submitted to legislature prior to end of November
PI-18 Legislative scrutiny of budgets (M1)	C+	
18.1 Scope of budget scrutiny	A	National Assembly review covers medium term as well as year immediately ahead.
18.2 Legislative procedures for budget scrutiny	C	No public consultation or negotiation between legislature and executive.
18.3 Timing of budget approval	C	Approval within a month of beginning of fiscal year in 2 of last 3 years.
18.4 Rules for budget adjustments by the executives	A	Clear rules are enacted in each year's budget law which preclude any increase in any budget Chapter without a new law. Detailed rules govern the extent to which provision may be transferred within Chapters.
PI-19 (M2) Revenue administration	C	
19.1 Rights and obligations	B	Entities collecting the majority of revenues provide payers with access to comprehensive and up-to-date information on revenue obligations and rights, including redress processes and procedures.
19.2 Revenue risk management	B	Entities collecting the majority of revenues use a structured and systematic approach for assessing compliance risks for most revenue

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
		streams for which they are responsible.
19.3 Revenue audit and investigation	D	No compliance improvement programme in place.
19.4 Revenue arrears monitoring	D	Arrears exceeded 40% of 2015 collections.
PI-20 Accounting for revenue (M1)	A	
20.1 Information on revenue collections	A	Every Department makes a monthly return to MoF, which produces a consolidated report including a breakdown of revenue by type.
20.2 Transfer of revenue collections	A	All revenue is transferred daily to the Treasury Single Account at CBJ.
20.3 Revenue accounts reconciliation	A	Individual taxpayers' accounts in GFMIS are continuously updated so that action can be initiated when payments are overdue. Full reconciliations are made monthly of aggregate amounts assessed, collected, and transferred to the Treasury.
PI-21 Predictability of in-year resource allocation (M2)	B	
21.1 Consolidation of cash balances	A	TSA balances are consolidated daily. Balances on other accounts are reviewed weekly.
21.2 Cash forecasting and monitoring	A	MoF Treasury updates the annual cash flow forecast monthly, or more often, in the light of experience
21.3 Information on commitment ceilings	C	Cash is released in monthly instalments, which may result in MDAs not being able to meet bills when they arrive.
21.4 Significance of in-year budget adjustments	C	Changes are insignificant as percentage of total expenditure but externally financed investment can be substantially increased without the need for a Supplementary Budget.
PI-22 Expenditure arrears (M1)	B+	
22.1 Stock of expenditure arrears	B	Arrears in 2013- 2015 amounted to less than 6 % of total expenditure in two of the three years.

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
22.2 Expenditure arrears monitoring	A	MoF keeps a monthly record of reported arrears.
PI-23 Payroll Controls (M2)	A	
23.1 Integration of payroll and personnel records	A	There are strong links between the approved budget, personnel records and payroll records
23.2 Management of payroll changes	A	Payroll changes are authorised and prompt
23.3 Internal control of payroll	A	Close and effective control of payroll applies
23.4 Payroll audit	A	Regular payroll audits by AB and CSB
PI-24 Procurement (M2)	B	
24.1 Procurement monitoring	B	Complete and accurate records kept for most procurement.
24.2 Procurement methods	A	Competition is default method and used in almost all procurements.
24.3 Public access to procurement information	B	4 out of 6 items available to public
24.4 Procurement complaints management	D	No independent complaints mechanism
PI-25 Internal controls on non-salary expenditure (M2)	A	
25.1 Segregation of duties	B	By-laws and administrative structures are effective in ensuring segregation of duties, and now reinforced by the configuration of expenditure processes in GFMIS.
25.2 Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability
25.3 Compliance with payment rules and procedures	A	Most MDAs comply with most rules and procedures
PI-26 Internal audit (M1)	C+	
26.1 Coverage of internal audit	C	30% of the work is still "ex ante" pre-payment verification, but all sections of government are covered to some degree.
26.2 Nature of audits and standards applied	C	Audit is mainly centred on compliance
26.3 Implementation of internal audits and reporting	A	Audit plans are produced and according to MoF all planned audits are executed.
26.4 Response to internal audits	B	Most audited entities make a reasonable response within 12 months
PI-27 Financial data integrity (M2)	D+	
27.1 Bank reconciliation	D	At least monthly bank reconciliation takes place for all active central government bank accounts, but GUs (nearly 20% of government controlled expenditure) bank accounts are

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
		reconciled only annually.
27.2 Suspense accounts	D	Significant un-cleared balances persist
27.3 Advance accounts	D	Significant un-cleared advances persist
27.4 Financial data integrity processes	B	Effective processes with clear audit trail
PI-28 In-year budget reports (M1)	C+	
28.1 Coverage and comparability of reports	A	Detailed reports using administrative and economic classifications are available internally, but not published.
28.2 Timing of in-year budget reports	B	Monthly reports produced within four weeks of end of month
28.3 Accuracy of in-year budget reports	C	Reports are accurate but do not include commitments
PI-29 Annual financial reports (M1)	C+	
29.1 Completeness of annual financial reports	A	Complete statements, including a cash flow statement and previously excluded revenue and expenditure from Trust Accounts, have been provided for 2015.
29.2 Submission of reports for external audit	B	Financial statements for 2015 were submitted for audit before the end of April 2016.
29.3 Accounting standards	C	Cash IPSAS consistently applied but without cash flow statement
PI-30 External audit (M1)	D+	
30.1 Audit Coverage and standards	D	Audit opinion (on 2015 financial statements) was given for the first time in 2016, but this was not done for 2013 and 2014.

Current assessment		
Indicator/dimension	**Score**	**Description of requirements met**
30.2 Submission of audit reports to the legislature	D	Submission of audit reports to the legislature has been consistently over 9 months after receipt of the annual financial statements by the AB.
30.3 External audit follow-up	B	Departments generally correct errors found in compliance audits, but there was no evidence of responses to findings of wider application.
30.4 Supreme Audit Institution(SAI) Independence	D	The Head of AB is appointed and can be removed by the Government (although the NA has on occasion secured his reinstatement). The AB has full access to documents and information, but lacks financial independence.
PI-31 Legislative scrutiny of audit reports (M2)	C	
31.1 Timing of audit report scrutiny	D*	While the NA's scrutiny of the 2014 report was completed within two months, no evidence was available about the NA's response to the two previous NA reports.
31.2 Hearings on audit findings	C	Hearings take place but there is no audit opinion
31.3 Recommendations on audit made by the legislature	D*	Recommendations made to the OPM in 2016 were effectively followed up, but no evidence was available about comparable action during the two previous years.
31.4 Transparency of legislative scrutiny of audit reports	A	Audit reports are debated in public and parliamentary reports are produced and published.

ANNEX 1.B

Performance Changes since 2011 (based on 2011 Criteria)

Performance Indicator Number	**Performance Indicator Title**	**2016 Score**	**2011 Score**	**Comment**
PI-1	Aggregate Expenditure Outturn	A	A	No change if the adjustments required by the 2011 framework are made to the 2016 figures
PI-2	Expenditure Composition Outturn	A	A	No change
PI-2.1	Expenditure composition variance by function	A	A	No change if externally financed project expenditure is excluded from the 2016 calculations
PI-2.2	Expenditure from contingency reserves	A	A	No change
PI-3	Aggregate revenue outturn	B	D	Significant improvement if external revenue is excluded from 2016 calculations
PI-4	Stock and monitoring of expenditure payment arrears	B+	N/R	Performance improvement
PI-4.1	Stock of arrears	B	N/R	Performance improvement
PI-4.2	Availability of data for monitoring stock of arrears	A	D	Performance improvement

PI-5	Budget classification	D	A	No underlying change as the 2011 assessment did not address the issue of incomplete economic classification
PI-6	Comprehensiveness of information contained in budget documentation	B	A	Apparent performance deterioration as only 6 of elements required by 2011 framework were supplied in 2016 (8 in 2011). But criteria interpreted more strictly in 2016 in accordance with PEFA Secretariat guidance.
PI-7	Level of unreported extra-budgetary expenditure	C+	C	Performance improvement
PI-7.1	Expenditure outside financial reports	C	C	No change
PI-7.2	Income/expenditure information on donor-funded projects included in fiscal reports	A	C	External grants and expenditure financed from them are almost all included in budgets and out-turn statements. Performance improvement.
PI-8	Transparency of Inter-Governmental Fiscal Relations	B+	B	Performance improvement
PI-8.1	System for allocating transfers	A	A	No change
PI-8.2	Timeliness of information on transfers	A	A	No change

PI-8.3	Extent of collection of consolidated fiscal information	C	D	Performance improvement as over 60% of required fiscal information is collected and reported
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	D+	Performance improvement
PI-9.1	Monitoring of AGAs and PEs	C	C	No change
PI-9.2	Monitoring of SN governments' fiscal position	C	D	Performance improvement
PI-10	Public access to key fiscal information	B	C	Performance improvement (4 out of 6 elements made available in 2016)
PI-11	Orderliness and participation in the annual budget process	B	C+	Performance improvement
PI-11.1	Existence of and adherence to a fixed budget calendar	C	C	No change
PI-11.2	Clarity of and political involvement in guiding the preparation of the budget	A	A	No change
PI-11.3	Timely budget approval by the legislature	C	D	Performance improvement
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	B+	A	

PI-12.1	Presentation of multi-year fiscal forecasts and functional allocations	A	A	No change.
PI-12.2	Scope and frequency of debt sustainability analysis	A	A	No change
PI-12.3	Existence of costed sector strategies	B	A	Apparent performance deterioration reflects more cautious judgment about extent of sector strategies.
PI-12.4	Linkages between investment budgets and forward expenditure estimates	B	B	No change
PI-13	Transparency of taxpayer obligations and liabilities	B+	B+	No change
PI-13.1	Clarity and comprehensive-ness of tax liabilities	B	B	No change
PI-13.2	Taxpayer access to information	A	A	No change
PI-13.3	Tax appeals mechanism	B	B	No change
PI-14	Effectiveness of measures for taxpayer registration and assessment	B	B	No change
PI-14.1	Controls in the taxpayer registration system	B	B	No change
PI-14.2	Effectiveness of penalties for non-compliance	B	B	No change

PI-14.3	Planning and monitoring of tax audit and fraud investigation programs.	B	C	Performance improvement in audit planning
PI-15	Effectiveness in collection of tax payments	D+	D+	No change
PI-15.1	Collection ratio for gross tax arrears	D	D	No change
PI-15.2	Effectiveness of transfer of tax collections to Treasury	A	A	No change
PI-15.3	Frequency of complete accounts reconciliation	A	A	No change
PI-16	Predictability in the availability of funds for commitment of expenditure	C+	A	Apparent deterioration misleading (see 16.2)
PI-16.1	Extent to which cash flows are forecast and monitored	A	A	No change
PI-16.2	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	C	A	Apparent deterioration misleading since cash releases continue to be on a monthly basis
PI-16.3	Frequency and transparency of adjustments to budget allocations	A	A	No change
PI-17	Recording and reporting of cash balances, debt and guarantees	A	A	No change
PI-17.1	Quality of debt data recording and reporting	A	A	No change

PI-17.2	Extent of consolidation of the government's cash balances	B	B	No change
PI-17.3	Systems of contracting loans and issuing guarantees.	A	A	No change
PI-18	Effectiveness of payroll controls	A	C+	Performance improvement
PI-18.1	Degree of integration and reconciliation between personnel records ands payroll data	A	A	No change
PI-18.2	Timeliness of changes to payroll and personnel records	A	A	No change
PI-18.3	Internal controls of changes to personnel records and payroll	A	A	No change
Pi-18.4	Existence of payroll audits	A	C	Performance improvement
Pi-19	PI-19 Transparency, competition and complaints mechanisms in procurement	C+	C+_	No change
Pi-19.1	Legal and regulatory framework	C	C	No change
PI-19.2	Use of competitive procurement methods	A	A	No change
PI-19.3	Public access to procurement information	B	C	Performance improvement
PI-19.4	Procurement complaints system	D	D	No change

Pi-20	Effectiveness of internal controls	A	C+	Performance improvement
PI-20.1	Effectiveness of expenditure commitment controls	A	C	Performance improvement
PI-20.2	Comprehensive-ness, relevance and understanding of other internal controls/procedures	A	B	Performance improvement
PI-20.3	Degree of compliance with rules	A	A	No change
PI-21	Effectiveness of internal audit	C	D+	Performance improvement
PI-21.1	Coverage and quality of the internal audit function	C	D	Performance improvement
PI-21.2	Frequency and distribution of reports	C	C	No change
PI-21.3	Extent of management response to internal audit findings	C	C	No change
PI-22	Accounts reconciliation	C	B+	Performance deterioration may be misleading
PI-22.1	Bank reconciliation	B	B	No change
PI-22.2	Reconciliation and clearance of suspense accounts and advances	D	A	Apparent performance deterioration misleading as not all advances considered in 2011

PI-23	Availability of information on resources received by service delivery units	D	D	No change
PI-24	Quality and timeliness of in-year budget reports	C+	D+	Performance improvement
PI-24.1	Scope of reports	A	D	Performance improvement
PI-24.2	Timeliness of reports	A	A	No change
PI-24.3	Quality of information	C	B	No real change as commitments were not captured in 2011
PI-25	Quality and timeliness of financial statements	C+	C+	Performance improvement
Pi-25.1	Completeness of financial statements	A	C	Complete statements provided for the first time in respect of 2015.
PI-25.2	Timeliness of submission	A	A	No change
PI-25.3	Accounting standards used	C	C	No change
PI-26	Scope, nature and follow-up of external audit	C+	C+	No change
PI-26.1	Scope/nature of audit	B	B	No change
Pi-26.2	Timeliness of audit reporting to legislature	C	B	Performance deterioration reflecting longer periods before reports were submitted to the National Assembly

PI-26.3	Evidence of follow-up on audit recommendations	C	C	No change
PI-27	Legislative scrutiny of the annual budget law	B+	B+	No change
PI-27.1	Scope of legislature's scrutiny	A	B	Apparent performance improvement, based on NA scrutiny extending to medium-term fiscal outlook.
PI-27.2	Extent to which legislature's procedures are well-established and respected	A	A	No change
PI-27.3	Adequacy of time for legislature to provide a response to budget proposals	B	B	No change
PI-27.4	Rules for in-year amendments to the budget	A	A	No change
PI-28	Legislative scrutiny of external audit reports	D+	D+	No change
PI-28.1	Timeliness of examination of audit reports	D*	D	No change
PI-28.2	Extent of hearings on key findings undertaken by the legislature	B	B	No change
PI-28.3	Issuance of recommendations and implementation by Executive	D*	B	Information incomplete

Annex 1B Comparison of 2016 Performance Indicator Scores with Previous Assessment (2011)

ANNEX 2 - SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	The importance of internal control is recognised throughout the government.
1.2 Commitment to competence	Increased efforts are being devoted to training, especially in the areas of internal control and audit. The assessors were told by the Civil Service Bureau (CSB) that promotion is based mainly on seniority.
1.3 The "tone at the top"	The slow development of internal audit reflects a general reluctance to question authority or to consider alternative approaches.
1.4 Organisational structure	Internal control units occupy an important place in organisations, reporting to Secretaries-General of Departments and within MoF to the Minister.
1.5 Human resources policies and practices	Civil servants enjoy strong protection of their employment rights. The CSB stated that there is no career planning across government Departments, and that promotion depends mainly on seniority.
2. Risk assessment	
2.1 Risk identification	Risks are identified relating to both revenue and expenditure. Internal control units are assessed by reference to their performance in eliminating risks, as a condition for the Audit Bureau withdrawing from ex ante control of payments.
2.2 Risk assessment	Organisations seek to control all risks to revenue and expenditure. All receipts and payments are subject to checks.
2.3 Risk evaluation	Income and Sales Tax Department is gradually reducing the proportion of tax returns subject to substantial audit procedures, based on analysis of the importance of different risks. But it is doubtful whether sufficient importance is given to identification of non-registrants.
2.4 Risk appetite assessment	Controls seek to eliminate all risks, even at substantial administrative cost.
2.5 Responses to risk	See 2.4
3. Control activities	
3.1 Authorisation and approval procedures	All transactions are subject to approval procedures involving Departmental internal control units, controllers from MoF and (still for most Departments) the Audit Bureau.
3.2 Segregation of duties	Financial control by-laws specify different operations (decision-making, contracting, accounting and recording) in detail, but do not specifically address the question of segregation of duties.
3.3 Controls over access to resources and records	Recording and accounting is now dependent throughout almost all Departments on the Government Financial Management Information System (GFMIS) which incorporates strong controls over access to resources and records.
3.4 Verifications	GFMIS ensures that contracts are not placed unless there is budgetary provision, and that payments are

Internal control components and elements	Summary of observations
	not made unless funds have been released through a quarterly financial order and the amount is within the current monthly expenditure ceiling.
3.5 Reconciliations	GFMIS provides for daily reconciliations of the very large majority of transactions.
3.6 Reviews of operating performance	Monthly reports are made to MoF about the operation of internal financial controls. The General Budget Department (GBD) has initiated work on the systematic monitoring and evaluation of policy initiatives and service delivery.
3.7 Reviews of operations, processes and activities	Internal Control Units have as one of their responsibilities the undertaking of internal audit reviews of operations, processes and activities, but this work remains at an early stage of development.
3.8 Supervision	There is close hierarchical supervision of transactions, and an increased focus on necessary training.
4. Information and communication	The Control and Inspection Directorate of MoF monitors and reports on the performance of internal control and internal audit operations across the government.
5. Monitoring	
5.1 Ongoing monitoring	Regular monitoring is coordinated by the Control and Inspection Directorate of MoF.
5.2 Evaluations	Evaluation of performance is being initiated by GBD. The Audit Bureau undertakes performance audits, although their coverage hitherto is limited.
5.3 Management responses	Management responses to control unit findings are covered in reports to MoF. Departments must respond to AB findings in compliance audits, with their responses recorded in the very detailed AB annual reports.

ANNEX 3 -SOURCES OF INFORMATION

ANNEX 3A SURVEYS and ANALYTICAL WORK used for the ASSESSMENT

Jordan PEFA Assessment 2011
Jordan Vision 2025
Jordan Public Expenditure Perspectives 2015 (USAID)
Income and Sales Tax Department Performance Benchmarking Report 2015 (USAID)
Tax Administration Diagnostic Assessment Tool (TADAT) (IMF/METAC 2016)
Technical Assistance Report on Cash-based IPSAS and Migration to full Accrual-based reporting (IMF 2016)
Jordan Response Plan 2016-18 (to the refugee crisis)

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ANNEX3C - LIST OF DOCUMENTS CONSULTED

Jordan Constitution 1952 as amended
Audit law 1952 as amended and draft revised Audit law 2013
Organic Budget Law 2008
Public Debt Management Law 2001
Financial By-Law No. 3 1994 and Application Instructions as amended
Financial By-Law No. 3 2011
Financial Control By-Law No. 11 2014
Civil Service By-Law
General Budget Laws 2013-16
Government Units Budget Laws 2013-16
Budget Execution Statements 2013-15
Budget in Brief 2015 and Citizen's Guide to the Budget 2016
Budget Speech by the Minister of Finance December 6, 2015
Recommendations on Draft Budget Law of Financial Committee at the House of Representatives 2014 and 2015
Memorandum of Understanding between M. of Finance and Audit Bureau
IMF Country Reports 12/343, 14/152 & 324, 15/115 & 225, 16/295
Jordan PFM Strategy 2014-17
Jordan Executive Development Programme 2016-18
Summary of Audit Bureau Annual Report for 2014
Report on Audit Bureau Twinning (with SAIs of Spain, Netherlands, Estonia)