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Jordan: Repeat Public Financial Management Assessment following the PEFA Methodology

Presented by

ACE, International Consultants (Spain)

CURRENCY AND EXCHANGE RATES

Currency unit = Jordanian Dinar (JD)

JD$ 1 = US$ 1.41044

The Jordanian Dinar has been pegged to the U.S. dollar since October 1995

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

ACRONYMS AND ABBREVIATIONS

AB	Audit Bureau
AGAs	Autonomous Government Agencies
BS	Budget Support
CBJ	Central Bank of Jordan
CG	Central Government
COFOG	Classification of Functions of Government
COA	Chart of Accounts
CVDB	Cities and Villages Development Bank
DBS	Direct budget support
DLCG	Donor/Lender Consultation Group
DMFAS	Debt Management Financial Analysis System
EU	European Union
FAD	Fiscal Affairs Department
FRP	Fiscal Reform Project
FY	Fiscal Year
GAD	General Accounts Directorate
GAM	Greater Amman Municipality
GBD	General Budget Department
GDD	General Debt Directorate
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	The Government Finance Statistics Manual
GFMIS	Government Financial Management Information System
GIZ	German Cooperation Unit
GOJ	Government of the Hashemite Kingdom of Jordan
GRD	General Revenue Directorate
GSD	General Supplies Department
GST	General Sales Tax
GTD	Government Tender Department
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISPPIA	International Standards for the Professional Practice in Internal Audit
ISTD	Income and Sales Tax Department
IT	Information Technology

JAIMS	Jordan Aid Information Management System
JD	Jordanian Dinars
JICA	Japan International Cooperation Agency
JPD	Joint Procurement Department
MAPS	Methodology for Assessing Procurement Systems
MDA	Ministries, Department and Agencies
MDG	Millennium Development Goals
MEFF MAPS	Methodology for Assessing Procurement Systems
MHESR	Ministry of Higher Education and Scientific Research
METAC	Middle East Regional Technical Assistance Center
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoMA	Ministry of Municipal Affaires
MoPIC	Ministry of Planning and International Cooperation
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
NGOs	Non-Governmental Organisations
NR	Not Rated
NS	Not Scored
OECD-DAC	Organisation for Economic Co-operation and Development Development Assistance Committee
PEFA	Public Expenditure and Financial Accountability
PE	Public Enterprises
PFM-PR	Public Financial Management Performance Report
PER	Public Expenditure Review
PFM	Public Financial Management
PM	Prime Minister
ROB	Results-Oriented Budget
SAI	Supreme Audit Institution
SIGMA	Support for Improvement in Governance and Management
SN	Sub-National
SST	Special Sales Tax
TSA	Treasury Single Account
TIN	Taxpayer Identification Number
ToR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WB	World Bank

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SUMMARY ASSESSMENT

This repeat assessment of Public Financial Management (PFM) in Jordan is based on the PFM Performance Measurement Framework (PMF) developed by the Public Expenditure and Financial Accountability (PEFA) partners[1] as a tool to provide reliable information on the performance of PFM systems, processes, and institutions over time. The report does not assess government policies or capacity.

I. Integrated Assessment of PFM Performance

This section provides a summary of the main performance changes in the PFM system in Jordan between the time of the past assessment in 2007 and this repeat assessment in May 2011. The analysis is based on the six critical areas of performance of an open and orderly PFM system that are defined in the PEFA framework and which define the structure of chapter 3 of this report, where the detailed analysis of the PEFA performance indicators is presented. The analysis covers basically the budgetary central government[2].

The overall change in these critical areas has trended in a positive direction during the four-year period since the previous assessment. This reflects the results of many reforms that have taken place or are in their active implementation stage. Some of the unfavorable findings summarized in the subsequent paragraphs are mainly the result of political factors such as the dissolution of Parliament for a lengthy period and external factors such as the recently revised PEFA standards that raised the performance bar for three of the 31 performance indicators. The overall situation of the PFM system in Jordan is positive notwithstanding that certain PFM performance issues remain to be addressed by the government.

The order of presentation of the six critical areas of performance follow the sequence as outlined in the PEFA Performance Measurement Framework manual and therefore does not reflect an order of importance. All are equally relevant and important.

1. Credibility of the Budget

For the past three years covering 2008 to 2010, the total annual value of payments made was close to the initial budget allocation, the variance in expenditure composition was moderate, and the size of actual expenditure charged to the contingency vote was insignificant.

Despite these valuable achievements, the credibility of the General Budget was affected by the systemic over-estimation of domestic revenues and in-year Supplementary Laws that increased and redistributed initial budget allocations. While the stock of expenditure arrears was unknown at the end of 2010 because of unreliable data, just as in 2007, commitment controls have continued to be inefficient mainly in limiting expenditures to the availability of cash resources. When cash allocations have not been available to meet the flow of expenditures based on outstanding

[1] PEFA partners are the World Bank, the IMF, the European Union, the UK Department for International Development, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign affairs, and the Swiss State Secretariat for Economic Affairs.

[2] For more details, please see the Introduction chapter.

commitments, resulting payments had to be postponed to the following cash flow period including the possibility for a carryover of payables to the next fiscal year and, thus, taken as a first charge from the budget allocations approved for the new year. No performance change could be observed for this core dimension since 2007. This problem should be improved once the GFMIS is fully implemented and provides information on commitments, payables, and payments in a single data file allowing managers to clearly see, monitor, and manage the commitment and cash flow dynamic.

2. Comprehensiveness and Transparency

Substantial progress has been achieved in this area since 2008. The Government is using systems for budget classification and chart of accounts that conform to international standards as well as a basic results-oriented budgeting framework, all of which provide the means to track government spending. The budget documentation presented by the Executive supplies most of the information requirements to undertake an adequate legislative scrutiny of the budget; since 2008 this information also includes indicative allocations for the next two fiscal years. In addition, the budget of the independent Government Units has been approved by law since 2008 and all earmarked revenues that were managed off-budget were eliminated in the tax reform of December 2009. The only extra-budgetary funds not fully reported in fiscal reports are those related to the public universities and the Social Security Corporation. The inter-governmental fiscal relations remain transparent in terms of the horizontal distribution of transfers from the Central Government and the timeliness of reliable budget information to the municipalities on their allocations.

However, some important challenges persist in Jordan related to the comprehensiveness of the budget and the fiscal-risk oversight. Projects financed by external grants remain off-budget and there is no consolidated fiscal report that includes income and expenditure information, from these off-budget external grants, on an annual basis. The extent of consolidation of fiscal data for General Government (all of government including AGAs and municipalities) also remains limited, especially timely data and data classified by functional categories. The Central Government receives regular fiscal reports from all Government Units and consolidates some statistical data related to their budget execution and outstanding debt, but an analysis of the overall fiscal risk is critically missing. The annual consolidated report that the Government used to elaborate in 2007 is not produced anymore and three important entities of the Jordanian public sector were not included in the previously-mentioned Government Units' statistics[3]. The Central Government partially monitors the net fiscal position of the municipalities on an annual basis, but does not consolidate overall fiscal risk in any report.

Another remaining challenge is the limited release of fiscal and budget information to the public in an opportune and simple manner. Some progress has been achieved since 2007, as a complete set of budget documents is released to the public when submitted to the legislature. Also, Jordan has joined the IMF Special Data Dissemination Standards since January 2010. However, important fiscal information is still not suitably disseminated to the public, such as timely year-end financial statements (prior to their inclusion in subsequent years' budget laws), the external audit reports,

[3] These entities were the public universities, the Social Security Corporation, and the Cities and Villages Development Bank (CVDB).

some contract awards, and the annual resources (cash and in-kind) available to primary service units, particularly in the health and education sectors.

3. Policy-based Budgeting

The budget preparation calendar was improved in September 2009 with the adoption of a schedule that brought forward the beginning of the preparation process from May to end-January and the date when the draft budget has to be submitted to Parliament from end-November to October. However, the implementation of the budget preparation process was delayed in 2010 by efforts to coordinate the government's preparation of the *2011-2013 Executive Development Program* in support of the *National Agenda 2006-2015* and the budgeted MTEF on capital spending. While this was a positive institutional coordination effort, it resulted in delaying approval of budget ceilings and, thus, the issuance of the budget circular informing MDAs of their budget ceilings. Another factor which delayed the implementation of the budget calendar during 2010 was that Parliament was dissolved during November 2009-November 2010 and thus the General Budget Laws for 2010 and 2011 were approved with substantial delay in end-March 2011. There has been no improvement regarding the timeliness of approval of the General Budget law by Parliament since 2007.

The revised budget calendar approved in September 2009 also strengthened the link between strategic planning, budgeting and the medium-term framework by introducing the preparation of Budget Policies and Priorities Statements and Papers for the three-forthcoming years in the budget preparation calendar. A three-year rolling Macroeconomic and Fiscal Framework and Medium-Term Expenditure Frameworks have been prepared since the budget for 2008 together with a basic results-oriented budgeting system. The link between multi-year estimates and subsequent setting of annual budget ceilings are clearly stated in the budget circular. In addition, strategies for sectors representing well over 75 percent of primary expenditure exist, are fully costed, and consistent with national priorities and sectoral strategies. Debt sustainability analysis for external and domestic debt has been undertaken annually since 2004 by the IMF and the findings have been accepted by the MoF. A debt sustainability strategy is being prepared by MoF and will lead to the MoF doing annual debt sustainability analysis in the future.

4. Predictability and Control in Budget Execution

The revised temporary Income Tax Law No. 28 and amended General Sales Tax Law of December 2009 have established simpler tax legislation and administrative procedures. The Income and Sales Tax Department (ISTD) has developed and monitored a media communications strategy since 2009. ISTD and the Customs Department offer user-friendly website access to comprehensive and updated information on tax legislation, forms, and administrative procedures. They also have taxpayer service centers and customs houses around Jordan. Substantial progress has also been made since 2007 regarding on online access to tax liabilities. The tax appeal mechanism for taxpayers has improved through the amended laws but it is early to evaluate its operation. A single and unique tax identification number has been issued to taxpayers since 1 July 2007. Thus, taxpayers are registered in a complete database system. Important linkages to government registration systems have been established since 2007. Penalties were revised in the temporary Income Tax Law No. 28 and General Sales Tax Law No. 29 with the aim of discouraging non-compliance, but the new system remains un-tested. ISTD has an annual audit plan that is monitored with the Automatic Tracking System. A risk-based computer assisted system for selecting audit cases was developed, but there are still far too many cases selected for audit and thus the risk criteria is undermined. While the level of arrears is high and the debt collection ratio is low, there has been a substantial improvement in the availability of tax arrears data and the focus of the authorities on this problem since 2007 which resulted in two new directorates established at ISTD in 2009. Effectiveness of the transfer of tax collections to the Treasury is good, as commercial banks transfer tax collection to the Treasury Single Account daily.

Cash flow management and forecasting at the central government level have shown good improvement as of 2011 with regards to the 2007 assessment. The MoF Treasury and the General Budget Department have increased their cooperation for releasing budget allocations and cash ceiling releases. The adoption of the GFMIS General Ledger and the inclusion of the Treasury Single Account therein have greatly facilitated work of the MoF Treasury Directorate with daily information on cash resources and unused cash ceiling amounts brought forward. Public debt data remains at a very high level of quality and debt information is widely disseminated both internally within the MoF and to the public at large. The payroll systems in place have a good degree of integration and reconciliation between the position controls, personnel records, and payroll registers, although systemic audit reviews of the overall human resource management function remains relatively weak. The controls in public procurement are satisfactory, widely adhering to the default method for open bidding, although there is no independent complaints review mechanism in line with the new PEFA requirement set out in a revision to the procurement indicator in January 2011. New procurement legislation to coordinate the three separate procurement agencies has recently been proposed that should ensure more standardization in the procurement process.

Controls on non-payroll expenditure has remained the same over recent years, with a preponderance of ex-ante voucher checking with very little internal audit functionality at the ex-post stage in line with international best practices. And, as of yet, the open ended granting of Certificates of Commitment by the General Budget Department against the total year budget allocations for a given ministry, department or agency results in a gap between cash ceiling releases by Treasury and the build-up of expenditures flowing from the open commitments in process. A recent effort is underway to move towards a more effective internal audit practice at the line agencies. The Audit Bureau and the MoF have engaged in a joint program to improve internal audit standards and functionality in the near term.

5. Accounting, Recording, and Reporting

An important upgrade in account recording and account reconciliations has occurred since the last assessment with the introduction of the GFMIS General Ledger and a standardized Chart of Accounts within the MoF. Treasury now has a more complete set of records that allows for more comprehensive and timely reporting. In addition, trust accounts that were previously held and managed by line agencies are now consolidated at the MoF Treasury Directorate in a single account at the Central Bank. Suspense accounts and advance accounts that in the past were large and varied have been greatly reduced in numbers and values.

The single issue that shows under-performance relates to the availability of information on resources received by service delivery units such as primary schools and primary health clinics. No independent or ad hoc verification mechanisms exist outside the normal execution accounting and reporting by the Ministries of Education and Health. And these ministries do not provide additional reports on resources received by their respective service delivery units.

In-year budget execution reports for government's internal use are produced monthly and available at the most four weeks after the end of the month. The consolidated data provided in the in-year budget reports do not allow a comparison across administrative headings (these are not at all shown), even though the MoF General Accounts Directorate could easily produce these tables and does so upon request. A consolidated government statement is prepared annually by the MoF General Accounts Directorate. The last prepared final accounts were those for 2009. They included information on revenues and expenditures, but not on financial assets. Performance has improved since 2007 because financial liabilities were included in the final accounts of 2009. Financial statements have to be legally submitted for external audit within six months after the end of the year and this requirement was met in 2010. The MoF General Accounts Directorate prepares the annual financial statements under a modified cash-basis accounting system that is consistent for the most part with the International Public Sector Accounting Standards (IPSAS) that is specifically geared to non-accrual based accounting and reporting methodology. Thus, neither fully accrual-based nor cash-based IPSAS are complied with.

6. External Scrutiny and Audit

The Audit Bureau is on a trajectory for making substantial improvements in their role as the Supreme Audit Institution for Jordan. The current assessment shows a moderate improvement in their overall score but substantial improvement in some of the dimensions for external audit. They have set out an ambitious detailed action plan for gradual improvement, especially the withdrawal from ex-ante audits at the line agencies. Improvements in their overall performance should be noted in the near to medium term. On the other hand, the scrutiny of the annual budget law by the legislature remains much as it was during the last assessment, with relatively good performance, albeit recently the legislature was not in session for a full year. However, the legislative scrutiny of the external audit reports remains below par, involving long delays in reviewing and commenting on audit report findings. This is due in part to the relatively short period that the legislature is in session and the fact that it was completely dissolved for a twelve-month period between November of 2009 and November 2010.

In summary, the vast majority of requirements in the six critical areas of performance discussed in the previous paragraphs have been substantially met. During the four-year interim period since the previous PEFA evaluation, the Government of Jordan has made substantial changes in procedural and operational PFM-related activities and systems. The major changes introduced during this period are summarized in Box 1 immediately below.

Box 1. Main Improvements undertaken in the Jordan PFM System during 2007 and May 2011

- Improvement in the transparency and analytical features of the general budget through the adoption of an improved classification scheme and a revised chart of accounts that is compliant with the IMF GFS standards; the introduction of a results oriented program-based budgeting methodology; and the application of a multi-year budget perspective.
- Development of the Government Financial Management Information System (GFMIS) and its preliminary implementation in key ministries and departments. GFMIS has been particularly useful to the MoF Treasury Department to manage cash and to the Budget Department to build and maintain consolidated manpower tables used during the budget preparation process.
- Enhancement of Treasury and cash management operations, facilitated by the uses of a Treasury Single Account (TSA), has allowed for streamlined processes related to revenue collection transactions, consolidation of multiple trust accounts previously maintained by individual MDAs at commercial banks, and greatly improved availability of financial data concerning the government's cash position on a daily basis. In addition, the TSA has facilitated Treasury to greatly reduce suspense accounts and advance accounts that in the past were large and varied in terms of the number of accounts and their monetary value.
- Revision of the Income Tax Law and amendment of the General Sales Tax Law in December 2009 have introduced simplification of the tax system and administrative procedures.
- Impressive changes in the organizational structure of ISTD. The structure has changed from a tax-based structure to a modern combination of a (i) functional structure for tax headquarters providing guidance to the operational directorates and (ii) a taxpayers-size basis for operational purposes.
- Approval by law of the budget of the independent Government Units since 2008.

II. Assessment of the Impact of PFM Weaknesses

Aggregate fiscal discipline is in the good range as shown by low variances over the past three completed fiscal years for the aggregate expenditure out-turn and for expenditure composition as compared to the original budgets. The amount provided for in the contingency-line items of the budget was very low averaging 0.8 percent for the period. Two major entity groups were excluded from the budget estimate (universities and the Social Security Corporation) representing about 10 percent of the central government's budget for 2010. Aggregate revenue out-turn was consistently lower compared to the original approved budget by approximately 10 percent for 2008-2010, if windfall revenue is excluded from the 2008 out-turn. On the positive side, most all entities outside the central government budget provide annual financial reports to central supervisory bodies including the Audit Bureau, the Higher Education Council, and MoF. In addition, the excellent quality of debt data, the improved treasury management systems, as well as the timely in-year budget execution reports support aggregate fiscal discipline. However, the latter is affected by the fact that they are not disseminated in the format that allows comparison across administrative headings (chapters). The continuing situation whereby the management of some of the internationally funded projects is conducted outside direct supervision of MoF and the General Budget Department negatively impacts on overall fiscal clarity and discipline. Finally, the overall scrutiny on the budget proposals by the legislature remains good although the complete year that they were not in session negatively affected their oversight of the 2010 and 2011 budget proposals.

Regarding the strategic allocation of resources, the close alignment between budget expenditure out-turn to the original budgeted amount is a positive indication of good practice in the allocation of resources. In addition, the budget formulation and execution reports are based on a standard classification system using the IMF *Government Financial Statistics Manual* of 2001 and classification of the functions of government (COFOG) standards. The horizontal allocation of resources to governorates and municipalities are determined by fixed and transparent procedures. For various internal and external reasons, the intended improvement in the application of a budget calendar in 2010 failed to be realised. This resulted in shortening the time frame for both the compilation of the budget for 2011 and the review by the legislature. On the positive side, beginning in 2008 (and continuing to the present) three-year medium-term fiscal frameworks and medium-term expenditure frameworks supported the General Budget law proposal. These forecasts were presented in the administrative, functional and economic classification formats. Strategies for sectors representing well over 75 percent of primary expenditures exist with full costing of investment and current expenditures, broadly consistent with fiscal forecasts. When the legislature is operating normally (as opposed to calendar year 2010), their review covers fiscal policy and aggregates for the coming year as well as the detailed estimates of expenditure and revenue.

Regarding the efficiency of service delivery, there is little variance from what was in place at the time of the 2007 assessment. On the positive side, there is a marked improvement in treasury operations particularly with the consolidation and simplification of funds flowing into and from the Treasury Single Account mechanism and reconciliation of accounts. Effectiveness of payroll controls remains strong. The procurement process, although split among three separate entities, remains clear and transparent covering a majority of contracts for services and purchases. On the other hand, the systems for internal control provide for inefficient ex-ante checking and double checking of all vouchers, with very little systemic level review. The absence of a functioning internal audit corps is a major weakness that the government (Audit Bureau and MoF) are now addressing. Arrears in payments are recognized to exist but no data or reporting on them is available neither in the financial accounts nor on an ad hoc basis. There is no evidence of an accounting or ad hoc report on resources that were actually received by service delivery units such as primary schools and health facilities.

III. Prospects for Reform Planning and Implementation

The institutional arrangements within the government are practical and inclusive presenting a good prospect for continuing the timely and adequate reform planning and implementation process that is currently underway. Reform planning and implementation of PFM main components has been on-going for many years in Jordan. These efforts have concentrated on the operations of tax administration, budget preparation and execution, internal controls and audit, cash management, accounting and reporting. Significant improvements have been successfully carried out due in part to clear delineation of roles and responsibilities within the institutions involved in overall PFM management process. The one remaining open item is the need to synchronize the current arrangement whereby the Ministry of Planning and International Cooperation directly manages the budgeting and execution of internationally funded projects with the General Budget Department, where traditionally this function is managed. Underlining the stronger institutional arrangement is the recent move to a Government Financial Management Information System that is complimented with a well-planned and implemented unified Chart of Accounts.

IV. Donor Practices and their Impact on PFM performance

In 2010, the Government received external assistance from donors through grants and loans to finance around 14 percent of its actual expenditure. Most of this assistance (88 percent) was financed through grants and especially through budget support (55 percent). Only the budget support funds and the loans for projects were included in the budget. This represented around 67 percent of the total external aid in 2010.

Budget support disbursements have been generally higher than forecasted in the last three years under review, but quarterly disbursement estimates were not agreed with the donors previously. Most of the budget support funds were disbursed at the end of the year, which contributed to government cash shortfalls during the year. Concerning project modality, only donors providing loans (which accounted for around 28 percent of all the donor-funded projects in 2010) provided timely budget estimates for disbursement of project aid for the government's coming fiscal year. Around 90 percent of those externally financed projects estimated in the budget, provided timely in-year reports, but the information was not fully consistent with the government budget classification. Some improvements have been observed since 2007 as projects financed by loans have timely quarterly reports in 2010. The Government also considered that the quality of these reports has been improved. In addition, the share of donor-support (budget support and project support) following national procedures in 2010 was around 65 percent. Some improvements could have been materialized in this particular area since 2007 due to the increasing share of budget support in the overall assistance envelope.

V. Comparative Summary of the Scores for 2007 and 2011

Although most of the performance indicators are not directly comparable between the 2007 and 2011 assessments as shown in Table 1 and for reasons explained in Box 1 below, there is clear documentation that major improvements in the PFM system in Jordan have been accomplished since 2007[4]. These improvements are, however, not obvious when comparing the scores of the performance indicators of the 2007 and 2011 PEFA assessments mainly because many of the scores in 2007 were not fully based on the evidence required by the PEFA guidelines and, therefore, resulted in higher scores than deserved to have received (see Table 1.2 in Annex 1).

Nonetheless, as can be seen in the body of this report and the accompanying annexes, improvements (some of them major) have been identified in at least one of the dimensions of 17 indicators (PI-5, PI-6, PI-7, PI-10, PI-11, PI-12, PI-13, PI-14, PI-15, PI-18, PI-22, PI-24, PI-25, PI-26, D-1, D-2, and D-3) (see summary Table 1.1 in Annex 1)[5]. This represents a solid improvement since the 2007 assessment. Additionally, there are 7 performance indicator scores (as opposed to dimensions) that substantially remained unchanged since 2007 (PI-1, PI-8, PI-16, PI-17, PI-20, PI-23, and PI-27). The remaining 7 performance indicator scores have either deteriorated or have been substantially changed by the PEFA Secretariat to the extent that they are truly not comparable (PI-2, PI-3, PI-4, PI-9, PI-19, PI-21, and PI-28). Overall, regardless of the comparable or not comparable scores assigned during the two assessments, the PFM reform efforts are on a very positive trajectory.

[4] See Table 1.2 in Annex 1 for details explaining the reasons why 27 performance indicators out of 31 are not considered to be comparable between 2007 and 2011.

[5] A performance indicator comprises between one to four dimensions, each of which is rated to derive the overall performance indicator score. The 28 performance indicators and 3 donor indicators comprise 76 dimensions.

Box 2. Reasons why many of the 2007 and 2011 PEFA Scores are Non-Comparable

It is known that the PEFA methodology allows countries to monitor performance in their PFM systems overtime and this is the purpose of Repeat PEFA Assessments. However, this can only be achieved if the PEFA methodology was closely followed when evaluating performance indicators as this ensures that the same criteria was used to score indicators in different years. Comparable assessments are achieved by following the guidelines provided by the PEFA Secretariat in the following documentation:

- The PEFA PFM Performance Measurement Framework manual of June 2005
- The Evidence and Sources of Information of February 2007 and
- The Clarifications to the PFM Performance Measurement Framework of September 2008

If the above-mentioned guidelines are not closely followed, the analysis of the PEFA performance indicators would end up being non-comparable because of the following reasons:

- Different data coverage
- Different issues being analyzed
- Different time coverage
- Different sampling
- Different interpretation

This is what has happened for many of the performance indicators rated in 2007 and what explains why the scores between the 2007 and 2011 PEFA assessments are to a large extent non-comparable. Many of the scores in 2007 were not based on all the evidence required by the PEFA guidelines and, therefore, resulted in higher scores than should have been. The implications for this report are the following:

- **Since the scores of the 2007 PEFA assessment are to a large extent over-rated, it is not always possible to observe performance changes between the 2007 and 2011 PEFA assessments by comparing the performance indicator scores.** This was obviously frustrating to the authorities.
- **Since substantial improvements have in general taken place in the PFM system in Jordan since 2007, the team has tried to describe them to the best of their knowledge in the text of the report.** This was done to give credit to the government for PFM improvements since 2007.
- The team has presented its conclusions in tables that clearly indicate whether the 2007 and 2011 scores are or not comparable and that describe the performance change since 2007, when possible.

Table 1. Jordan: Performance Indicators Scores for the PFM System in 2007 and 2011

	A. PFM OUT-TURNS: I. Credibility of the budget	2007	2011	Comparable Scores	Improvement since 2007[6]
PI-1	Aggregate expenditure out-turn compared to original approved budget	A	A	No	Unclear
PI-2	Composition of expenditure out-turn compared to original approved budget	D	A	No	Unclear
PI-3	Aggregate revenue out-turn compared to original approved budget	A	D	No	No
PI-4	Stock and monitoring of expenditure payment arrears	D	NR	No	No
	B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency	**2007**	**2011**	**Comparable Scores**	**Improvement since 2007**
PI-5	Classification of the budget	A	A	No	Yes
PI-6	Comprehensiveness of information included in budget documentation	A	A	Yes	Yes
PI-7	Extent of unreported government operations	B	C	No	Partial
PI-8	Transparency of Inter-Governmental Fiscal Relations	B+	B	No	No
PI-9	Oversight of aggregate fiscal risk from other public sector entities	B+	C	No	No
PI-10	Public Access to key fiscal information	B	C	No	Yes
	C. BUDGET CYCLE	**2007**	**2011**	**Comparable Scores**	**Improvement since 2007**
	III. Policy-Based Budgeting				
PI-11	Orderliness and participation in the annual budget process	B+	C+	No	Yes
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	B+	A	No	Yes
	IV. Predictability & Control in Budget Execution				
PI-13	Transparency of taxpayer obligations and liabilities	B	B+	No	Yes
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	B	No	Yes
PI-15	Effectiveness in collection of tax payments	B	D+	No	Yes
PI-16	Predictability in the availability of funds for commitment of expenditures	A	A	No	Yes
PI-17	Recording and management of cash balances, debt and guarantees	A	A	Yes	Yes
PI-18	Effectiveness of payroll controls	B	C+	No	Yes
PI-19	Competition, value for money and controls in procurement	B	C+	No	No
PI-20	Effectiveness of internal controls for non-salary expenditures	B	C+	No	No
PI-21	Effectiveness of internal audit	C	D+	No	No
	V. Accounting, Recording and Reporting				
PI-22	Timeliness and regularity of accounts reconciliation	B+	B+	No	Yes
PI-23	Availability of information on resources received by service delivery units	D	D	Yes	No
PI-24	Quality and timeliness of in-year budget reports	C	D+	No	Partial
PI-25	Quality and timeliness of annual financial statements	C	C+	No	Yes
	VI. External Scrutiny and Audit				
PI-26	Scope, nature and follow-up of external audit	C	C+	No	Yes
PI-27	Legislative scrutiny of the annual budget law	A	B+	Yes	No
PI-28	Legislative scrutiny of external audit reports	C	D+	No	No
	D. DONOR PRACTICES	**2007**	**2011**	**Comparable Scores**	**Improvement since 2007**
D-1	Predictability of Direct Budget Support	C	D+	No	Unclear
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D	D+	Yes	Partial
D-3	Proportion of aid that is managed by use of national procedures	D	C	No	Unclear

[6] Unclear is due to noncomparable basis between 2007 and 2011 or lack of information for 2007 that can be compared to 2011.

Table 2. Jordan: Scores for the PFM Performance Indicators and Dimensions in 2011

PFM Performance Indicators		Overall Rating	Scoring Method [7]	Dimensions			
				i	ii	iii	iv
A. PFM OUT-TURNS: I. Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	**A**	M1	A			
PI-2	Composition of expenditure out-turn compared to original approved budget	**A**	M1	A	A		
PI-3	Aggregate revenue out-turn compared to original approved budget	**D**	M1	D			
PI-4	Stock and monitoring of expenditure payment arrears	**NR**	M1	NR	D		
B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency							
PI-5	Classification of the budget	**A**	M1	A			
PI-6	Comprehensiveness of information included in budget documentation	**A**	M1	A			
PI-7	Extent of unreported government operations	**C**	M1	C	C		
PI-8	Transparency of inter-governmental fiscal relations	**B**	M2	A	A	D	
PI-9	Oversight of aggregate fiscal risk from other public sector entities	**C**	M1	C	C		
PI-10	Public access to key fiscal information	**C**	M1	C			
C. BUDGET CYCLE							
III. POLICY-BASED BUDGETING							
PI-11	Orderliness and participation in the annual budget process	**C+**	M2	C	A	D	
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	**A**	M2	A	A	A	B
IV. PREDICTABILITY AND CONTROL							
PI-13	Transparency of taxpayer obligations and liabilities	**B+**	M2	B	A	B	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	**B**	M2	B	B	C	
PI-15	Effectiveness in collection of tax payments	**D+**	M1	D	A	A	
PI-16	Predictability in the availability of funds for commitment of expenditures	**A**	M1	A	A	A	
PI-17	Recording and management of cash balances, debt and guarantees	**A**	M2	A	B	A	
PI-18	Effectiveness of payroll controls	**C+**	M1	A	A	A	C
PI-19	Competition, value for money and controls in procurement	**C+**	M2	C	A	C	D
PI-20	Effectiveness of internal controls for non-salary expenditure	**C+**	M1	C	B	A	
PI-21	Effectiveness of internal audit	**D+**	M1	D	C	C	
V. ACCOUNTING, RECORDING AND REPORTING							
PI-22	Timeliness and regularity of accounts reconciliation	**B+**	M2	B	A		
PI-23	Availability of information on resources received by service delivery units	**D**	M1	D			
PI-24	Quality and timeliness of in-year budget reports	**D+**	M1	D	A	B	
PI-25	Quality and timeliness of annual financial statements	**C+**	M1	C	A	C	
VI. EXTERNAL SCRUTINY AND AUDIT*							
PI-26	Scope, nature and follow-up of external audit	**C+**	M1	B	B	C	
PI-27	Legislative scrutiny of the annual budget law	**B+**	M1	B	A	B	A
PI-28	Legislative scrutiny of external audit reports	**D+**	M1	D	B	B	
	D. DONOR PRACTICES						
D-1	Predictability of Direct Budget Support	**D+**	M1	A	D		
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	**D+**	M1	D	C		
D-3	Proportion of aid that is managed by use of national procedures	**C**	M1	C			

[7] Scoring method 1 (M1) is used for indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance of other dimensions of the same indicator. Scoring method 2 (M2) is used where a low score on one dimension of the indicator does not necessary undermine the impact of a high score on another dimension of the same indicator.

1. INTRODUCTION

1.1. Objective of the Repeat Public Financial Management Performance Report

The main objective of this Repeat Public Financial Management Performance Report (PFM-PR) report based on the PEFA methodology was to provide an analysis of the overall performance of the public financial management (PFM) system of Jordan in 2011 and follow up on progress since the PEFA assessment of 2007. While the terms of reference (TOR) (see Annex 5) placed particular emphasis in tracking performance changes since the previous assessment conducted in 2007, as is expected from a repeat assessment, it was decided during the mission that the report would focus on describing the PFM system in Jordan as of the time of the assessment. The reason for this is that the 2007 and 2011 performance indicator scores are for the most part non-comparable, as explained in Box 1 in the Summary Assessment.

The ToR indicate that the global objective of this assessment is to support Jordan's PFM reform strategy to achieve long-term fiscal sustainability. In the short-term the PEFA assessment intends to provide a basis of information to update the dialogue on PFM within (and between) Government and donors as well as to facilitate donor's budget support. In the medium-term, the PEFA assessment may feed the reflection on the revision of the PFM reform strategy and related action plan.

1.2. Process of preparing the Repeat Public Financial Management Performance Report

This PEFA was fully supported by the Ministry of Finance (MoF) and PFM-related institutions of the Government of the Hashemite Kingdom of Jordan (GOJ). The Delegation of the European Union (EU) to Jordan financed this Repeat PFM-PR and prepared the TOR jointly with the PEFA Secretariat in Washington DC. The assignment was carried out by ACE International Consultants, selected through a bidding process via the EU Beneficiaries Framework contract. The team comprised four consultants: Ms. Elizabeth Sumar Sahurie (team leader), Ms. Esther Palacio, Mr. Paul Stroh, and Mr. Omar Ali.

The MoF designated a focal point (Mr. Metri Mdanat, acting Director of the Economic Studies and Policies Directorate) to be the interlocutor of the experts and of the donors during the assessment. While the PEFA team invited MoF staff to participate in the meetings of the mission to allow them to become familiar with the PEFA methodology, the experts were not accompanied during the mission. The MoF helped to coordinate meetings for the PEFA team.

The field mission took place during 8 May – 9 June 2011. A one-day workshop was held at the beginning of the mission on May 10 to inform and train government officials and other stakeholders. After the workshop, the team held numerous meetings with staff officials at the MoF, GBD, ISTD, major line ministries, the Audit Bureau, the National Assembly, the Cities and Villages Municipalities Bank, the Municipality of Ain Al Basha as well as various representatives of development partners, the private sector, and the civil society.

The team met and received collaboration from representatives from GiZ, IMF, JICA, USAID, USAID-funded Jordan Fiscal Reform Project II, UNDP, and the World Bank. The team also corresponded and received documentation from IMF staff who were not in Jordan at the time of this

Repeat PEFA Assessment. There is on-going support to Jordan from all these donors[8]. The lists of people who were consulted and attended the workshop are included in Annex 3.

The team presented their preliminary findings in a debriefing meeting attended by MoF officials and EU representatives on 5 June 2011. The draft report was sent on 29 June to the EU. The EU sent the draft report to the GOJ for comments and to the PEFA Secretariat to ensure the correct application of the methodology. The EU sent the comments of the GOJ and the PEFA Secretariat to the team on 25 August 2011, after which the team finalized the report and sent the final report to the EU on 12 September 2011.

1.3. The Methodology for the Preparation of the Report

This assessment was carried out using the PEFA methodology, which is an integrated monitoring framework that allows measurement of country PFM performance over time[9]. This framework comprises a set of high performance indicators designed to measure performance of the PFM system, processes, and institutions. The assessment framework is based on 31 performance indicators that cover the budget cycle and PFM out-turn, cross-cutting features, and practices of the main donors that impact the performance of a country's PFM system. Each of the performance measurement indicators was rated using the scoring methodology indicated in the PEFA framework[10]. The PEFA manual of June 2005 was applied together with the *Guidance on Evidence and Sources of Information* (February 2007) and the *Clarifications to the PFM Performance Measurement Framework of June 2005* (September 2008) issued by the PEFA Secretariat.

The 2007 PEFA assessment of Jordan was the starting point for the 2011 repeat assessment, as suggested in the guidance for repeat assessments issued by the PEFA Secretariat[11]. The team analyzed the basis on which the earlier scores were assigned and realized that the scores of some indicators had been based on inadequate or insufficient evidence, including cases in which no information had been provided, and that some scores should have been different based on the information provided in 2007. The objective of this initial analysis was to determine whether the scores provided in 2007 would be comparable to those in 2011. The conclusion was that many performance indicator scores appeared to be non-comparable. The level of comparability between

[8] PFM reform efforts have attracted significant donor support from the IMF, World Bank, USAID, GiZ and the UN. The IMF is involved in supporting a macro-fiscal unit as well as on treasury and cash management issues. The World Bank has been supporting a variety of public sector reform initiatives such as a joint expenditure review with the Government, assist development capacities for macro-fiscal modeling in the MoF, and support the introduction of a Medium Term Expenditure Framework (MTEF) and policy driven budget process. USAID is supporting Jordan through its Fiscal Reform II Project, the main elements are budget reforms including result oriented budgeting and the implementation of a Government Financial Management Information System (GFMIS). GiZ has had a long term involvement in the PFM reform area in Jordan focusing primarily on budget issues and currently provide advice on performance management and internal audit. UNDP has been involved in a nine year programme with the MoF on property tax and is involved in strengthening of internal control. EU provides budget support for PFM reform to support sustainable economic growth and fiscal consolidation, as well as a number of sector budget support (education, E-TVET and transportation).

[9] "PFM Performance Measurement Framework", PEFA Secretariat, June 2005. For more information on this framework see www.pefa.org.

[10] The scoring methodology is predefined for each indicator and can consist of the "weakest link" (M1) or the "average of the scores" (M2).

[11] PEFA Secretariat, "Good Practice when Undertaking a Repeat Assessment, Guidance for Assessment Planners and Assessors", 1 February 2010.

the performance indicator scores for 2007 and 2011 as well as the reasons explaining why the scores seem to be non-comparable are presented in Annex 1.

Given the non-comparability of many performance indicators, the national authorities and the EU requested that the 2011 repeat assessment focused on describing the current PFM situation in Jordan. Changes in the scores between the two PEFA assessments were commented when the level of comparability allows doing this. In cases when the scores were non-comparable and when the information was available, the team aimed at describing the performance changes since 2007 in order to let the reader know of the overall substantial improvements undertaken in the PFM system in Jordan since 2007 that could not be observed by comparing the performance indicator scores. This has been the source of great frustration by the Jordanian officials and, thus, the team has tried their best in describing changes since the last PEFA assessment. The summary of these findings is included in Annex 1.

The 2011 PEFA assessment report has drawn information from published central government data and documents; working papers prepared by USAID, IMF, and the World Bank on various aspects of fiscal and financial management; and interviews with government officials in relevant ministries, directorates, departments, and one municipality. Meetings were also held with representatives from development partners, private sector, and civil society to consider their views on different aspects of the PFM system. Follow-up meetings were conducted at the end of the field mission to clarify pending issues. The sources of information used for each performance indicator are detailed in Annex 3.

1.4. The Scope of the Assessment

In general terms, the 2011 PEFA assessment covers the period 2008 to 2011. However, the critical period assessed for each indicator varies according to the PEFA guidelines and is thus indicated case by case in the assessment report (see Chapter 3). The period of analysis can refer to the last three completed fiscal years (2008-2010), the last completed fiscal year (2010), the last approved budget (2011) or the time of assessment (May 2011).

The PEFA assessment mainly focuses on the PFM system and processes related to the budgetary Central Government. The budgetary Central Government includes ministries, departments and agencies (MDAs). However, for some indicators, the coverage of the assessment also includes the Autonomous Government Agencies (AGAs), which are part of the Central Government[12]. The Public Enterprises (PEs), the Municipalities and other institutions of the public sector are only considered in the assessment in exceptional cases. The PEFA guidelines specify the required coverage for each indicator. This has been mentioned in the report at the beginning of the assessment of each performance indicator (see Chapter 3).

The last completed set of data available for the public sector in Jordan is for fiscal year 2009 (see Table 1.1. below). At that time, the share of public expenditure corresponding to the budgetary Central Government was high at 81 percent of the total public expenditure. Consequently, the PEFA assessment covers a large proportion of the public expenditure that takes place in Jordan.

[12] The importance of AGAs in Central Government operations is specified due to their operations being outside the established system of budget management and accounting that is applicable to the central government units covered in the General Budget Law.

Table 1.1. The Share of Public Entities in Total Public Expenditure in 2009

Institutions	Number of entities	In millions JDs	Share in total expenditure
Budgetary Central Government (MDAs)	56	6,031	81%
Government Units (AGAs and PEs)	61	423	6%
Social Security Corporation	1	451	6%
Sub-National Governments (Municipalities)	94	582	8%
Total	**273**	**7,487**	**100%**

Source: MoF, "General Government Finance Bulletin", Vol. 13, No.2, March 2011. Economic Studies and Policies Directorate.

The Government Units, which include AGAs and PEs, accounted for 6 percent of the total public expenditure in 2009. Actual data were not disaggregated for AGAs and PEs. However, estimated data for 2010 showed that 52 AGAs accounted for 70 percent of the total expenditure corresponding to the Government Units, whereas the 9 existing PEs accounted for 30 percent of that total expenditure. Estimated figures for 2010 also showed that the share of the budgetary Central Government in total public expenditure might have decreased to around 65 percent, down from 81 percent in 2009.

1.5. Structure of the Report

This PFM-PR includes the analysis of the performance indicators and other elements relevant to the assessment. The Executive Summary comprises an integrated assessment of the weaknesses and strengths of Jordan PFM system linking the various performance indicators and PFM domains and a statement of the likely impact of those weaknesses on the three levels of budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

The basis for this integrated assessment and the description of progress and performance over time is laid in the following chapters:

- Chapter 2 provides background information and the economic, fiscal and legal context for the assessment;
- Chapter 3 provides the analysis underlying the scores for the 31 individual performance indicators;
- Chapter 4 describes the past, current and upcoming government's reform program in the PFM area.

A series of appendices provide more detailed information, including overall tables showing the scores of the indicators and their dimension, performance change and level of score comparability (Annex 1); detailed information that support the evidence for the 2011 PEFA assessment (Annex 2); the detailed sources of data used to evidence the 2011 scores (Annex 3); the lists of stakeholders who were consulted by the team and of the participants who attended the training PEFA workshop (Annex 4); and the TOR of the assignment (Annex 5).

2. COUNTRY BACKGROUND INFORMATION

The objective of this chapter is to provide general information about Jordan to allow sufficient understanding of the core features of the PFM system and the context to PFM reforms. This chapter has three sections, each of which describes the economic situation, budgetary outcomes, and the legal and institutional framework for PFM in Jordan.

2.1. Description of the Economic Situation in Jordan

2.1.1 Country Context

Jordan has a population of 6.1 million inhabitants (2010). Its economy is among the smallest in the Middle East, with insufficient supplies of water, oil, and other natural resources, underlying the government's heavy reliance on foreign assistance. Jordan depends on external sources for the majority of its energy requirements. Other economic challenges for the government include chronic high rates of poverty, unemployment, and large budget deficits even when including grants.

Jordan is classified by the World Bank as a "lower middle income country." The per capita nominal GDP is US$2,280[13]. According to the Poverty Report published by the Department of Statistics in July 2010 and which was based on the Household Income and Expenditures Survey of 2008, the percentage of Jordanians living below the poverty line increased from 13 percent in 2006 to 13.3 percent in 2008. However, the poverty line of 2008 was higher than that of 2006. The report also indicated that almost 13 percent of the economically active population in Jordan was unemployed in 2008, although unofficial estimates cite a 30 percent unemployment rate.

As one of the most open economies in the Middle East, Jordan has been adversely affected by the global and regional economic crisis; although Jordan's conservative banking sector was largely protected from the worldwide financial crisis. Annual real GDP growth averaged about 6 percent during 2000–08, supported by the implementation of sound economic policies and favorable external conditions. Consistent with the global economic slowdown, real GDP growth fell sharply from 7.6 percent in 2008 to 2.3 percent in 2009, mainly due to weaker activity in the finance, manufacturing, and trade sectors. Economic activity has recovered modestly growing by 3.1 percent in 2010, reflecting weak global and regional economic conditions.

The annual rate of inflation declined from 13.9 percent in 2008 to a negative 0.7 percent in 2009, in line with lower world commodity prices. Inflation accelerated to 5 percent in 2010 driven mostly by higher international fuel and food prices. The inflation rate for the first four months of 2011 compared to the same period for 2010 was 4.4 percent.

While pursuing economic reforms and growth, Jordan's economy will continue to be vulnerable to external shocks and regional unrest. Without calm in the region, economic growth would stay below its potential.

[1313] See Main Monthly Statistical Indicators at the website of the Central Bank of Jordan.

2.1.2 Overall Government Reform Program

Jordan's national development policy and strategy is expressed in the *National Agenda: 2006-2015* and the Kulluna al Urdun (We are all Jordan) initiative of 2006. A Royal Decree issued 9 February 2005 formed the National Agenda Steering Committee, comprising representatives from the Government, the Parliament, civil society, the private sector, media, and political parties. The Steering Committee structured the development of initiatives in support of the Agenda's goals around eight themes. One of these themes, "Financial Services and Fiscal Reform", provides key goals on which Jordan's public financial management reform efforts are based.

The *National Agenda* set ambitious fiscal targets to be achieved over the following decade including reducing public debt to 36 percent of GDP, turning the budget deficit into a surplus, and increasing national savings from 13 percent to 27 percent of GDP by 2017. This was to be supported by achieving annual real GDP growth rates of over 7 percent, which would allow reducing unemployment from over 12 percent to about 7 percent of the active population.

To accomplish the above-mentioned goals, the *National Agenda* called for radical fiscal reforms to improve budget performance and increase government efficiency. The *National Agenda* proposed reforms aimed at addressing expenditure pressures in order to ensure fiscal sustainability in anticipation of lower foreign loans and higher international oil prices over time. The proposed fiscal reforms included the elimination of oil subsidies, reform of the pension and civil service systems, accelerating the privatization process, reforming the tax administration system and customs, and improving government efficiency. Most of these reforms have found their way into the relevant organizations' strategic and action plans. Some have already been achieved and others are underway, or are among the next few years' goals.

There is commitment by the Government and the stakeholder ministries and departments to achieving the broad goals of the *National Agenda*. The *National Agenda* is being implemented through the *Executive Program 2007-2009*, the *Executive Development Program 2011-2013* and the development of medium-term strategic plans and their accompanying annual action plans. These strategic plans have been prepared to be consistent with and to assist in the achievement of the goals of the *National Agenda.* The *National Agenda* included a number of key performance indicators to measure its implementation. The Ministry of Planning and International Cooperation (MOPIC) is responsible for following these indicators. Most ministries and organizations are involved in implementing the *Executive Development Program* and reporting periodic progress to MOPIC.

The *Executive Development Program 2011-2013* was launched to build on the previous achievements of the *Executive Program 2007-2009*. The *Executive Development Program* is composed of seven essential pillars covering all economic and social sectors and introducing a quantitative macroeconomic framework. These pillars are: (1) legislation and justice, (2) improvement and development of business environment, (3) administrative, financial and monetary reforms, (4) support of occupational and technical training and employment, (5) social welfare, (6) general education, higher education, scientific research and innovation, and (7) modernization of infrastructure.

2.2. Description of Budgetary Outcomes

2.2.1 Fiscal Performance

Fiscal performance has been mixed over the past three completed fiscal years. As a percent of GDP (which increased year on year), both revenue and expenditure have progressively decreased, while the overall balance has remained in a deficit position reaching a high point in 2009 and then reduced in 2010. The forecast in the 2011 budget projects a further decline of the overall balance deficit to a nominal amount of JD 685 million, which is substantially below the high point in 2009 that showed an overall balance deficit of JD 1,509 million.

As a percent of GDP, outstanding external public debt including guarantees remained virtually constant at 22.6 percent in 2008, 21.7 percent in 2009, and 23.6 percent in 2010. Central government domestic debt rose marginally for the same period from 30.5 percent in 2008 to 32.5 percent in 2009 and to 35.1 percent in 2010. The combined domestic and external outstanding debt remained within the mandated ceiling of 60 percent of GDP.

Table 2.1. Out-turn of Budgetary Central Government Operations

	2008		2009		2010	
	JD mil.	Percent of GDP	JD mil.	Percent of GDP	JD mil.	Percent of GDP
Total revenues and grants	**5,094**	**31.6**	**4,521**	**25.4**	**4,662**	**23.9**
Current revenue	4,375	27.2	4,188	23.5	4,260	21.8
Of which: tax revenue	2.758	17.1	2,880	16.2	2,985	15.3
Grants	237	1.5	211	1.2	289	1.5
Total expenditure	**5,432**	**33.7**	**6,030**	**33.8**	**5,708**	**29.2**
Non-interest expenditure	5,080	31.5	5,638	31.6	5,310	27.2
Of which:						
Personal emoluments	765	4.7	820	4.6	891	4.6
Purchases of goods and services	269	1.7	325	1.8	303	1.6
Pensions payments	904	5.6	976	5.5	970	5.0
Grants and transfers	605	3.8	343	1.9	386	2.0
Capital expenditure	958	5.9	1,444	8.1	963	4.9
Interest payments	352	2.2	392	2.2	398	2.0
Overall balance 1/	**(338)**	**2.1**	**(1,509)**	**8.4**	**(1,046)**	**5.5**
Primary balance 2/	**14**	**0.1**	**(1,117)**	**6.3**	**(648)**	**3.3**
Net financing	338	2.1	1,509	8.4	1,046	5.5
Memo item: GDP (in JD millions)	16,108		17,815		19,528	

Source: Ministry of Finance.

1/ Includes foreign grants.
2/ Excludes interest payments

2.2.2 Allocation of Budgetary Resources

The allocation of resources within the central government budget remains fairly constant over the three-year period. It is noteworthy that three of the budget entities (Ministries of Defence, Interior and Finance) received just over 60 percent of the total allocations. However, approximately 45 percent of the Ministry of Finance's budget covered pension contributions for the entire central government. Without this pension line item, the Ministry of Finance share of the budget would fall from an average of 34 percent to 19 percent. The corresponding sum of the top three entities would drop from 60 percent down to 45 percent.

The Ministries of Health and Education combined for an average total of 17 percent of total budget allocations over the three year period, increasing from 16.5 in 2008 to 17.5 percent in 2010. All other entities remained at virtually constant levels of percentage budget allocations during the period.

Table 2.2. Actual Budgetary Allocations by Ministry

	2008		2009		2010	
	JD mil	Percent of total	JD mil	Percent of total	JD mil	Percent of total
General services						
Ministry of Municipal Affairs	14.7	*	19.7	*	15.7	*
Ministry of Foreign Affairs	35.4	*	45.1	*	42.1	*
Ministry of Justice	41.6	*	49.4	*	46.4	*
Ministry of Defense	963.4	17.7	1,012.2	17.6	983.0	18.0
Ministry of Interior	516.5	9.6	650.3	11.3	701.8	12.9
Ministry of Planning & International Cooperation	124.3	2.3	106.6	1.9	107.5	2.0
Others	301.4	5.5	324.1	5.6	307.4	5.6
Social services						
Ministry of Health	378.2	6.9	434.8	7.5	415.1	7.6
Royal Medical Services	101.0	1.9	128.5	2.2	138.5	2.5
Ministry of Education	525.3	9.6	547.2	9.5	542.8	9.9
Ministry of Social Development	86.1	1.6	115.6	2.0	101.9	1.9
Ministry of Culture	9.7	*	10.9	*	7.4	*
Economic services						
Ministry of Transport	23.8	*	16.6	*	26.1	*
Ministry of Agriculture	46.0	1.0	48.2	1.0	50.1	1.0
Ministry of Public Works and Housing	185.5	3.4	244.1	4.2	160.7	2.9
Ministry of Industry and Trade	9.3	*	11.9	*	15.6	*
Ministry of Tourism and Antiquities	22.5	*	21.3	*	21.1	*
Financial services (Ministry of Finance)	2,062.0	37.9	1,974.5	34.3	1,776.8	32.5
Total expenditure	**5,446.7**	**100.0**	**5,761.0**	**100.0**	**5,460.0**	**100.0**

* Less than 1 percent

Source: MoF

2.3. Legal and Institutional Framework for Public Financial Management

2.3.1 Legal Framework

The legal framework in Jordan does not cover all PFM areas in a comprehensive way and is not always consistent with international good practices. Several efforts have been undertaken in recent years to update this framework and important legislation remains under review. The current legal framework for PFM and the legislation being revised or to be approved is set out in the table below.

Table 2.3. Legal Framework for PFM in Jordan

Legislation into force
General • Constitution of the Hashemite Kingdom of Jordan (1952) **Budget preparation and execution** • Organic Budget Law No. 58 (2008) • Administrative Regulation By-law No. 56 of the General Budget Department (2006) • Financial By-law No. 3 (1994) • Application Instructions for Financial Affairs No. 1 (1995) • Surplus Law No. 30 (2007) **Tax administration** • Temporary Income Tax Law No. 28 (2009) • Temporary Amendments to the Sales Tax Law No. 29 (2009) • Customs Law No. 20 of 1998, its amendments, regulations, and hundreds of directives • Property Tax Law No. 11 of 1954 and its amendments **Planning, Payroll and Debt management** • Planning Law No. 68 (1971) • Public Debt Management Law No. 26 (2001) • Civil Service Bureau By-Law for Human Resource Management • Payroll By-law and Instructions (in force within each MDA) **Procurement** • General Supplies By-law No. 32 (1993) and amendments • Joint Procurement Law of Medicines and Medical Supplies (2002) • Public Works By-law No. 71 of 1986 and its amendments **Control and Audit** • Audit Bureau's Law No. 28 (1952) and its amendments • Financial Control By-law No.3 (2011) and Instructions for Financial Affairs No. 1 **Legislature** • By-laws of the House of Representatives (1996) **Decentralisation** • Law of Municipalities No. 14 (2007) • Financial By-law No. 77 (2009)
Legislation being revised or to be approved
• Constitution of the Hashemite Kingdom of Jordan • Audit Bureau's Law • Organic Budget Law • Property Tax Law • Law of Municipalities • Supplies Act

The Constitution regulates the "State and system of Government" (chapter 1), "the rights and duties of Jordanians" (chapter 2), the exercise of the three National Powers (legislative, executive and judicial in chapters 3-6), certain financial matters (chapter 7), general provisions (chapter 8), and enforcement and repeal of laws (chapter 9). The chapter dedicated to financial matters is very brief (9 articles, 2 pages)[14] and only sets out the basic foundation for PFM in Jordan. The financial matters covered are: the presentation of estimates before Parliament; the approval of the budget; the comprehensiveness of the budget and the consolidation of all resources into the Treasury; the imposition of taxation; and the mandate of an Audit Office. The Constitution is currently under review by a Royal Committee.

The Organic Budget Law (2008) does not adequately provide a comprehensive framework for preparing, executing and monitoring the budget. This Law (11 articles, 4 pages) only presents the tasks and responsibilities for the General Budget Department as well as few issues on the budget preparation process. The core principles related to revenues, expenditures and advances, cash and debt management, financial accounting basis and records, and financial control are stated in the Financial By-law (1994) and in the Instructions for Application of Financial Affairs (1995). Important aspects on budget execution are only regulated by the General Budget Law and the Budget Law for the Government Units approved for each fiscal year. A revised draft organic budget law is currently being discussed at the the General Budget Department.

The tax legislation was revised in December 2009 when a new Income Tax Law (No. 28) and an amended Sales Tax Law (No. 29) were approved. This legislation was issued as temporary by the Cabinet while the National Assembly had been dissolved and is expected to be approved by the legislature in the short term in 2011. The amended Sales Tax Law applies to the general sales tax (GST) and the special sales tax. The amendments to this law were related to administrative procedures which were harmonized for the most part with those established in the Income Tax Law No. 28. No new by-laws, regulations or instructions have been issued after the law was amended. The transparency and clarity of the legislation and procedures related to the GST are undermined by the existence of multiple thresholds, many exemptions and zero-rated supplies. This complicates both administration and taxpayer compliance, especially for taxpayers who may have multiple economic activities falling within separate thresholds.

The revised Income Tax Law introduced many positive structural changes. Compared to the previous Income Tax Law No. 57 of 1985 and its various amendments, the new temporary Tax Law is clearer and simplifies the tax system. However, it does not group articles of the law by topics under different sub-headings which were a positive feature of the Tax Law No. 57. The Income Tax Law No. 28 repealed 11 past laws under which amendments and exemptions had been introduced. The revised law includes less elements of administrative discretion than the old law, such as the value of some penalties, the estimated tax liabilities to be included in administrative assessments sent to non-filers and stop-filers, etc. Two new by-laws related to the Income Tax Law No. 28 were issued in January 2010, one exempting export profit from taxes and the other related to tax court procedures. Two additional by-laws have been sent to the Prime Minister's office and are expected to be issued soon. One is related to the depreciation schedule and the other one to exemptions on legal persons (charities, societies, NGOs, etc.). This is considered to be in compliance with Article 4 in the law which states that such exemptions should be governed by regulations.

[14] Chapter seven, articles 111 to 119.

The Customs Law No. 20 of 1998, its amendments, regulations, and hundreds of directives regulates Jordan's current tariff system, which is based on the harmonized system of tariffs. The tariff system remains complex with a large number of nominal rates (26 rates mostly ranging from 0 percent to 30 percent but tariffs on cigarettes and alcohol reach 200 percent) and widespread exemptions (more than 50 percent of tariff lines are exempted).

The Property Tax Law No. 11 of 1954 and its amendments, which included an amendment in 2004 that gave authority to the municipalities to collect two property taxes: a 15 percent tax on buildings and a 2 percent tax on vacant lands (both assessed on rental value). In addition, the central government collects a land registration tax on property transfers (assessed on property value): a 4 percent tax on the seller and a 5 percent fee on the buyer. The multiple taxes and fees complicate administration and taxpayer compliance. A revised draft property tax law is being finalized and will be presented to Parliament for approval in 2011.

Procurement is regulated by different acts. The Supplies Act (1993) that applies for all general supplies of Central Government, the Joint Procurement Law of 2002 for the purchase of medications, and the Public Works By-law of 1996 for major construction projects. These laws do not generally apply for procurement activities of the Autonomous Government Agencies. The overall procurement legal structure and associated guidelines is currently under review.

There is no set of laws to deal with the activities and obligations of Public Enterprises and Autonomous Government Agencies, but instead each one has its own specific establishing law.

The Audit Bureau's Law (1952) is dated and currently being revised. A new law, titled "Regulation No.3, Financial Control Regulations" was enacted in 2011 to strengthen the internal audit function within MDAs. The internal By-laws (1996) of the National Assembly provide only general guidance on members' activities and work related to PFM issues of government.

The Municipalities Law (2007) states in details the procedures for organizing local elections but covers only slightly the relations between the municipalities and the Central Government. Important aspects such as the coordination between the governorates and the municipalities are not regulated, which undermines governance at local level. Although the Municipalities Law was recently revised, a new law is now being approved.

2.3.2 The Institutional Framework for PFM

The Hashemite Kingdom of Jordan was created in 1923. Between 1967 and 1989 there were no General Elections. After this period, the first multi-party elections took place in 1993, after a new Political Parties Law was issued in 1992. The system of government in Jordan is parliamentary with a hereditary monarchy. The Constitution recognises two levels of government: central and municipal. It also creates three different branches of government with clear independent powers: the Executive, the Legislative and the Judiciary.

The Executive Power is vested in the King, who exercises His Powers through His Ministers in accordance to the provisions of the Constitution. The King is the Head of State and is immune from any liability and responsibility. He appoints the Prime Minister, the Ministers and the members of the Senate (including the Speaker). The King ratifies and promulgates the laws.

The Council of Ministers consists of the Prime Minister (who is the President) and a number of Ministers. This Cabinet is responsible of administering all internal and external affairs of the State. Each Minister is responsible for the conduct of all matters pertaining to his ministry. The budgetary Central Government in Jordan consists of 56 Ministries, Departments and Agencies (MDAs). For a full listing refer to the corresponding table in Annex 2.

The Legislative Power is vested in the National Assembly and the King. The National Assembly consists of a Senate (Upper House) and a Chamber of Deputies (Lower House). The Senate consists of not more than one-half of the number of the members of the Chamber of Deputies. Both Houses have the same sessions and meet simultaneously. Only the members of the Chamber of Deputies are elected by secret ballot in a general direct election. The National Assembly holds one ordinary session per year, generally from October to January (four months), and can also meet in an extraordinary session summoned by the King.

The Judicial Power is exercised by the courts of law. There are three categories of courts: Civil, Religious and Special Courts. All judgements have to be given in accordance with the law and pronounced in the name of the King. However, the judges are independent, and in the exercise of their judicial functions they are subject to no authority other than that of the law[15].

The Ministry of Finance (MoF) is responsible for formulating and monitoring fiscal policy. Special attention is provided to steering government investments in line with the fiscal policies of the Kingdom. In terms of budget management, the MoF is the government agency legally responsible for the preparation and implementation of the budget and as such, remains accountable to the National Assembly. MoF is responsible for managing the internal and external public debt. MoF is also entrusted to achieving integration between fiscal and monetary policies in order to serve the national economy, in cooperation and coordination with the Central Bank and related institutions. The General Accounts Directorate (GAD), the Public Treasury Directorate, the General Debt Directorate (GDD), the Economic Studies and Policies Directorate, and the General Revenue Directorate (GRD) are coordinated under the Secretary General of the MoF.

The General Budget Department (GBD) is an independent body directly linked to the MoF. This Department is responsible for preparing the General Budget, the budgets of Government Units and the manpower tables. GBD is also given the task of allocating financial appropriations required to implement the public policy according to stated priorities and to regularly assess the performance of programs, projects and activities of government departments and units. GBD can advise MDAs and government units on fiscal affairs and make any recommendations regarding their final financial statements for the Council of Ministers before approval.

The Income and Sales Tax Department (ISTD) is also an independent body directly linked to the MoF. This Department is responsible for administering income and sales taxes (GST and the special sales tax). Since the integration of the Income Tax Department and the Sales Tax Department in 2004, there have been impressive changes in the organizational structure of ISTD. The structure has changed from a tax-based structure to a modern combination of a (i) functional structure for tax headquarters providing guidance to the operational directorates and (ii) a taxpayers-size basis for operational purposes, all of which is in line with TA advice provided by the IMF METAC and Fiscal Affairs Department (FAD) in the past years.

[15] Judges of the Civil and Sharia Courts are appointed and dismissed by a Royal Decree.

The Human Resource and Payroll functions are described below:

- Position Control. The annual budget contains a human resource supplement that has affixed twenty-five signatures from the Cabinet members and all Ministers that serves as a position control data base. This supplement identifies each and every position for the combined workforce of all 56 MDAs comprising the central government. In addition to basic salary (and grade steps therein) the position control identifies any additional benefit that accrues to a given position.
- Personnel Records. The personnel file for employees is maintained within each MDA within the corresponding Human Resources Division. Records in this file are exclusively based on decisions made by the Civil Service Bureau. Changes from the Civil Service Bureau are communicated through official written communication.
- Payroll Records. The payroll records and management of issuing salary payments to employees is the responsibility of the Payroll Division within each ministry's Human Resources Division. Monthly payroll updates are based on changes made to the personnel file during the previous month.

There are three major purchasing authorities in Jordan, which are charged to manage the tender process for the Central Government. They are: (i) the General Supplies Department (GSD) at the MoF, (ii) the Government Tenders Directorate (GTD) at the Ministry of Public Works and Housing (MPWH), and (iii) the Joint Procurement Department (JPD) that works directly under the leadership of the Office of the Prime Minister. Additionally, the army and several university hospitals hold their own autonomous procurement systems.

Line Ministries have various key PFM responsibilities. The Planning and Financial Officers in each agency are held responsible mostly for ensuring that the budgetary resources allocated to the various departments and service units produce the outcomes and outputs established according to plans.

The Audit Bureau (AB), as a constitutional body, has been established since 1952 to audit the revenues and expenditures of the State. The scope of audit encompasses all MDAs, independent official entities, municipalities and public companies. The AB presents an annual report to the Chamber of Deputies during its ordinary session. In addition to providing its observations on the previous year's Final Accounts, this report also includes observations on any irregularities, deficiencies or weaknesses in the performance of the audited entities, together with its recommendations for addressing these irregularities.

The Government Units in Jordan include Autonomous Government Agencies (AGAs) and Public Enterprises (PEs)[16]. In 2010, there were 52 AGAs and 9 PEs (see Annex 2). Since then (May 2011), one AGA has been closed (the Jordan Agency for Investment Environment Development) and one PE has been created (the Yarmouk Water Company). The public universities, the Social Security Corporation and the Cities and Villages Development Bank (CVDB) are not part of the AGAs. The Government Units are financially and administratively independent from Central Government but they are formally attached to a line ministry related to its function. Since 2008, the budget of the

[16] In accordance with the "Government Financial Statistics Manual" (GFSM) of the International Monetary Fund (IMF 2001), the PEFA Framework (and this report), AGAs are considered part of the Central Government, but PEs are considered part of the public sector.

AGAs and PEs is approved by the Cabinet and subsequently by the National Assembly by enacting a Budget Law for the Government Units.

The Hashemite Kingdom of Jordan is administratively divided into 12 Governorates considered as part of the Central Government and included in the General Budget Law. The Governors are appointed by the Minister of Interior[17].

There is a single level of sub-national governments in Jordan, consisting of 94 municipalities or local councils. These municipalities are classified into four categories (mainly according to the population)[18], plus the Greater Amman Municipality (GAM). The municipalities are expected to prepare and execute plans to achieve sustainable development in cooperation with local communities, but the law limits their competencies and functions. These entities have financial independence but are administratively related to the Ministry of Municipal Affaires (MOMA). The Municipality Council consists of the President and the members of the Council[19]. Except for GAM, these are elected directly for a period of 4 years[20]. The municipalities are financed from Central Government funds, which are complemented by their own revenues (local taxes, tariffs and fees) and borrowing funds.

2.3.3 The Key Features of the PFM System

In accordance with the Constitution, the legislature provides the underlying authority by considering and approving the annual proposed budget laws. As per Article 78 (ii) of the Constitution, its normal period of session is four months with a possible extension by decision of the King for a further period of three months to allow for the dispatch of pending matters under abnormal circumstances. Article 73 (i) of the Constitution authorizes the King to order the dissolution of the Chamber of Deputies for a maximum period of four months, during which time new elections should be held. Article 3 (iv) further authorizes the King to postpone the holding of general elections if a force majeure has occurred. This situation happened during the period November 2009 and November 2010 when the National Assembly remained dissolved. When this occurs, Article 94 of the Constitution provides to the Council of Ministers, with the approval of the King, the power to issue provisional laws including those that authorize expenditures. As a result of these circumstances, the ability of the legislature to perform its duties of in-depth analysis of proposed budget laws and their approval as well as the analysis and approval of final accounts and audited reports was extremely limited during the three consecutive fiscal years covering 2009 through 2011.

[17] These are considered as deconcentrated units in this report.

[18] The categories are established according to article 4 of the Law of Municipalities of 2007. Category 1 includes the municipalities that are the center of the Governorate and have a population of more than 100.000. Category 2 includes the municipalities that are the center of the administrative division of the Governorate and have a population of more than 15.000 and more than 100.000. Category 3 includes municipalities with a population of more than 5.000 and less than 15.000. And Category 4 includes municipalities with a population of less than 5.000.

[19] The number of the members of the Council is determined by the MOMA and published in the Official Gazette. Article 3 of the Law of Municipalities of 2007.

[20] In the Municipality of Greater Amman, half of the members including the President are appointed by the Cabinet, according by a recommendation of the MOMA and half are directly elected. The elected Councils can be dismissed before the legal term of four years by a decision of the Cabinet, in which case the Cabinet appoints a Committee to replace the Council for a maximum of one year before the celebration of new elections. Articles 3 and 8 of the Law of Municipalities of 2007.

The GOJ prepares a Medium-Term Expenditure Framework (MTEF) and a Medium-Term Fiscal Framework (MTFF). Once a budget law has been approved, the sequence of actions taken during the execution phase of the budget cycle become normal and predictable. Commitments and expenditures are made based on the detailed line-item budget that is approved at the Chapter level. Virements are permitted within a Chapter, with a prior approval of GBD, but not allowed among or between Chapters without consideration of a law by the legislature. Payroll procedures and procurement activities are regulated by the MoF Financial By-laws and Application Instructions for Financial Affairs. MDAs prepare monthly financial statements that are submitted to the MoF General Accounts Directorate for consolidation. The gradual implementation of GFMIS promises to greatly enhance the management of central government financial affairs, facilitating the capture of financial transactions, consolidations of accounts, and unified and timely reporting. The GOJ has also recently improved the transparency and analytical features of the General Budget through an improved classification scheme and a revised chart of accounts that are compliant with the IMF GFS standards, the introduction of a results-oriented program-based budgeting methodology and the application of a multi-year budget perspective.

Although execution of the budget is delegated to the line agencies MDAs, all revenues and expenditures are channelled through the Treasury Single Account mechanism established at the Central Bank and managed by the MoF Treasury Directorate. Debt management is concentrated at the MoF where official records are maintained utilising DMFAS software provided by and maintained by UNCTAD. While attached to the MoF, ISTD, Customs and GBD operate independently as stand-alone departments that provide them with flexibility to conduct their respective functions of collecting taxes and revenues and managing the budget formulation and execution processes.

Although forming part of central government activities, AGAs and Public Enterprises budget estimates, execution, auditing and reporting are performed independently by each entity. While operating on an independent basis, their audited financial reports are submitted to government for information purposes. Some of them, especially the Public Enterprises submit their financial summaries to the legislature. All are subject to review and audit by the AB.

3. ASSESSMENT OF THE PFM SYSTEMS, PROCESSES AND INSTITUTIONS

This chapter is divided into six sections corresponding to the six core dimensions of the PFM system (see page 4 of the PEFA Manual), under which the 31 PEFA performance indicators (PI) are grouped and discussed.

Although most of the PI are not directly comparable between the 2007 and 2011 assessments for reasons explained in Box 1 in the Summary Assessment, there is clear documentation that major improvements in the PFM system in Jordan have been accomplished since 2007[21]. These improvements are, however, not obvious when comparing the PI scores of the 2007 and 2011 PEFA assessments mainly because many of the scores in 2007 were not fully based on the evidence required by the PEFA guidelines and, therefore, resulted in higher scores than deserved to have received (see Table 1.2 in Annex 1).

Nonetheless, as can be seen in the body of this report and the accompanying annexes, improvements (some of them major) have been identified in at least one of the dimensions of 17 indicators (PI-5, PI-6, PI-7, PI-10, PI-11, PI-12, PI-13, PI-14, PI-15, PI-18, PI-22, PI-24, PI-25, PI-26, D-1, D-2, and D-3) (see summary Table 1.1 in Annex 1)[22]. This represents a solid improvement since the 2007 assessment. Additionally, there are 7 PI scores (as opposed to dimensions) that substantially remained unchanged since 2007 (PI-1, PI-8, PI-16, PI-17, PI-20, PI-23, and PI-27). The remaining 7 performance indicator scores have either deteriorated or have been substantially changed by the PEFA Secretariat to the extent that they are truly not comparable (PI-2, PI-3, PI-4, PI-9, PI-19, PI-21, and PI-28). Overall, regardless of the comparable or not comparable scores assigned during the two assessments, the PFM reform efforts are on a very positive trajectory.

3.1. Credibility of the budget

In order to evaluate whether the budget of the Central Government is sufficiently realistic and is implemented as planned, this section focuses on four indicators: (i) deviations in aggregate expenditure, (ii) deviations in composition of expenditure, (iii) deviations in total income, and (iv) balance of outstanding expenditure payments.

For PI-1 and PI-2 the comparison has been carried out using primary expenditure, which excludes two categories (debt service charges and externally financed project expenditure) that are mostly beyond the control of the government[23]. PI-3 analyzes data on domestic revenues (tax and non-tax) and also excludes grants and loans. All actual data (revenue and expenditure) are on a cash basis according to Jordanian financial and accounting rules[24]. Government budget

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[21] See Table 1.2 in Annex 1 for details explaining the reasons why 27 performance indicators out of 31 are not considered to be comparable between 2007 and 2011.

[22] A performance indicator comprises between one to four dimensions, each of which is rated to derive the overall performance indicator score. The 28 performance indicators and 3 donor indicators comprise 76 dimensions.

[23] Primary expenditures in Jordan have been calculated including both recurrent and capital expenditures, and excluding debt interest and project expenditure financed by external loans. It has not been necessary to exclude expenditures financed by other external grants because these are off-budget, except for direct budget support (DBS) which cannot be excluded of the analysis because it is fungible. Out-turns for debt service payments may differ due to changes in interest and exchange rates. Out-turns for donor funded projects may differ due to management decisions which are typically under the control of the donor agencies.

[24] Article 4, Financial By-Law No. 3, 1994.

documentation and audited fiscal reports from 2008-2010 have been used, except for actual expenditure of 2010 as only preliminary data were available[25].

PI-1 Aggregate Expenditure Out-Turn compared to Original Approved Budget

This indicator assesses the difference between the actual and the originally budgeted primary expenditure for the budgetary Central Government, for the last three fiscal years (2008-2010).

Dimension (i): The difference between actual primary expenditure and the originally budgeted primary expenditure

For the three-year period under review, differences between the total budgeted primary expenditure initially approved[26] and actual primary expenditure were small. As accounting records are on a cash basis, this means that the amount of payments made in each year was close to the initial budget allocation.

Data provided in Table 3.1 below show that the total budgeted primary expenditure was exceeded in 2008 and 2010. In 2008, two supplementary laws[27] were approved mainly to increase the budget for recurrent expenditure as a result of higher international prices for petroleum and food products. While additional funds were approved for recurrent expenditure, the budget for capital expenditure was curtailed. Two supplementary laws were also approved in 2010[28]. The first one was a result of applying the new Income Tax temporary Law and the temporary amendment of the Sales Tax Law[29] that enabled additional allocations for certain expenditure categories, mainly recurrent[30]. The second one included additional allocations under the national executive program for financial and economic reform, which aimed to support some vital sectors for enhancing the productivity and expanding the middle class.

In 2009, the total budgeted primary expenditure was lower than the actual. This was mainly due to a budget cut in the current expenditure, which was already included in the approved Budget Law. The budget proposal for that year was approved with an additional article that reduced by 10 percent the current expenditure allocations excluding salaries, wages and allowances in all the chapters that the Cabinet would deem appropriate[31]. The global savings obtained through this measure were partially offset by an increase in the overall capital expenditure. The one supplementary law approved in 2009 aimed at financing some priority investment projects to balance the negative impacts of the global financial crisis[32].

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[25] Fiscal accounts for 2010 were being finalized at the time of the assessment (May 2011) in order to be sent to the Audit Bureau before the legal deadline (i.e. end of June 2010). These data can be used with reasonable assurance as the accounts were almost closed and previous audited accounts indicate very little differences from the unaudited ones.
[26] Budgets Law 2008 and 2009 approved by the National Assembly before the start of the fiscal year. Budget 2010 approved by a Temporary Law by the Cabinet, in December 2009, after the dissolution of the National Assembly.
[27] Supplementary Law No. 36 of 31/07/2008 (JD 500 million) and Supplementary Law No. 52 of 16/09/2008 (JD 75 million).
[28] Supplementary Law No. 6 of 2/03/2010 (JD 160 million) and Supplementary Law No. 39 of 5/10/2010 (JD 350 million).
[29] Income tax temporary Law No. 28 for the year 2009 and temporary amendment of the Sales tax Law No. 29 for the year 2009.
[30] An example is the Government allocation to the municipalities that replaces the allocation resulting from the share (6 percent) of the Municipal Councils in the taxation of certain gasoline product (see indicator PI-8).
[31] Article 2, point 4, of the General Budget Law for the fiscal year 2009. (Law No. 1, 1992).
[32] Supplementary Law No. 27 of 22/12/2009 (JD 305 million).

During the period under review, total collection of domestic revenue was lower than what was originally forecasted in the budget, especially in 2009 (see indicator PI-3). Moreover, budget support out-turn fell short of the forecast by more than 50 percent in that year. However, in 2008 and 2010, budget support out-turns were considerably higher than the forecasts (see indicator D-1).

Table 3.1. Deviation in Primary Expenditures, for recurrent and capital expenditures
(In thousands of JD**)**

Years	Expenditures	Original Budget (I)	S. Laws[33]	Adjusted Budget[34]	Actual (II)	Deviation in Primary Exp. (III = (II-I)/I)
2008	Recurrent expenditures[35]	3,712,740	541,000	4,253,740	4,095,599	10.3%
	Capital expenditures[36]	1,042,488	34,000	1,076,488	884,257	-15.2%
	TOTAL	4,755,228	575,000	5,330,228	4,979,855	**4.7%**
2009	Recurrent expenditures	4,356,475	42,529	4,399,004	4,194,435	-3.7%
	Capital expenditures	1,290,315	262,096	1,552,411	1,328,896	3.0%
	TOTAL	5,646,790	304,625	5,951,415	5,523,331	**-2.2%**
2010	Recurrent expenditures	4,029,478	443,400	4,472,878	4,345,906	7.9%
	Capital expenditures	884,500	66,600	951,100	879,692	-0.5%
	TOTAL	4,913,978	510,000	5,423,978	5,225,598	**6.3%**

Source: Calculations made from data provided by GBD and GAD (MoF).

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible mainly due to methodological shortcomings (see Annex 1, Tables 1.1 and 1.2). The data coverage used in 2007 were not the required one as per the PEFA guidelines as total expenditure instead of primary expenditure was used. In addition, the 2007 data erroneously included supplementary funds which resulted in a small deviation between budgeted and actual total primary expenditure. Thus, the score for indicator PI-1 in 2007 appears to be higher than it should have been.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-1	**A**	**A**	Scoring method M1 (weakest link)	
(i)	A	A	Only in 2010 actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5 percent (the deviation was 4.7 percent in 2008, -2.2 percent in 2009 and 6.3 percent in 2010).	**2007 and 2011 are non-comparable scores**. The 2007 score was based on wrong data coverage and appears to be over-rated due to methodological shortcomings.

[33] Supplementary Laws.
[34] The adjusted budget is calculated by adding the supplementary laws to the original budget.
[35] All figures on recurrent expenditure in this table exclude interest on public debt.
[36] All figures on capital expenditure in this table exclude foreign project grants and loans.

PI-2 Composition of Expenditure Out-Turn compared to Original Approved Budget

This indicator compares primary expenditure, budgeted and actual, at a sub-aggregate level across the main administrative headings. Similar to indicator PI-1, the assessment focuses on the budgetary Central Government for the last three fiscal years (2008-2010).

> **Modification in PEFA methodology**
>
> In January 2011, the PEFA methodology was modified by the PEFA Secretariat in order to present more clearly the issue of contingency votes in the calculations. The revision has resulted in a modified first dimension for PI-2 and a second new dimension. The first dimension measures the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition. This dimension is calculated without taking the contingency vote into consideration. The use of a contingency vote, which is considered to be harmful to budget credibility if it exceeds certain thresholds and is reported directly against the contingency vote, is the subject of the second dimension.

Dimension (i): Extent of the variance in expenditure composition during the last three years, excluding contingency items

Variance has been calculated for the main budgetary heads (chapters) of ministries and government departments which are included in the approved General Budget Law, according to the current PEFA methodology. As can be seen from Table 3.2 below, the extent of the variance in primary expenditure composition was moderate during the period 2008-2010. The explanation primarily relies in the legislation in force in Jordan, which strictly limits the reallocations between budget heads. According to the Constitution, no sum falling within the expenditure section of the General Budget may be transferred from one chapter to another except by law[37]. The variance observed in expenditure composition is thus explained by the variable execution rates by the ministries and the different expenditure composition introduced in the supplementary laws (see indicator PI-1). The detailed calculations per administrative head are included in Annex 2.

Table 3.2. Composition of primary expenditure out-turn compared to original approved budget

(In percentage of the total adjusted budget or total actual expenditure)

Year	Variance Composition PI-2 (i)
2008	4.8%
2009	5.2%
2010	4.8%

Source: Calculations made from data provided by the GBD and GAD (MoF)

Performance change and other factors since 2007 PEFA assessment

A direct comparison of the 2011 score with the score of the previous assessment is impossible, mainly because the methodology to calculate the variance in expenditure composition has been changed since the last PEFA 2007. The new calculation aims at determining whether the

[37] Article 112 (iii) of the Constitution of the Hashemite Kingdom of Jordan of 1952.

relative budget shares that are being allocated to each administrative head are changed during budget implementation compared to the originally approved budget[38]. This dimension has not been re-calculated for the period 2004-2006 because no detailed data was included in the 2007 PEFA report. Moreover (as was the case for indicator PI-1) the assessment in 2007 included supplementary laws by error and was not based on primary expenditure (see Annex 1).

Several management tools introduced in 2008, such as the Results-Oriented Budget (ROB), the Mid-Term Expenditure Framework (MTEF) and the new chart of accounts might have contributed to increasing performance in this area. However, as the change in the PEFA methodology for calculating PI-2 renders two non-comparable bases, it is impossible to assess progress in this area since 2007.

Dimension (ii): The average amount of expenditure actually charged to the contingency vote over the last three years

The budgets of 2008-2010 included a small amount to allow for unforeseen events in the form of a contingency reserve, in an expenditure line-item of the MoF, under the program Emergency Expenditures[39]. According to the General Budget Law, this reserve is only disbursed upon the decision of the Cabinet and by recommendation of the Minister of Finance. Although this contingency reserve was classified under the subgroup Subsidies to Public Corporations, it is has been used to cover expenditure shortfalls related to any budget unit of the budgetary Central Government. Slightly more than half of this reserve was charged as an expenditure directly under the contingency head, within the MoF chapter. In some other cases, the contingency allocation was transferred to the spending entities where actual expenditure was incurred and recorded, in accordance with best international practices.

Data provided in Table 3.3 below shows that the small size of actual expenditure charged to the contingency vote in the last three years clearly did not affect budget credibility. On average, this has represented 0.8 percent of the original budget.

Table 3.3. Estimated and actual contingencies and
Actual expenditure charged to the contingency vote

(In thousands of JD and in percentage of originally-budgeted primary expenditure)

Year	Contingency Estimated	Contingency Actual (a)	Original Budget (b)	Actual expenditure charged to contingency vote (a)/(b)
2008	100,000	66,325	4,755,228	1.4%
2009	95,000	49,555	5,646,790	0.9%
2010	20,000	12,336	4,913,978	0.3%
Average in the period 2008-2010				**0.8%**

Source: Calculations made from data provided by the GBD and GAD (MoF).

[38] The previous methodology subtracted aggregate expenditure deviation from the composition variance. This is no longer been done in the revised methodology.
[39] General Budget Laws (detailed volume) for the fiscal years 2008, 2009 and 2010. Chapter 1501 (MoF), Program 2220 (Emergency Expenditure), Group 25 (Subsidies), Subgroup (Subsidies to Public Corporations), Item 304 (Subsidies to non financial public corporations) and sub-item 012 (Contingent and Other Expenditure).

Performance change and other factors since 2007 PEFA assessment

This dimension was created in January 2011 and thus a comparison is impossible.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-2	**D**	**A**	Scoring method M1 (weakest link)	
(i)	D	A	Variance in expenditure composition only exceeded 5 percent in the last two years but was under 10 percent during the period 2008-2010. It was 4.8 percent in 2008, 5.2 percent in 2009 and 4.8 percent in 2010	**2007 and 2011 are non-comparable scores**. This dimension has been modified by the revision of the PEFA Framework. Moreover, the assessment in 2007 was not accurate
(ii)	-	A	The average of actual expenditure charged to the contingency vote in the period 2008-2010 was 0.8 percent of the original budget	**2007 and 2011 are non-comparable scores**. This dimension has been newly introduced by the revision of the PEFA Framework

PI-3 Aggregate Revenue Out-Turn compared to Original Approved Budget

Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based upon that forecast. This indicator compares actual total domestic revenue to the originally budgeted domestic revenue for the past three fiscal years (2008-2010).

Modification in PEFA methodology

In January 2011, the PEFA Secretariat introduced revisions to the guidelines on how to analyze and score this indicator. Under the original arrangement, a score of A was automatically provided in situations where actual revenue exceeded budgeted revenue. As a result, the score did not reflect the fact that such a result was not necessarily a reflection of good performance but might arise due to poor or over-cautious revenue forecasting or windfall gains from rising commodity prices. The new methodology, therefore, allows for such a case by introducing the possibility of lower scores even when actual revenue exceeds budgeted revenues.

The upside scale differs from the downside, though, to reflect the fact that under-realisation of revenue has more serious consequences than over-realisation and that, within reasonable limits, prudent revenue forecasting is to be commended. Thus, whereas the cut-off point for a score of A is 3% under-realisation, it is double that (6%) for over-realisation and a similar pattern applies for lower scores.

Dimension (i): Actual domestic revenue compared to domestic revenue in the originally approved budget

The data for 2008-2010 shown in Table 3.3 below indicate that the total collection of domestic revenue was lower than what was originally forecasted in the budget, except for other non-tax revenue in 2008 explained entirely by a windfall related to sale of land in Aqaba (JD 355,000 thousand). Since other than the exception just noted, under-realization of revenue was the case for both tax revenue and non-tax revenue for every year during 2008-2010, this indicates that there was a systemic over-estimation of domestic revenue. Analysis of the data showed a fair amount of volatility in individual revenues as compared with budgeted amounts.

Table 3.4. Originally Budgeted and Actual Domestic Revenue 2008-2010
(In thousands of JD**)**

Years	Domestic Revenue	Original Budget (I)	Actual (II)	Actual/Original (III = (II/I)*100)
2008	Tax Revenue	2,964,000	2,758,103	92.8%
	Non-Tax Revenue	1,314,720	1,617,252	123.0%
	TOTAL	**4,278,720**	**4,368,486**	**102.1%**
2009	Tax Revenue	3,257,414	2,879,991	88.4%
	Non-Tax Revenue	1,525,510	1,307,910	85.7%
	TOTAL	**4,782,924**	**4,187,901**	**87.6%**
2010	Tax Revenue	3,125,459	2,985,973	95.5%
	Non-Tax Revenue	1,569,626	1,275,031	81.2%
	TOTAL	**4,695,085**	**4,261,004**	**90.8%**

Source: MoF, General Accounts Directorate

Performance change and other factors since 2007 PEFA assessment

The scores for 2007 and 2011 are non-comparable because the PEFA Secretariat modified the criteria for assessing and scoring this indicator. On the other hand, data coverage did not comply with the PEFA guidelines as the 2007 PEFA analyzed revenues that included those from a Supplementary Budget Law as well as those related to grants, but this indicator refers only to originally budgeted **domestic** revenue and, thus, should exclude supplementary revenues and grants.

Nonetheless, it is clear that the situation in 2007 was the opposite of that in 2011. In 2007 the total collection of domestic revenue was substantially higher than what was originally forecasted in the budget. The 2007 PEFA reported that domestic revenue collections were higher than budgeted by 20, 29 and 15 percent in 2004, 2005, and 2006 respectively. Thus, while there was a systemic under-estimation of domestic revenue in 2007, there is now a systemic-over estimation of domestic revenue. MoF officials indicated that forecasts turned out to be optimistic due to the international financial crisis.

A Macro-Fiscal Unit under the Studies and Economic Policies Directorate within MoF was established in 2007, became operational in 2008, and has been operating structural and econometric models to prepare three-year Medium Term Fiscal Frameworks in support of budget preparation. Smaller simulation models are used for projecting revenues. Since the General Budget Law of 2008, the focus has changed from one year to a three-year medium-term budget scenario.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-3	**A**	**D**	Scoring method M1 (weakest link)	
(i)	A	D	Actual domestic revenue was below 92 percent of budgeted domestic revenue in two of the last the three years. The ratios were 102.1 percent in 2008, 87.6 percent in 2009 and 90.8 percent in 2010.	**The 2007 and 2011 scores are non-comparable** because the PEFA Secretariat modified the criteria used to score this indicator to incorporate both positive and negative deviations. Nonetheless, data coverage used for the 2007 PEFA included revenues from a Supplementary Budget Law and external grants, but this indicator refers only to originally-budgeted **domestic** revenue. **Performance has deteriorated since 2007.** Revenue forecasts for the 3 years under evaluation were under-estimated in 2007 and over-estimated in 2011, if one excludes the windfall of the sale of fixed assets in 2008. Overestimation of revenue is more serious as it can lead to larger deficits if expenditure is not reduced accordingly.

PI-4 Stock and Monitoring of Expenditure Payment Arrears

This indicator considers to what extent the stock of expenditure arrears of the budgetary Central Government is known and represents a concern, as well as to what extent it is being monitored in order to be controlled. The period under review is the last two fiscal years (2009 and 2010).

Jordan has no legal definition for expenditure payment arrears. The payment periods generally applied varies among the different expenditure categories. It is considered that all invoice not paid at the end of the year constitute arrears.

Staff payroll payment and payment of interest on debt are paid regularly and usually do not result on arrears. Once goods and services have been delivered to a client MDA by a supplier who has also issued and invoice, and once payment has been authorized by the internal control of that entity, a payment occurs by drawing funds from the MDA accounts at the Central Bank (by check, bank transfer or documentary credits). These accounts are replenished by the Treasury according to the monthly approved cash ceilings (MoF) and financial transfers (GBD) and in the limit of the financial orders that correspond to the budget's appropriated allocations (see indicators PI-16, PI-17, PI-20 and PI-21 for further details). In practice, the process of payment that has been briefly described may last several months.

Dimension (i): Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

The global stock of expenditure arrears of the Central Government is unknown for the last fiscal years due to non reliable data available (see dimension (ii) below). However, the mission was advised that some ministries (e.g. Health, Public Works and Housing) generate payment arrears[40].

Arrears generally accumulate in the system due to incurring of expenditure and contractual obligations beyond fiscally sustainable levels. The legal and regulatory provisions allow the commitment to be entered and controlled against the level of annual appropriations, instead of the GBD's monthly financial transfers[41]. When the commitment exceeds the periodical allocation released to the MDAs, the legal obligation cannot be met by the spending unit thus causing payment arrears. The approval of Supplementary Laws increasing the original budgetary allocations during the lasts fiscal years (see indicator PI-1), while total collection of domestic revenue was lower than what was originally forecasted in the budget (see indicator PI-3), has certainly contributed to the generation of arrears[42]. Although legal, the level of these arrears is unknown.

Arrears can also build up as the commitment control may not always be effective (see indicator PI-20)[43]. This situation may result in commitments that exceed the budget allocations, and which payments are refused by the internal control. These practices seem mostly linked to the existence of uncovered needs by the approved budgetary allocations due to increased prices, the arise of new needs or a change in the initial priorities, as well as to higher level of execution on public works and housing for political reasons. This kind of arrears usually appears under the three main major procurement authorities which are responsible to manage most of the tender operations carried out in Jordan[44].

All these arrears are resolved when additional cash resources become available. However, for the second type of arrears it is also necessary to create appropriate budgetary allocations through virements and transfers into the concerned chapter[45] or by the approval of a Supplementary Law. When this is not possible, the payment has to be delayed until the following fiscal year and will be deducted from the budget allocations approved for that year. The existence of arrears has been corroborated with the private sector in Jordan, but they also recognize that the Central Government eventually makes payment[46].

Performance change and other factors since 2007 PEFA assessment

Some actions have been taken in recent years to reduce the arrears but the situation remains the same (the stock is unknown). The exercise conducted by the Central Government in 2006 to clear all the outstanding arrears with its main suppliers of current expenditures (electricity, water, fuel and telecommunication companies) has resulted into an effective control mechanism to avoid this kind of arrears in the future. Although the cash ceilings are issued by aggregates

[40] The Ministry of Health had 45 million payment arrears at the end of 2010, mostly generated by the purchase of drugs and medicines through the Joint Procurement Department. This stock represents slightly over 10 percent of the total actual expenditure of that Ministry in 2010. Communication of MOH corroborated by the Head of Health and Social Development Sector at GBD (MOF).

[41] Article 16 of the Financial By-law No. 3 of 1994, articles 58 and 59 of the Application Instructions for Financial Affairs No. 1 of 1995 and article 6 (A and F) of the General Budget Law for 2010.

[42] External grants received through the budget and fiscal deficit have been generally higher than estimated (see indicator D-1 and section 2).

[43] GBD has to authorize all commitment above JD 10,000. Expenditure under that amount can be straightly committed by the line ministry.

[44] These procurement authorities are the General Supplies Department (GSD) at MOF, the Government Tenders Directorate (GTD) at Ministry of Public Works and Housing (MPWH) and the Joint Procurement Department (JPD) at Ministry of Health.

[45] In some cases, new projects have been stopped in order to be able to execute the current ones.

[46] Chamber of Industry.

(line items of the budget) for each MDA and are not directly linked to paid invoices or payment receipts, the spending units have to certify that they do not have any payment arrears with these utility companies before receiving the funds[47]. This conditionality imposed by the Treasury prevents the MDAs to use the funds for other issues. On the other hand, the JD 100 million of payment arrears to landowners that arose in 2009 due to a case raised in Court to claim for higher prices on expropriated land, were solved by the approval of a Supplementary Law at the end of that year. According to all sources contacted, the problem of arrears in Jordan seems to be lower than a few years ago.

Dimension (ii): Availability of data for monitoring the stock of expenditure payment arrears

There is no reliable data for monitoring the stock of expenditure payment arrears for at least the last two years. The accounting system is on a cash basis and commitment expenditure is not included in fiscal reports (see indicator PI-24). The MDAs are responsible to execute their budget allocations and to proceed with the payments by using the funds transferred to their accounts by the Treasury. The amount of these funds is approved taking into account government cash resources but not the level of commitments made. The MDAs report on their budgetary execution to GAD on a monthly basis but actual expenditure are on a cash basis, aggregated by item, and do not present any details on expenditure payment arrears[48]. As a result, each MDA has some data on its own stock of arrears, but these data appear to be inaccurate and no centralized reporting seems to be in place at the MoF for monitoring purposes.

Performance change and other factors since 2007 PEFA assessment

No performance change has been observed since 2007.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-4	**D**	**NR**	Scoring method M1 (weakest link)	**2007 and 2011 are non-comparable scores**. It does not seem possible to have scored this indicator in 2007 while dimension (i) was not rated.
(i)	NR	NR	The stock of expenditure payment arrears is unknown for the last fiscal years.	Some actions have been taken in recent years to reduce the stock of arrears but the situation overall remains the same.
(ii)	D	D	No reliable data on the stock of arrears for the last two years exist.	No performance change has been observed since 2007.

Reform in Progress

Following the IMF and World Bank recommendation after the technical assistance mission of January 2011, the GOJ formed a Commitment Control Committee supported by the German Cooperation Unit (GIZ)[49]. This Committee has proposed a system for enhancing the commitment control within a practical framework using updated and advanced financial forms and clearer procedures to record the commitments and to control them. The proposal aims at

[47] To prove that, the MDAs have to present the invoices received from these companies that are to be paid and certify the duly payment of the previous ones.
[48] Moreover, the MDAs report through systems that are not always linked to the MOF's system. Some MDAs are still working manually.
[49] Recommendation letter of the Director General of the GBD No. GBD\1502\14\400 dated 31\03\2010.

aligning these specific operations with the GFMIS system in order to activate the mechanism of commitment controls[50].

3.2. Comprehensiveness and transparency

This section assesses to what extent the budget and the fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the legislature, the sub-national governments and the public in general.

P-5 Classification of the Budget

The budget classification system provides the means to track government spending. This indicator aims to evaluate whether the classification system used for budget formulation, execution and reporting of Central Government's transactions is compatible with international standards. These international standards are enunciated by the IMF in the Government Finance Statistics Manual (GFSM) that provides the framework for economic and functional classifications[51]. There is no international standard for the classification of programs. The GOJ budget for 2010 is used as the basis for the evaluation of this indicator.

Dimension (i): The classification system used for formulation, execution and reporting of the central government's budget

Jordan has a robust classification system which includes the most important classifications and is broadly consistent with GFSM 2001.

- The administrative classification is presented by chapter (56 heads of ministries and independent departments).
- The economic classification applies GFSM 2001 standards.
- The functional classification uses the 10 main COFOG functions and 52 sub-functions and is thus in accordance with GFSM standards.
- The geographical classification identifies the expenditure according to the Governorates of the country (1 centre plus 12 Governorates).
- The program classification is the pillar of the ROB and is applied to the level of program and project for capital expenditure and to the level of program and activity for current expenditure[52].
- Funding classification (i.e. source of financing).

These classifications are included in the current Chart of Accounts (COA) within 6 segments, allowing for all transactions to be reported in accordance with any of the appropriate standards. The COA also provides for the recording additional accounts to capture off-budget accounts, and to record monetary assets and liabilities using modified cash basis of reporting.

All of the above noted classifications are used in budget formulation (see Budget Law for the fiscal year 2010, including the detailed volume) and execution (this can be seen in the current financial system). Budget execution is also reported according to these classifications, with the

[50] Report on Commitment Control. MOF, October 2010.
[51] The functional classification applied in GFS is the UN-supported Classification of Functions of Government (COFOG).
[52] The level of activities under programs for current expenditures has been added in 2010. The budget for 2011 includes breakdown data by activity for the period 2009 to 2013.

exception of sub-functional classification. The annual Financial Statements[53] are presented in the same format as the detailed volume of the Budget Law (they combine administrative, economic, program and funding classification). The monthly General Government Finance Bulletin includes budgetary Government finance statistics aggregated according to the economic and functional classifications (10 main COFOG functions only). The monthly financial positions sent by line ministries to GBD (MoF) presents data in administrative, economic, program, funding and geographical classifications.

The different budget classifications and their application are summarized in Table 3.5. below.

Table 3.5. Budget Classification used in FY2010

Budget classification	Formulation	Execution	Reporting
Administrative (Chapter)	Yes	Yes	Yes
Economic (GFSM 2001)	Yes	Yes	Yes
Functional (COFOG)	Yes	Yes	Yes
Sub-functional (COFOG)	Yes	Yes	No
Programmatic	Yes	Yes	Yes
Geographical (Governorates)	Yes	Yes	Yes

Sources: Budget Law FY2010, General Government Finance Bulletin January-December 2010 (Vol.11, No. 12 and Vol. 12 No. 1- No. 11), monthly financial positions sent by line ministries to GBD (MoF) and draft of Financial Statements as of December 31, 2010.

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible due to a weak application of the methodology in 2007 (see Annex 1). The coverage of the analyses was inaccurate and insufficient evidence was provided. It appears to the current mission that the 2007 score was over-rated. Although the budget classification was compliant with GFSM 1986, the program classification at that time was weak (only developed at program level), the sub-functional classification was not used and the COA was insufficiently linked to the classification. The 2007 score should most probably have been a B instead of an A.

Substantial progress has been achieved in this area since the previous assessment. The Government has adopted a new GFSM 2001 compliant budget classification and COA, updated the program classification and developed a basic Result-Oriented Budgeting (ROB) framework. The Government has been using these classifications, the COA and the ROB since the fiscal year 2008.

[53] The Financial Statement are also known as the Final Account.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-5	**A**	**A**	Scoring method M1 (weakest link)	
(i)	A	A	Budget formulation and execution are based on a robust classification system using GFS/COFOG standards. Budget reporting is presented in administrative, economic, functional and programmatic classifications but not in sub-functional classification. Program classification is applied with a level of project for capital expenditure and with a level of activity for recurrent expenditure.	**2007 and 2011 are non-comparable scores**. The 2007 score was based on an inaccurate coverage of the analyses and appears to be over-rated. **Substantial progress has been achieved** since 2007 with the adoption of a new GFSM 2001 compliant budget classification and a detailed program classification, both of which are included in a new COA.

Reform in Progress

The COA is well constructed and flexible to meet the new changes that are arising due to GFMIS implementation.

P-6 Budget Documentation

In order for the legislature to carry out its function of scrutiny and approval, the budget documentation should allow for a complete overview of fiscal forecasts, budget proposals and results of past fiscal years. This indicator evaluates whether sufficient documentation has been included for this purpose with the Central Government budget proposal for 2011, which was the last one sent to the National Assembly.

Dimension (i) Share of the above listed information in the budget documentation most recently issued by the central government[54]

The Organic Budget Law states what has to be included in the annual General Budget Law[55]. The budget for 2011 was submitted twice to the National Assembly[56] because the first proposal was rejected. The documentation presented consisted of the Draft General Budget Law, the Draft Detailed Volume of the Budget Law, and the Budget Speech. These documents supply most of the information requirements to undertake an adequate legislative scrutiny of the budget. Table 3.6. below shows the key elements that were included.

[54] In order to count in the assessment, the full specification of the information benchmark must be met.
[55] Article 8 of the Budget Organic Law No. 58 for the year 2008.
[56] The exact dates were: December 29, 2010 and March 6, 2001.

Table 3.6. Information in Budget Documentation for 2011

Documentary Requirement	Fulfilled	Document
1. Macroeconomic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.	Partially	The Draft General Budget Law and the Budget Speech included several macroeconomic assumptions for the next three years (2011-2013): Growth in GDP at current and real 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 the exchange rate[57].
2. Fiscal deficit, defined according to GFS or other internationally defined standard.	Yes	The fiscal deficit for 2011 was included in the Draft General Budget Law and in the Budget Speech. It was calculated as the estimate of public revenues (including foreign grants) minus the estimate of public expenditures[58].
3. Deficit financing, describing anticipated composition.	Yes	The Draft General Budget Law described the financing sources for 2011 and included the detailed financing budget for the years 2009-2013.
4. Debt stock, including details at least for the beginning of the current year.	Yes	The Draft General Budget Law included the net domestic debt for the years 2008-2010.
5. Financial Assets, including details at least for the beginning of the current financial year (2010)[59].	Yes	There was no information of government financial assets in the budget documentation for 2011. However, detailed information of financial claims for the beginning of 2010 was included in the annual Financial Statements for the year ended December 31, 2009 that were sent to the legislative at the end of June 2010[60]. Timely information on financial assets was shown in the monthly statistical bulletin and other documents available at the Central Bank website.
6. Prior year's budget out-turn, presented in the same format as the budget proposal.	Yes	Actual 2009 results were included in the summary tables of the general budget proposal for 2011 and in the detailed appropriations, in the same format as the budget proposal. These summary and detailed tables can be found in the Draft General Budget Law including the Draft Budget Detailed Volume.
7. Current year's budget (revised or estimated out-turn), presented in the same format as the budget proposal.	Yes	Budget for 2010 (estimated and re-estimated[61]) was included in the summary tables of the general budget proposal for 2011 and in the detailed appropriations, in the same format as the budget proposal. These summary and detailed tables can be found in the Draft General Budget Law including the Draft Budget Detailed Volume.
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	Yes	The Draft General Budget Law included summary tables for both revenue and expenditure according to the main heads of the economic, functional, administrative and geographic classifications, including data for 2009 (actual) and 2010 (estimate and re-estimate), as well as indicative data for 2012 and 2013.
9. Explanation of the budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes, and/or major changes to expenditure programs.	Yes	The Budget Speech for 2011 included an explanation of the budget implications of new policy initiatives. This included: Estimates of the budgetary impact of the new income tax law and the amendment of the sales tax law in force since 2010. Estimates of the budgetary impact of the major changes to expenditure programs introduced for 2011.

[57] According to the 2010 Article IV Consultation Staff Report of the IMF, the Jordanian dinar is fully convertible and is officially pegged to the SDR. In practice, the authorities have an exchange rate regime which is pegged to the US dollar since October 1995 at JD 1 = $1.41044. However, Jordan has external debt in other currencies than Jordanian dinar and US dollar and this information appears to be useful.

[58] According to GFS Manual 2001, the net operating balance equals revenue minus expense.

[59] According to GFS Manual 2001, "financial assets" consist of financial claims, monetary gold, and Special Drawing Rights (SDRs) allocated by the IMF. Typical types of financial claims are cash, deposits, loans, bonds, financial derivatives and accounts receivable.

[60] According to the Clarifications updated by the PEFA Secretariat in September 2008, the important issue to consider is whether the information is available to the members of the legislature at the time of reviewing the budget proposals. If that is done through another regular and official report (which can be considered as "supporting documentation" to the budget), it will count towards fulfilling the requirement.

[61] The re-estimate consist of the estimated out-turn.

Performance change and other factors since 2007 PEFA assessment

According to the 2007 PEFA assessment, the only benchmark that was not met then was related to information of financial assets. However, the sources of information described for the financial assets in Table 3.6. above seem to have also been available to the legislature in 2007[62] and thus the criteria could have been met at that time. On the other hand, the Government considers that, although the presentation of the macroeconomic assumptions has improved since 2007, it has never included the exchange rate, and thus this benchmark might also have been unfulfilled in 2007. The 2011 PEFA mission could not confirm the situation described in the 2007 PEFA report related to the financial assets and the macroeconomic assumptions. The score remains unchanged at A since only one element out of nine was unfulfilled.

An important performance change is that since the budget for 2008 the budget proposal includes indicative allocations for the next two fiscal years. The hypothesis and macroeconomic assumptions that support the budget proposal are now clearly included in the Draft General Budget Law and not only mentioned in the Budget Speech.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-6	**A**	**A**	Scoring method M1 (weakest link)	
(i)	A	A	The budget documentation as submitted to the legislature for FY2011 includes 8 of the 9 components listed in Table 3.6. above.	**The score remains unchanged but some progress has been achieved** since 2007. The budget proposal includes indicative allocations for the next two fiscal years and the macroeconomic assumptions that support the budget proposal are clearly included in the Draft General Budget Law.

PI-7 Coverage of Government Operations

Annual budget estimates, in-year execution reports and year-end financial statements should cover all budgetary and extra-budgetary activities of the Central Government in order to ensure an efficient allocation of resources. This indicator evaluates the degree to which unreported operations at the Central Government level exists in Jordan. The assessment of the first dimension also includes autonomous government agencies (AGAs), which are part of the Government Units in Jordan[63]. For the purpose of the calibration, expenditure should be reported both ex-ante (budget estimates) and ex-post (actual expenditure) in the above-mentioned fiscal reports in order to be counted as “reported”. The evaluation period covers the year 2010, which is the last completed fiscal year.

Dimension (i): The level of extra-budgetary expenditure (other than donor funded projects) which is unreported, i.e. not included in fiscal reports

The Constitution of Jordan establishes that all receipts from taxes and other sources of Government revenue shall be paid into the Treasury and included in the Government budget,

[62] The 2011 PEFA mission reviewed previous Financial Statements and Statistical Bulletins of the Central Bank, which contained information on financial assets.
[63] In Jordan, the Government Units (or Public Independent Institutions) also includes the Public Companies.

except when otherwise provided by law[64]. In addition, the Financial By-law states that all revenues collected should be paid into the Public Treasury Account and may not be utilized for any other purpose unless legislation so states[65]. As a result of the tax reform introduced in December 2009 (see *Performance change* below), all revenues for the budgetary Central Government that includes the ministries and government departments are now included in the General Budget Law. Consequently, these amounts are now allocated in the budget as well as duly reported in the in-year execution reports and the annual Final Accounts.

In addition to the General Budget Law, there is the Budgets Law of the Government Units, for the public entities that have their own-budget. Each of these institutions is required to prepare an annual budget including all revenues, expenditures and assets liabilities, and submit it to GBD and the Cabinet for approval before the end of November[66]. The Government compiles all these budgets in the draft Budgets Law of the Government Units and sends it to the National Assembly for approval[67]. According to the Surplus Law, all these units have to provide to GBD (MoF) complete fiscal reports within 4 months after the end of the fiscal year and transfer any surplus to the Treasury[68]. These units are not allowed to take any part of that surplus to finance any specific allocation[69]. In practice, all of them produce fiscal reports and their consolidated data is published in the MoF monthly General Government Finance Bulletin.

However, there are two types of public entities whose budgets are not fully included in the budget documentation mentioned above. This generates ex-ante unreported operations. The non-complying entities are the public universities and the Social Security Corporation. The budget of the 10 public universities established in Jordan is approved by the Higher Education Council under the Ministry of Higher Education and Scientific Research (MHESR)[70]. The budget of the Social Security Corporation is approved and ratified by its Board of Directors. In 2010, the expenditure of the public universities were estimated at JD 300 million, JD 52 million of which was financed by subsidies received from the Central Government. The latter amount is included in the General Budget Law. The global expenditure estimated in the Social Security Corporation's budget was JD 447 million. Thus in 2010, the total amount of ex-ante unreported operations was JD 695 million (JD 248 associated to universities and JD 447 associated to SSC), which represents 8.6 percent of the total expenditure estimated for Central Government (including expenditures in the General Budget Law and the Budgets Law of the Government Units, including all unreported operations and excluding expenditures for Public Enterprises.

The proportion of ex-post unreported operations (3.7 percent) is less significant because the financial statements of the Social Security Corporation are included in the MoF General Government Finance Bulletin. The final accounts of each university are audited by the AB and then sent to the Higher Education Council for approval.

The Central Government unreported operations (both ex-ante and ex-post) for the fiscal year 2010 are presented in Table 3.7. below.

[64] Article 115 of the Constitution of the Hashemite Kingdom of Jordan of 1952.
[65] Article 5 (a) of the Financial By-law No. 3 for the year 1994.
[66] Article 4 (a, b) of the Surplus Law No. 30 for the year 2007.
[67] Article 4 (c) of the Surplus Law No. 30 for the year 2007.
[68] Article 5 of the Surplus Law No. 30 for the year 2007.
[69] Article 6 of the Surplus Law No. 30 for the year 2007.
[70] Universities Law for 2009.This Council is composed by the Secretary General of MHESR, the President of the Higher Accreditation Council and seven academic professionals.

Table 3.7. Central Government Unreported Operations for FY 2010
(In millions of JD and in percentage of total annual expenditure)

FUNDS	Ex-ante	Ex-post
Unreported operations related to the public Universities ▪ *Total expenditures for the public universities* ▪ *Subsidies received from Central Government (included in the General Budget Law)*	248 300 52	300
Unreported operations related to the Social Security Corporation	447	0
Total expenditure of the Central Government (including AGAs) ▪ *Total expenditure estimated in the General Budget Law* ▪ *Total expenditure estimated in the Budgets Law of the Government Units* ▪ *Total expenditure estimated for Public Enterprises (PEs)* ▪ *Unreported operations related to the public Universities and the Social Security Corporation* ▪ *Total estimated grants-funded projects in JD million*	8,063 5,460 1,915 -582 *695* *575*	8,063 5,460 1,915 -582 695 *575*
Central Government unreported expenditure as a percentage of total expenditure (including AGAs but excluding PEs)	**8.6%**	**3.7%**

Source: Calculations made from data provided by MHESR and the Social Security Corporation.

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous PEFA assessment seems impossible due to the absence of accurate data presented (see Annex 1). The 2007 report mentioned that the universities' budgets were not included in the Budget Laws but did not consider the universities as part of Central Government. The assessment did not consider at all the Social Security Corporation budget.

Significant improvements have been achieved in the last few years. The Budgets Law of the Government Units (own-budget agencies) has been introduced by the Surplus Law approved in May 2007[71]. In addition, all earmarked revenues that were managed off-budget were eliminated in the tax reform of December 2009[72]. All revenues are now allocated according to regular budgetary procedures in the Budget Law.

Dimension (ii): Income/expenditure information on donor-funded projects which is included in fiscal reports

Donor-funded project expenditure (including loans and grants, but excluding direct budget support) is significant in Jordan. In 2010, the country received around JD 351 million from external donors to finance projects and programs, which represents 6 percent of total actual expenditure[73].

According to the General Budget Law for 2010, all contractual development financial loans and subsidies were to be allocated to finance specific projects in that Law, and all technical grant agreements allocated for specific economic activities were to be excluded and spent as per those agreements[74].

[71] Surplus Law No. 30 for the year 2007. Before this law, the budget of the Government Units were approved by a resolution of the Cabinet.
[72] This reform was introduced by the temporary revised Income Law No. 28 of 2009 (Article 69) and by the temporary amendment of the Sales taxes Law No. 29 of 2009 (Article 11). Before this reform, some fees, taxes and other revenues were collected outside the budget and maintained in trust accounts outside treasury control.
[73] Calculation made from the figures provided by MOPIC and GAD (MOF).
[74] Article 5 of the General Budget Law No. 30 for the fiscal year 2010.

As a result, all the projects and programs financed with donor external loans[75] are included in the General Budget Law. Complete income and expenditure information on these loans is presented in the in-year execution reports and the annual Financial Statements of the Central Government[76]. In 2010, the value of external loans was JD 97 million[77].

The projects and programs financed by donor external grants are excluded from the General Budget Law. Some of these projects are directly funded and implemented by donor agencies, whereas some others have implementation units that operate under the concerned ministry. Each of these projects is executed according to its particular agreement, and for some of them a fiscal report is elaborated at the end of the year. MOPIC contributes to coordinating these projects and interacting between the funding donors and the concerned line ministries. However, it does not elaborate a consolidated fiscal report including income and expenditure on an annual basis. In 2010, actual grants-funded projects totalled around JD 575 million[78].

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous PEFA assessment seems impossible due to insufficient accurate data presented (see Annex 1).

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-7	**B**[79]	**C**	Scoring method M1 (weakest link)	
(i)	NS	C	The only extra-budgetary funds not fully reported in fiscal reports are those related to the public universities and the Social Security Corporation. The level of ex-ante unreported expenditure in 2010 was equivalent to 8.6 percent of total budgeted expenditure for the Central Government including the AGAs. Ex-post unreported expenditure for 2010 was considerably lower (3.7 percent).	**2007 and 2011 are non-comparable scores but significant improvements have been achieved** in the last few years, through the approval of a tax reform and the Surplus Law. All taxes are now on-budget and the budgets of the AGAs are integrated into the Budgets Law of the Government Units.
(ii)	NS	C	Complete income and expenditure information for all loan-financed projects is included in fiscal reports. However, projects financed by external grants are off-budget and there is no consolidated fiscal report that includes income/expenditure information on an annual basis.	**2007 and 2011 are non-comparable scores** due to insufficient accurate data presented at that time. No performance change has been observed in the last few years.

[75] The word "donor" refers to concessional loans.
[76] See for example the section called "Capital expenditure financed by loans and grants" in the Central Government Final Accounts.
[77] Figure provided by GBD (MOF) from the government financial accounting system.
[78] Calculation made from the figure provided by MOPIC (see Annex 2).
[79] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

PI-8 Inter-Governmental Fiscal Relations [80]

This indicator evaluates the transparency and accountability of the funds that were transferred from Central Government to sub-national governments during the last completed fiscal year (2010). It also assesses the predictability of the Central Government transfers during the last completed budget preparation process (budget for 2011). The Hashemite Kingdom of Jordan is administratively divided into 12 Governorates considered part of the Central Government which are included in the General Budget Law[81]. These deconcentrated units are not covered by the scope of this indicator.

The Constitution of 1952 in force opens the possibility to have sub-national governments in Jordan by mentioning that they should be administered by municipal or local councils in accordance with special laws[82]. The legislation in force which regulates sub-national governments and their fiscal relations with Central Government is provided by the Law of Municipalities No. 14 of 2007 and the financial by-Law Nº 77 of 2009. The Municipalities' Law defines a single regional level of government comprising 94 municipalities, which are classified into four categories plus the Greater Amman Municipality (GAM).

The municipalities are expected to prepare and execute plans to achieve sustainable development in cooperation with local communities[83]. The law entrusts them some competencies and functions such as street and road construction, public lighting, sewage systems, market infrastructure and organization, refuse collection, issue of licenses, management of handcraft, public parking places and control of local economic activities[84]. The municipalities have financial independence but are administratively related to the Ministry of Municipal Affaires (MOMA). The Municipality Council consists of the President and the members of the Council. Except for GAM, these officials are elected directly for a period of 4 years. The municipalities are financed from Central Government funds which are complimented by their own revenues (through local taxes, tariffs and fees) and borrowing of funds. In some cases, they are provided for directly by MOMA.

Dimension (i): Transparency and objectivity in the horizontal allocation among sub-national governments

The Central Government provides financial resources to the municipalities through transfers included in the overall budget of MOMA and through shares of centrally collected revenues. In 2010, these resources represented around 1.7 percent of the total government expenditures (Table 3.8.).

[80] This indicator assesses the fiscal relations between the Federal Government and the regions only.
[81] The Governors are appointed by the Minister of Interior.
[82] Article 121 of the Constitution of the Hashemite Kingdom of Jordan of 1952.
[83] Article 3 of the Law of Municipalities No. 14 of 2007.
[84] Article 40 of the Law of Municipalities No. 14 of 2007.

Table 3.8. Central Government Transfers to Municipalities in 2010
(In millions of JD)

<table>
<tr><th rowspan="2">Description of funds</th><th colspan="2">Amount</th><th>Percentage</th></tr>
<tr><th>Budget</th><th>Actual</th><th>Actual</th></tr>
<tr><td>Government allocation to the municipalities
This subsidy replaces the allocation resulting from the share (6 percent) of the Municipal Councils in the taxation of certain gasoline product that was stipulated in article 48 of the Municipal Law and cancelled in 2009 by the temporary amendment of the Law No. 29 for Sales Tax.
The global amount is now fixed by the Cabinet with a three year perspective[85]. In 2010, it was exceptionally allocated in the supplementary allocations of MOMA[86]. Since 2011, it is included in the original budget of MOMA. (Chapter 1901: MOMA; Program 3415: Local Development Program; current expenditures).</td><td>85</td><td>75</td><td>76%</td></tr>
<tr><td>40 percent share in the proceeds of the annual car registration fee
This allocation is stipulated in article 49 of the Municipal Law as well as in the Traffic By-law. Since 2007, the share has increase from 35 percent to 40 percent.
The global amount depends on the proceeds of the annual car registration fees. It is collected centrally but the share for the Municipalities is off-Central Government's budget[87]. The amount is recorded at the MoF and transferred to the CVDB.</td><td>-</td><td rowspan="2">23.7</td><td rowspan="2">24%</td></tr>
<tr><td>Allocations issued by fines for traffic law violation
This allocation is stipulated in article 50 of the Municipal Law.
The global amount depends on the proceeds for fines on traffic law violation. As for the 40 percent share in the proceeds of the annual car registration fee, it is collected centrally on behalf of the municipalities and transferred to them off-Central Government's budget through the CVDB.</td><td>-</td></tr>
<tr><td>Global transfers from Central Government to Municipalities</td><td>85</td><td>98.7</td><td>100%</td></tr>
<tr><td>Total expenditures in 2010</td><td>5.460</td><td>5.705</td><td></td></tr>
<tr><td>Global transfers in percentage of Central Government expenditures</td><td></td><td></td><td>1,7%</td></tr>
</table>

Source: Calculations based on GBD, GAD (MoF), MOMA, and CVDB data.

The horizontal allocation of these funds to the municipalities is determined by transparent and rules-based systems. The Government allocation to the municipalities as well as the part for the municipalities from the proceeds mentioned above are distributed through a formula included in the Law of Municipalities. This formula takes into consideration four criteria which are: (a) the population number of the municipality, (b) the ratio of its contribution in generating the global allocations, (c) the existence on its territory of a place of special importance for the country and (d) the degree of responsibilities that are beyond the municipality[88]. Every year, the formula is applied by a Decision of the Prime Minister upon the recommendation of the Minister of MOMA. The municipalities determine how to use these unconditional allocations through their budget. The funds are transferred to the Cities and Villages Development Bank (CVDB) on a monthly basis. The CVDB has a fiduciary responsibility to credit the accounts of the municipalities according to the corresponding share resulting from the formula[89].

[85] Decision of the Cabinet. The amount was calculated to be equivalent to the previous envelope and is expected to remain at the same level.
[86] Supplementary Law No. 6 of 2/3/2010 (JD 160 million).
[87] Only the 60 percent for the Central Government is in the General Budget Law (Code 1422-019: Vehicle Registration Licenses).
[88] Article 51 (b) of the Law of Municipalities No. 14 of 2007.
[89] The CVMD transfers the funds to the municipalities with a delay of one to two months.

The budget of MOMA includes a loan for promoting and developing the municipalities[90]. These funds are not transferred to the municipalities. They are used directly by MOMA to finance specific projects on behalf of the municipalities.

Performance change and other factors since 2007 PEFA assessment

The allocation resulting from the share (6 percent) of the Municipal Councils in the taxation of certain gasoline products (stipulated in article 48 of the Municipal Law) was cancelled in 2009 and is now replaced by a global allocation to the municipalities, which has been fixed on an equivalent amount (JD 75 million) and is distributed according to the same formula. That change has not affected the performance of this dimension, but has contributed to a higher performance in dimension (i) of indicator PI-7, as the previous allocation as well as the corresponding tax was off-budget.

Dimension (ii): Timeliness of reliable information to sub-national governments on their allocations

Each municipality starts preparing its budget in August and submits its budget proposal to MOMA before end October, in accordance with the budget calendar deadlines. An indicative Government allocation is provided in the current Budget Law of Central Government to guide this process[91]. The global transfer can be thus easily anticipated by the municipalities, as the two other allocations are related to established fees (with little fluctuation over time) and the criteria to distribute these allocations are fixed in a formula (see dimension ii). Moreover, the budget proposal approved by the Municipal Council is reviewed within MOMA and decisions are made over the size of the transfer that each municipality is to be assigned from Central Government funds. The confirmation of the transfer funds to be allocated to each municipality is received in sufficient time to revise the budget, approve it by the Municipal Council and return the final version to MOMA for approval before the end of the calendar year[92].

Performance change and other factors since 2007 PEFA assessment

No change in performance has been observed since the previous assessment.

Dimension (iii): Extent of consolidation of fiscal data for general government according to sectoral categories

Both CVDB and MOMA receive fiscal information ex-ante and ex-post from all the municipalities, without exception. The budget proposal of each municipality is reviewed and approved by MOMA[93] and also commented by CVDB. The municipalities have to send their final accounts and balance sheets to MOMA and CVDB within 4 months after the end of the year and MOMA is responsible for approving them[94]. Every year there is 10 to 30 municipalities that overstep the 4 months deadline but all municipalities end by sending the required information. The MOMA aggregates the budgets of all the municipalities and consolidates their ex-post fiscal information into an annual report produced in cooperation with

[90] This loan includes JD 5 million for 2010 and is financed by France and the WB.
[91] The Supplementary Law No. 6 of 2/3/2010 included the following indicative Government allocations for the municipalities: 74.8 for 2011 and 74.8 for 2012.
[92] Article 55 of the Law of Municipalities No. 14 of 2007.
[93] Article 55 of the Law of Municipalities No. 14 of 2007.
[94] Article 56 of the Law of Municipalities No. 14 of 2007.

the MoF, within around 18 months after the end of the fiscal year[95]. The CVDB also consolidates municipal actual expenditure for internal purposes[96]. However all these consolidated fiscal data are not generated in functional and/or sectoral classifications.

Collection and consolidation of fiscal data for General Government[97]is undertaken annually by the Economic Studies and Policies Department in the MoF monthly General Government Finance Bulletin. This consolidation follows the economic classification and includes ex-post (actual) data only. It is completed within around 24 months after the end of the fiscal year[98].

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible due to methodological shortcomings and some inaccuracies in the evidence used (see Annex 1). The score in 2007 was mainly based on the fiscal statistics included in the General Government Finance Bulletin. However, contrary to what was said in the 2007 PEFA report, this bulletin does not show municipal expenditures according to a functional classification[99]. The 2007 score appears thus over-rated and more likely to have been a D. Performance in this area has not decreased over the last four years, as the situation remains the same in 2011.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-8	**B+**	B	Scoring Method M2 (average of dimension scores)	
(i)	A	A	The horizontal allocation of the Government transfers to the municipalities is determined by a fixed and transparent formula.	No change in performance has been observed since the previous assessment.
(ii)	A	A	Municipalities can anticipate the funds they will receive from Government transfers. Moreover, they receive confirmation of the global subsidy allocation from Central Government in time to revise and present their budget to MOMA for approval.	No change in performance has been observed since the previous assessment.
(iii)	C	D	Consolidated fiscal data following an economic classification is available within 24 months after the end of the fiscal year. No data with a sectoral or functional classification are currently being compiled.	**2007 and 2011 are non-comparable scores**. The 2007 assessment did not provide enough evidence and some important information that was used to score the indicator was inaccurate. The 2007 score appears to be over rated and more likely to have been a D. No change in performance has been observed since the previous assessment.

[95] The last Municipal Financial Bulletin is dated 2 June 2011 and covers the period 2007-2009. During the PEFA mission (May 2011), a Committee composed by MOMA and MoF was preparing the next report (2008-2010), which was announced for July 2011.
[96] When the PEFA mission took place (May 2011) the last consolidation was related to fiscal year 2009. Consolidation for 2010 was under preparation and expected to be finalized in the following month (June 2011).
[97] General Government includes the Central Government and the municipalities.
[98] Fiscal data for 2008 was the last consolidated data available for the General Government at the moment of the PEFA mission (May 2011). This consolidation was published in the General Government Finance Bulletin of Decmber 2010 (Vol. 12, No. 11), issued in February 2011.
[99] Vol. 8, No. 12, January 2007. The mission consulted this bulletin at the MOF website.

Reform in Progress

The Law of Municipalities No.14 of 2007 is currently being revised and will most probably take the form of a new law. Among other important changes are the revision of the financial resources that could increase substantially (by a factor of three), and a change in the areas of responsibilities of the municipalities[100].

PI-9 Oversight of Aggregate Fiscal Risk

This indicator assess whether Central Government in Jordan monitors and adequately manages the fiscal risks with potential national implications, arising from activities or operations of the whole public sector, mainly the AGAs, the PEs and the municipalities[101]. The information used for this purpose has been collected for the fiscal year 2010.

Dimension (i): Extent of central government monitoring of Autonomous Government Agencies (AGAs) and Public Enterprises (PEs)

In 2010, there were 61 Government Units in Jordan, including 52 AGAs and 9 PEs. These public institutions are financially and administratively independent from Central Government but they are assigned to a line ministry. Although there is not a single Act to regulate these entities (each entity is created by a specific law), the Budgets Law of the Government Units, the Surplus Law and the Audit Bureau's Law are applicable to all of them[102]. These laws provide the terms of supervision that are practiced by the budgetary Central Government (GDB, MoF, and the Cabinet), the AB and the National Assembly. Some of the Government Units (AGAs) apply the government financial regulations[103] whereas others (AGAs and PEs) apply only the provisions of their own law and regulations. For a full listing of both AGAs and PEs (including the type of financial regulations applied) refer to Annex 2.

Since 2008, the budget of the Government Units is approved by the Cabinet and the National Assembly through a Law (refer to indicator PI-7). The budget of each Government Unit is regarded as independent by itself. It is not permitted to commit with any amount exceeding the financial appropriations stated in that Law except with the approval of MoF upon the recommendation of GBD, and it is not allowed neither to conclude any contract nor disburse any advance that has no appropriation in the Budgets Law of the Government Units (a Supplementary Law has to be issued if necessary). The GBD assumes the control and follow-up of the implementation of programs and projects stated in that Law[104].

All Government Units are required to submit the following financial information[105]:

1. Quarterly execution reports to the Cabinet for the purpose of reviewing their financial positions and following up their work progress;
2. Monthly financial positions of their revenues, expenditures and bank accounts as well as account balances to MoF and GBD;

[100] Communications of MOMA and CVDB.
[101] Fiscal risks are defined as debt service defaulting, operational losses, expenditure payment arrears, and unfunded pension obligations.
[102] Budgets Law of the Government Units for the fiscal year 2010, Surplus Law No. 30 of 2007 and Audit Bureau's Law No. 28 of 1952.
[103] Financial By-law No. 3 of 1994.
[104] Articles 5, 11, 14 and 19 of the Budgets Law of the Government Units for 2010.
[105] Articles 9 and 10 of the Budgets Law of the Government Units for 2010, article 5 of the Surplus Law No. 30 of 2007 and articles 4 and 22.3.b of the Audit Bureau's Law No. 28 of 1952.

3. Yearly financial statements related to the completed fiscal year to MoF and GBD within a period not to exceed four months from the end date of the fiscal year, and also to the AB within a period not to exceed six months.

In 2010, 47 Government Units provided financial reports to GBD and MoF at least monthly, 10 did it at least quarterly and the rest at least annually. A detailed list is included in Annex 2. Although these entities are monitored on a case by case basis by the heads of sector of GBD, no Directorate at Central Government is in charge of the oversight of its aggregate fiscal risk and a completed consolidated overview is lacking. Some statistics related to budget execution and outstanding debt of all the Government Units are included in the monthly MoF General Government Finance Bulletin[106], but these data do not cover all fiscal risk issues (e.g. expenditure arrears). Debt data are updated monthly but budget execution data are generally outdated[107]. Moreover, the data are not accompanied by an analysis of the overall fiscal risk that may arise from these public institutions. In 2010, the Government Units had gross bank deposits of JD 293 million, whereas their total estimated deficit before financing was JD 567 million (representing 30 percent of total estimated expenditure) and their outstanding of gross domestic debt and external guaranteed public debt were respectively JD 568 million and JD 508 million[108].

In addition, there are three entities of the Jordanian public sector that are not included in the Government Units: the public universities, the Social Security Corporation and the CVDB. The final accounts of each university are audited by the AB and then sent to the Higher Education Council for approval (some of them show a deficit). The financial statements of the Social Security Corporation are approved by their Board of Directors (they present a surplus). The CVDB takes deposits from the municipalities and handles their transfers from MoF, but it is not supervised by the Central Bank of Jordan[109]. Their annual financial statements are audited by a small company and sent to MoF. However, important fiscal risks can arise from the CVDB as their balance sheets do not include provisions for the loans granted to the municipalities[110]. Total assets of the CVDB at December 31, 2010 were JD 127.6 million.

Performance change and other factors since 2007 PEFA assessment

A full comparison with the previous PEFA seems impossible mainly due to an insufficient coverage of the analyses and evidence provided in 2007 (see Annex 1).

With the Surplus Law approved in 2007, the budget of the AGAs and PEs has to be approved by law by the National Assembly, their fiscal position has to be declared and they have to send annual financial statements to MoF. However, the oversight of aggregate fiscal risk from AGAs has somewhat deteriorated since 2007. At that time, GBD produced an annual review of the budget of 40 AGAs, including aggregate and detailed figures, which was approved by the Cabinet upon the proposal of MoF and distributed to the National Assembly. This kind of consolidated report is not produced any more.

Dimension (ii): Extent of central government monitoring of SN government's fiscal position

[106] General Government Finance Bulletin Vol.13, No.1, February 2011 (pages 28 to 36).
[107] At the time of the PEFA mission (May 2011), budget execution data referred to 2009.
[108] Sources: General Government Finance Bulletin Vol.13, No.1, February 2011, and Budgets Law of the Government Units for 2010.
[109] The Central Bank of Jordan was one of the 61 Government Units in 2010.
[110] At the moment, if a municipality cannot repay a loan on time, the loan is rescheduled, sometimes for up to 10 or more years. It is considered that the CVDB will always be rescued by the Government if necessary, due to the political connotations of this bank.

In Jordan, the municipalities can generate fiscal liabilities for Central Government, such as debt service defaulting, operational losses and expenditure payment arrears.

According to the Law of Municipalities, the budget of the municipalities has to be approved by MOMA and actual expenditure cannot exceed the allocations in the budget[111]. Since 2010, the CVDB also participates in preparing the municipalities' budget. All the municipalities have to send their final accounts and balance sheets to MOMA and CVDB within 4 months since the end of the year and MOMA is responsible to approve them[112]. This is partially respected in practice, as some municipalities (around 20 in a total of 94) overstep the deadline. The municipalities also have to present to the AB the financial statements related to each fiscal year within six months from the end date of the fiscal year[113]. A consolidated report on municipalities' budget execution is prepared by a Committee integrated by MOMA and MoF within 18 months from the end of the fiscal year[114]. This report provides with a net fiscal position of the municipalities, but the liabilities on expenditure payment arrears are not included[115].

The municipalities require the approval of MOMA to borrow from any entity[116]. They also need the approval of the Cabinet when the loan is to be guaranteed by the Central Government. Most of the municipalities' debt (98 percent) is directly with the CVDB and the balance with the commercial banks that generally require the guarantee of the CVDB[117]. The total outstanding of the municipalities' debt was JD 89 million at the end of April 2011[118]. An assessment of the fiscal risk is done by the CVDB on a case by case basis, when the municipality applies for a loan. However, the level of solvency of the municipality and the availability to repay the loan are not always taken into account to make the decision, as the CVDB sometimes lends to highly loss-making and indebted municipalities, even to cover municipal salary payments. The CVDB has two legal defenses to control the risk of lending to the municipalities. As the Bank holds the deposits of the municipalities, loan installments are taken directly from current payments to municipalities at the expense of services offered to the inhabitants during that period. In addition, the Bank can take any steps to get repaid (e.g. seizing assets) as its funds are considered "state funds"[119]. Neither the Central Government nor the CVDB consolidate municipal overall fiscal risk into a report.

Performance change and other factors since 2007 PEFA assessment

A comparison with the previous PEFA seems impossible because almost no evidence was provided in 2007 (see Annex 1). No change in performance has been observed since the previous assessment.

[111] Additional need arise has to wait until next budget approval. Article 55 of the Law of Municipalities No. 14 of 2007.
[112] Article 56 of the Law of Municipalities No. 14 of 2007.
[113] Articles 4 and 22.3.b of the Audit Bureau's Law No. 28 of 1952.
[114] Municipal Financial Bulletin 2007-2009. MOMA, June 2011.
[115] This report contains more than 100 pages of tables but little analysis.
[116] MOMA has to approve the lender, the purpose of borrowing, the interest rate, the method of payment and any other special condition stipulated in the lone agreement. Article 44 of the Law of Municipalities No. 14 of 2007.
[117] The GAM is the only municipality that can borrow from other banks without seeking permission from CVDB.
[118] Communications of CVDB and MOMA.
[119] This second measure is difficult to be applied in some cases for political reasons. Also, some of the municipalities in the worst condition have no assets that could be seized.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-9	**B+**	**D+**	Scoring method M1 (weakest link)	
(i)	A	C	All AGAs and PEs submit fiscal reports including final accounts to MoF at least annually. Central Government consolidates some statistical data related to budget execution and outstanding debt of all AGAs and PEs, but an analysis of the overall fiscal risk is missing.	**2007 and 2011 are non-comparable scores** due to an insufficient coverage of the analyses and evidence provided at that time. However, the oversight of aggregate fiscal risk from AGAs has deteriorated since 2007. The annual consolidated review of the AGAs budget is no longer produced.
(ii)	B	D	The municipalities can generate fiscal liabilities for Central Government. Their net fiscal position is monitored annually by MoF and MOMA but Central Government does not consolidate overall fiscal risk into a report.	**2007 and 2011 are non-comparable scores** as insufficient evidenced was provided. No change in performance has been observed since the previous assessment.

P-10 Public Access to Fiscal Information

This indicator evaluates whether the general public or, at least, the relevant interest groups have access to key information about fiscal plans, position and performance of Central Government in an opportune and simple manner. The evaluation is based on the information available at the time of the mission, which was May 2011.

Dimension (i): Number of the above listed elements of public access to information that is fulfilled[120]

The publication of key fiscal information via easily accessible media and in time to be relevant is presented in Table 3.9. below.

[120] An element can only be considered for the purposes of this evaluation if it fulfils all the requirements within the information parameter.

Table 3.9. Criteria on Public Access to Key Fiscal Information

(i) Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.	**Yes.** The budget proposal can be easily obtained by the public when it is sent to the National Assembly. During the approval of the 2011 budget, the complete set of documents (including summary tables, detailed allocations and proposed articles of the law) was posted in the GBD website (www.gbd.gov.jo). Both budget speeches (29/12/2010 and 06/03/2011) were published in national newspapers and extensively commented on and discussed by the media. These documents were also available in the GBD website and later published in the General Government Finance Bulletin of January 2011 (Vol.12, nº 12). The government Budget Law is also easily accessible to the general public once it has been sanctioned by the National Assembly[121].
(ii) In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	**Yes.** Monthly budget execution reports are made available to the public through the publication of the General Government Finance Bulletin produced by the Studies and Economic Policies Directorate of MoF immediately after their completion. These reports are also posted in MoF website[122]. They include actual figures for budget execution according to GFS economic and functional classification, but there is no actual data for administrative classification. In addition, preliminary figures are posted in the MoF website within the first few days after the month end.
(iii) Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	**No.** The annual Financial Statements are sent to the AB, the National Assembly and the Central Bank within the first six months of the next year[123]. The AB audits them in the following months but only includes the results of its audit with an opinion for the National Assembly in its annual report of the subsequent year. This report is issued more than six months after of completed audit: by May 2011, the last AB report available was from 2009, which included the audit results of the 2008 Financial Statements. The complete set of Financial Statements of the Central Government is not made available to the public either before or after being audited by the AB[124].
(iv) External audit reports: All reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit.	**No.** The last annual report submitted to legislature by the AB at the time of the PEFA mission (May 2011) is the annual report of 2009. This report contained the findings on several audits undertaken during 2009 and was sent to the National Assembly in December 2010[125]. This report is also sent to the executive. However, it is not made available to the public by appropriate means. It cannot be downloaded through the internet nor bought in a bookshop. The PEFA team could not get a copy, although it requested it several times.

[121] The entire government budget law is available in GBD website and hard copies were sent to all ministries and independent departments, as well as embassies, universities, media, etc. However, at the time of the PEFA mission (May 2011), the English version was not available.

[122] All the monthly reports since 2002 can be currently downloaded in GBD website.

[123] Article 57 of the financial By-law No. 3 of 1994 states "The closing accounts of the fiscal year shall be prepared during the immediate following year". Article 22.3(a) of the AB Law No. 28 of 1952 states "MOF shall submit a final account of the state to AB about the accounts of each fiscal year within a period not to exceed six months from the end date of the fiscal year". To date, Financial Statements do not require the approval of the National Assembly.

[124] The annual Financial Statements report is only available in Arabic.

[125] The AB report is only available in Arabic. This report could not have been sent in April 2010 as stated in the AB's Law because the legislature was not in session then. The National Assembly was dissolved on the 24th of November 2009. The next ordinary session was on 28th of November 2010, after Parliamentary elections on 10th November 2010. However, Parliament was not fully operational until mid-December when the different committee-chair persons had been appointed.

(v) Contract awards: Award of all contracts with value above approximately USD 100,000 equivalent is published at least quarterly through appropriate means.	**No.** Not all awards of contracts with value above JD 70,000 are published through appropriate means. The Jordanian public procurement system for these tenders includes three departments: the General Supplies Department (GSD), the Joint Procurement Department (JPD) and the General Tender Department (GTD) within the Ministry of Public Works and Housing [126]. The contracts awarded by JPD (less than 16 in 2010) are regularly published in their website (www.jpd.gov.jo). The GTD contract opportunities and awards are also published in their website (www.gtd.gov.jo). However, awards under GSD are only published in the official gazette[127] and posted on their notices board at their office premises. A consolidated publication for all awards above JD 70,000 does not exist, even on a yearly basis.
(vi) Resources available to primary service units: Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	**No.** The detailed budget includes the resources available to basic education (chapter 2501, program 4425) and primary health care centres (chapter 2701, program 4610) but not by primary service units (there are around 636 primary health care centres and 2197 primary schools). This disaggregated information is not always computerized and is not published.

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible due to a weak application of the methodology (see annex 1). The 2007 assessment concluded that the Government made available three of the six listed types of information: items (i), (ii) and (iv). However, the 2007 coverage of the analyses was inaccurate, as it did not take into account when the information was available and by which means. It appears to the current mission that 2007 score was over-rated because a complete set of the budget proposal (i) and the external audit report on budget execution (iv) were not made available to the public on time and through appropriate means. Only one of the six criteria seems to have been satisfied at that time, which corresponds to a score of C.

Some progress has been achieved since 2007, as a complete set of documents can now be obtained by the public through appropriate means when it is submitted to the legislature.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-10	**B**	**C**	Scoring method M1 (weakest link)	
(i)	B	C	The Government makes available to the public 2 of the 6 listed types of information.	**2007 and 2011 are non-comparable scores**. Not enough evidenced was provided and some important evidence used to score was inaccurate. The 2007 score appears over rated and more likely to have been a C. **Some progress has been achieved since 2007** in relation to item (i).

[126] GSD is responsible for the general supplies of the budgetary Central Government and purchased for a global amount of approximately JD 300 million in 2010. JPD is specialized in purchasing drugs and medical supplies and purchased for an amount of around JD 73 million in 2010. GTD is specialized in procurement related to public works and had a global contract figure of JD 182 million in 2010.
[127] In accordance to article 23 of the Supplies Act No. 32 for the year 1993.

Reform in Progress

Jordan has joined the IMF Special Data Dissemination Standards (SDDS) since January 2010. According to these standards, the MoF publishes fiscal data in the Central Government Finance Bulletin, Public Debt Bulletin, and Fiscal Data Report on a monthly basis.

At the moment of the mission (May 2011), GBD was finishing two documents to improve public access to the General Budget Law. The first document “Budget Brief for 2011” constitutes a summary of the Budget Law[128]. The second document “Citizens budget for 2011” is a flier addressed to the general public and aims at explaining the main elements of the budget in a very easy and simple way[129]. These two documents are expected to be published by the end of June 2011. For the following years, they intend to be issued right after the budget approval.

[128] The “Budget Brief for 2011” draft includes information of economic and financial indicators for 2010, hypothesis used for 2011 budget, economic expectations for the year 2011, most important developments or changes for 2011 budget, calendar and mechanisms used for preparing the Budget Law and potential risks faced by the budget within the medium term.

[129] The “Citizens budget for 2011” draft includes the following topics: What’s the budget?; What has the Government done for the people last year?; Which are the main financial and economic indicators for 2010?; Which are the main Government priorities and policies for 2011 budget?; Which are the main budget hypothesis?; From where GOJ gets the resources and in what purpose it expends them?; Why the Government borrows? and Which is the role of the citizens in implementing the budget?

3.3. Policy-based budgeting

This section assesses the formulation of the budget process based on two principles.

First, an orderly and effective participation of all executing entities and respective authorities in the budget formulation process impacts the extent to which the budget will reflect macro-economic, fiscal and sector policies.

Second, expenditure policy decisions have multi-year implications and must be aligned with the availability of resources in the medium-term perspective and with sectoral strategies.

PI-11 Orderliness and Participation in the Annual Budget Process

This indicator aims to assess whether the formulation process for the General Budget Law in Jordan was organized in such a way as to allow for an effective participation of the MDAs, including their political leadership represented by the Council of Ministers[130]. The first two dimensions of this indicator analyze the budget formulation process followed during 2010 for the last budget approved by the National Assembly, which was the budget of 2011. The third dimension covers the last three fiscal year budgets of 2009-2011.

Dimension (i): Existence and adherence to a fixed budget calendar

The Organic Budget Law No. 58 of 2008 stipulates in its Article 4 paragraph E that GBD shall be responsible for establishing a budget calendar that ensures that the General Budget Law for central government be approved by Parliament prior to 1 January of each year, as required by the Constitution of 1952. The Organic Budget Law does not include a timetable for the preparation of the budget. The legal basis for the dates related to the budget preparation calendar are Cabinet Directives, GBD Directives, the GBD Budget Circular, and the Constitution, which requires that the draft budget be submitted to Parliament one month before the beginning of the fiscal year and that it be approved before the beginning of the fiscal year. In 2010, GBD informed MDAs of the upcoming budget calendar at the beginning of the budget preparation process.

The budget calendar has been revised in recent years as important improvements in budget preparation have taken place and are on-going. A revised budget calendar was proposed by the MoF and approved by the Prime Minister on 6th September 2009[131]. This calendar brought forward the beginning of the process to prepare the budget to January (from May in 2007) and the date when the draft budget has to be submitted to Parliament to October (from end-November according to the 2007 PEFA assessment).

The indicative budget calendar for preparing the 2011 General Budget Law is presented below. However, the implementation of the budget calendar was significantly delayed in 2010 mainly because of the decision to ensure consistency between MOPIC's *2011-2013 Executive*

[130] The MDAs concerned for the purpose of this indicator are those which are directly charged with responsibility for implementing the budget in line with sector policies and which directly receive funds or authorization to spend from the MoF. Department and agencies that report and receive budgetary funds through a parent ministry should not be considered in the assessment. Thus, this indicator does not refer to the process followed to prepare the Budget Law for the Government Units comprising AGAs and public enterprises that has been prepared in Jordan since 2009.

[131] Prime Minister Decree 13/00/18062 of 6 September 2009.

Development Program and the MTEF prepared by GBD[132]. While this contributed to improving the coordination on medium-term capital expenditure between MOPIC and GBD, it delayed the decisions on the final budget ceilings and the issuance of the Budget Circular until 4 November 2010. This left little time for ministries to revise and finalize their budget submissions and for GBD to finalize the draft budget before it was sent to Parliament at the end of November.

So, while according to the budget preparation calendar, MDAs should have had four weeks to complete their budget estimates after receiving the budget circular, they only had about a couple of weeks in 2010. In previous years, the budget circular was issued on 4 October 2009, 12 August 2008, and 22 August 2007.

Table 3.10. Budget Preparation Calendar for the 2011 Budget Law as approved in Sep 2009

Date	Responsibility	Procedures
End-January	GBD	Letter to MDAs requesting that they prepare Budget Policies and Priorities Statements for the next three years.
End-February	MDAs	Submission of 2011-2013 Budget Policies and Priorities Statements to GBD.
Mid-March	MoF, GBD	Preparation of the Budget Policies and Priorities Paper for 2011-2013.
End-March	Council of Ministers	Discussion and approval of the Budget Policies and Priorities Paper for 2011-2013.
May	MoF, GBD	Preparation of the 2011-2013 Budget Framework Paper[133] and its submission to the Council of Ministers.
May	Council of Ministers	Discussion and approval of the Budget Framework Paper.
Mid-May	GBD	Letter to MDAs requesting that they prepare draft budgets for 2011-2013.
Mid-July	MDAs	Submission of 2011-2013 draft budgets.
Mid-August	GBD	Completion of revision of MDAs draft budgets, revision of the 2011-2013 Budget Framework Paper and preparation of MTEFs for MDAs.
End-August	MoF, GBD	Preparation of budget circular, including the allocation of budget ceilings for 2011-2013 consistent with the Budget Framework Paper and MTEFs.
Beginning of September	Council of Ministers	Approval and issuance of the budget circular.
September 20th	MDAs	Submission of 2011-2013 draft budgets consistent with the budget circular.
Mid-October	GBD, Advisory Budget Council to the Office of the Prime Minister	Preparation of the headlines of the Draft General Budget Law and its presentation to the Advisory Budget Council for discussion and any deemed changes.
October 20th	GBD Council of Ministers	Submission of the Draft General Budget Law to the Council of Ministers for its discussion and approval.
End-October	Council of Ministers	Submission of the Draft General Budget Law to Parliament.
End-December	Parliament	Discussion and approval of the Draft General Budget Law, after which a Royal Decree is issued to ratify the law.

[132] See section *2.1.2 Overall Government Reform Program* for more information on the *2011-2013 Executive Development Program.*

[133] In the budget calendar, this is referred to as the "paper on the framework of the general budget for the medium term", although with respect to the 2011 budget preparation cycle it was referred to as the revised Budget Policies and Priorities Paper. It was previously referred to as the medium-term fiscal framework (MTFF).

Performance change and other factors since 2007 PEFA assessment

The 2007 and the 2011 scores are not comparable because while the 2007 PEFA assessment provides the indicative calendar existing at the time, it does not discuss the budget preparation calendar followed in 2006 to prepare the 2007 General Budget Law.

Notable improvements have been implemented in relation to the budget preparation calendar since 2007 as the adoption of a revised calendar approved in end-2009 brought forward the beginning of the process from May to end-January and has allowed more time for strategic analysis of forward expenditure requirements and priorities prior to issuing the budget circular. In this respect, MoF and GBD prepared for the first time in 2010 a Budget Policy and Priorities Paper for 2011-2013, which established the basis of policies and priorities for the development of the forthcoming three-year budget proposal.

Dimension (ii): Clarity/comprehensiveness in the guidance on the preparation of budget submissions (budget circular or equivalent)

A budget circular was issued to MDAs in November 2010, as indicated in the discussion of the previous dimension. The budget circular was clear and included budget ceilings approved by the Council of Ministers.

GBD prepared the budget circular after the MoF revised the Budget Framework Paper and the MTFF presented in there and determined the ceiling for the total budgetary central government expenditure. GBD finalized the MTEF based on the preliminary budget submissions provided by the MDAs and established institutional budget ceilings. GBD sent the draft budget circular for approval to the Advisory Budget Council of the Office of the Prime Minister, which consists of the ministers of MoF, MOPIC, and MIT; the Governor of the Central Bank; the President of the Audit Bureau; the GBD Director; and the Social Security Corporation Director. In general, the Advisory Council may introduce some changes but the team was told that this rarely happens. After the Advisory Council approved the budget circular, the circular was sent for approval to the Council of Ministers. After approval of the Council of Ministers, the Prime Minister issued the budget circular to all MDAs, which included budget ceilings for current and capital expenditure, detailed instructions, and forms.

Performance change and other factors since 2007 PEFA assessment

The 2007 and the 2011 scores are not comparable because the 2007 assessment does not discuss anything at all on the budget circular. It only copied the text corresponding to the A score in the summary table.

There have been significant performance improvements since 2007 when the budget circular provided only aggregate spending limits to MDAs for the upcoming fiscal year. The 2010 budget circular provided a set of annexes to each MDA providing ceilings on current and capital expenditure for 2011-2013 that are consistent with a macroeconomic framework, a MTFF, and MTEFs. The budget circular is also more comprehensive.

Dimension (iii): Timely budget approval of the budget by the legislature or similarly mandated body (within the last three years)

The Constitution mandates that the draft General Budget Law be sent to Parliament at least one month before the beginning of the financial year on 1 January. After receiving the draft budget law, Parliament sends the draft to its Finance and Economic Committee which discusses the budget in detail and writes a report with recommendations to the Lower House for budget approval. Subsequently, the draft budget gets approved by the Upper House. Finally, the budget is approved by Royal Decree and enacted as a law when published in the Official Gazette.

During the past three fiscal years, the General Budget Law was published in the Official Gazette after Royal Decree approval on the following dates:

Table 3.11. Dates of Enactment of General Budget Laws

Fiscal Year	Dates of Enactment of the General Budget Law	Official Gazette Number
2011	28 March 2011	5086
2010	30 March 2011	5087
2009	4 January 2009	4945

Source: GBD and Official Gazette

Thus, the budget was approved with more than two months delay in two of the last three years. This is because Parliament was dissolved on 23 November 2009 and did not resume operations until 28 November 2010, after elections on 10 November 2010. The Speaker of the House of Representatives and the heads of parliamentary committees were appointed by mid-December, including that of the Financial and Economic Committee. With the turmoil in the Middle East and specifically in Jordan in January 2011, many members of the Council of Ministers changed in January. This new Cabinet recalled the draft 2011 General Budget Law from the National Assembly to review it and made some changes. Given continued popular unrest, a new Council of Ministers was appointed in early March 2011 which also recalled the draft 2011 General Budget Law to review it.

As a result, the General Budget Law for 2011 was enacted on 28 March 2011 and published in the Official Gazette on 11 April 2011. The General Budget Law for 2010 was endorsed as a temporary budget law by the Cabinet on 8 December 2009. It became a permanent law when approved by Parliament and published in the Official Gazette on 30 March 2011.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are comparable as they refer to the dates of the budget approval. The performance deteriorated since 2007.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-11	**B+**	**C+**	Scoring Method M2 (average of dimension scores)	
(i)	A	C	A revised budget calendar was approved in end-2009 and brought forward the beginning of the budget preparation calendar. While the budget calendar is generally adhered to, in 2010 the decision to ensure consistency between MOPIC's *2011-2013 Executive Development Program* and the MTEF consolidated by GBD delayed approval of the final budget ceilings and, thus, the issuance of the budget circular by two months. The budget circular was issued on 4 November 2010. As a result, MDAs only had a couple of weeks to finalize their estimates[134].	**The 2007 and the 2011 scores are not comparable** because while the 2007 PEFA assessment provided the indicative calendar existing at the time, it did not discuss the budget preparation calendar followed in 2006 to prepare the 2007 General Budget Law. **Improvements have been implemented in relation to the budget preparation calendar since 2007.** The adoption of a revised calendar approved in end-2009 brought forward the beginning of the process from May to end-January and has allowed more time for strategic analysis of forward expenditure requirements and priorities prior to issuing the budget circular. In this respect, MoF and GBD prepared a 2011-2013 Budget Policy and Priorities Paper for the first time in 2010.
(ii)	A	A	A budget circular was issued to MDAs in 2010, which was clear and included 2011-2013 budget ceilings approved by the Council of Ministers.	**The 2007 and the 2011 scores are not comparable** because the 2007 assessment did not discuss anything at all on the budget circular. It only copied the text corresponding to the A score in the summary table. **There have been significant performance improvements since 2007** when the budget circular provided only aggregate spending limits to MDAs for the upcoming fiscal year. The 2010 budget circular provided a set of annexes to each MDA providing ceilings on current and capital expenditure for 2011-2013 that are consistent with macroeconomic framework, a MTFF, and MTEFs. The budget circular is also more comprehensive.
(iii)	C	D	The General Budget Law for 2010 was approved on 30 March 2011 and the General Budget Law for 2011 was approved on 28 March 2011, which is 15 months and 3 months after the start of the fiscal year, respectively. This was because the National Assembly was suspended in November 2009, re-elected only in November 2010 and fully operational in December 2010. In addition, the turmoil in the Middle East resulted in the change of two Cabinets during January-March 2011, when the 2011 General Budget Law was reviewed by the new Cabinets.	**The 2007 and 2011 scores are comparable.** They only refer to the dates of the budget approval. **The performance deteriorated since 2007** due to political factors**.** At the time of the 2007 PEFA, the budget had been approved after the beginning of the fiscal year for the 3 years under assessment, but in two of those years the budget had been approved within two months of the start of the fiscal year. In 2011, the budget for two of the past three years was approved with more than two months delay.

Reform in Progress

[134134] Please notice in the PEFA Secretariat "Guidance of evidence and sources of information to support the scoring on the indicators" of February 2007 that the score for this dimension has to be based on budget preparation followed for the last budget approved by Parliament, which is the 2011 General Budget Law.

GBD is considering a revised Organic Budget Law that would include a budget preparation calendar. In addition, IMF METAC and the World Bank are in on-going conversations with GBD related to improving even further the budget preparation process and schedule[135].

PI-12 Multi-Year Perspective in Fiscal Planning, Expenditure Policy, and Budgeting

This indicator refers to the budgetary central government and discusses four dimensions related to: (i) multi-year fiscal forecasts, (ii) debt sustainability analysis, (iii) existence of multi-year costed sector strategies, and (iv) linkages between investment budgets and forward expenditure estimates.

Dimension (i): Preparation of multi-year fiscal forecasts and functional allocations

This dimension covers the last two completed fiscal years, which are 2009 and 2010.

The Organic Budget Law No. 58 of 2008 calls for multi–year budgeting. Article 8 (c) stipulates that "The annual general budget law should include the following: A summary of each chapter in the budget, including the vision, mission and the strategic objectives which the governmental department is seeking to achieve within the medium term, in addition to the programs, projects and activities that achieve these objectives and the performance measurement indicators for the monitoring and evaluation purposes."

While the MoF Research Directorate has been preparing three-year MTFF since 2004, a medium-term macro-fiscal framework for three years has been introduced in the budget since the 2008 General Budget Law. The quality of the simulation and econometric models has improved with support from USAID. Macroeconomic and fiscal forecasts are based on a combination of structural and econometric models. In May 2010 a Budget Framework Paper providing a medium-term forecast for 2010-2013 was introduced in the 2011 budget preparation process. It provided a macro-fiscal framework including forecasts for domestic revenue, current expenditure, capital expenditure, grants, and overall fiscal balances.

Based on the MTFF, GBD started to prepare three-year medium-term expenditure frameworks (MTEF) in 2007. The first MTEF covered 2008-2010 and annual rolling MTEF for three years have been prepared since then. MTEFs are prepared according to all six classifications that can be derived from the Chart of Accounts (COA): economic, administrative, functional, geographical, program, and source of funding.

There are definitive links between multi-year estimates and the subsequent setting of annual budget ceilings in the early stages of the budget preparation. In 2009 and 2010, GBD instructed MDAs in May of each year to prepare their initial draft budgets within the ceilings established in the MTEFs approved in the General Budget Law the previous year. GBD instructed MDAs not to exceed that ceiling under any circumstances.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the A score in 2007 was based on the "three years macro-economic framework" prepared by the MoF Research Directorate when in fact no multi-year budgeting was undertaken at that time. This was introduced with the 2008 General Budget Law. Thus the score in 2007 should have been much lower.

[135] IMF and World Bank, "Public Financial Management Reforms", January 2011.

A considerable performance improvement has occurred since 2007 based on the introduction of multi-year budgeting since the 2008 budget and the establishment of links between multi-year estimates and subsequent setting of annual budget ceilings.

Dimension (ii): Scope and frequency of debt sustainability analysis

This dimension covers the last three years before this repeat PEFA assessment, which are 2008-2010.

Debt sustainability analysis for both external and domestic debt has been undertaken annually for the past three years. This analysis was undertaken by IMF staff with data provided by the MoF Public Debt Directorate. The MoF accepted the findings of the debt sustainability analysis undertaken on its behalf. The analysis was published in the IMF Article IV Consultations-Staff Report published on August 2008, May 2009, and September 2010[136].

Performance change and other factors since 2007 PEFA assessment

The 2007 report did not provide specific information. It only reported that the government conducted regular debt sustainability analysis.

However, a review of past IMF reports showed that debt sustainability analysis was also undertaken annually during 2004-2006 by IMF teams and accepted by the government. Thus, performance has remained unchanged.

Dimension (iii): Existence of sectoral strategies with multi-year costing of recurrent expenditure and investment expenditure

This indicator covers the last completed budget which is the 2011 General Budget Law.

Since 2008 all MDAs have been preparing sector strategies that need to be consistent with priorities included in the national strategies of the National Agenda 2006-2015 and the Kulluna Al Urdon initiative (We are all Jordan) of 2006. Strategies are also prepared in line with the results-oriented budgeting framework adopted in Jordan since 2008 that include key performance indicators for programs. An important achievement in this area has been improving the definition of the program objectives, performance targets and indicators during 2010, all of which has strengthened the relationship between planning and spending according to sectoral priorities. Revisions to any component of the sectoral or MDAs strategies need to be reported to GBD at the beginning of the budget preparation process, as requested in the letter sent by GBD in May 2010 requesting that MDAs prepare their draft budgets.

All MDA strategies are costed for investment expenditure and recurrent expenditure; although it is suspected that a relatively small percentage of future recurrent expenditure might not be captured. All future recurrent expenditure is expected to be costed once GFMIS has been rolled out to all MDAs. MDAs are required to report to GBD costs related to all their programs and this was clearly requested in the budget circular of 2010. Costs are recorded at the level of chapters, programs, projects, and activities. GBD indicated that the costing is consistent with fiscal forecasts.

[136] The PEFA Secretariat "Clarifications to the PFM-PM Framework" of September 2008 indicate that debt sustainability analysis conducted by an external party can be counted if the government accepts the findings. See the discussion for PI-12.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the 2007 report does not provide any information about this dimension other than copying the text corresponding to the B score in the summary box showing the scores for the dimensions related to this indicator.

Substantial positive performance change has occurred since 2007 as fully costed strategies consistent with national priorities started been prepared in 2008.

Dimension (iv): Linkages between investment budgets and forward expenditure estimates

This indicator covers the last completed budget

Budgeting for investment and budgeting for recurrent expenditure are one single process undertaken by each MDA. The estimated future costs of on-going projects are included in the multi-year estimates, together with some new proposals where relevant fiscal space and policy priorities have been identified[137]. Capital expenditures funded by external loans and grants are managed by MOPIC and are appropriated under the MOPIC budget. MOPIC also manages a small amount of domestically-financed capital expenditures related to these projects.

Within sectors, the priority and quality of capital expenditure are determined to a large extent by each MDA. During the 2011 budget preparation, a special effort was made in reviewing and finalizing the capital spending program to ensure consistency with the *2011-2013 Executive Development Program* on capital expenditure that was being prepared by a Steering Committee chaired by MOPIC. Sectoral ministerial committees were formed to review new capital projects with the aim of ensuring priorities at sector level and reviewing costing implications.

The basic requirements are in place for an effective capital budgeting system that ensures that most capital projects undertaken within the budget are broadly in line with national and sector needs and priorities. Capital projects are prioritized considering priorities set up in the National Agenda, the Executive Development Program, internal MDAs planning committees, and central agency review of capital proposals involving GBD, MoF and MOPIC in consultation with the submitting line agency. However, forward budgeting of capital expenditure is determined as a residual after allowing for current expenditure and an agreed acceptable deficit balance. Thus, new capital projects or even continuous projects are largely constrained despite any priority in the national strategic framework.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the 2007 report does not provide any information about this dimension other than copying the text corresponding to the C score in the summary box showing the scores for the dimensions related to this indicator.

Performance change has been positive since 2007. Since 2008 all MDAs have been preparing sector strategies that need to be consistent with priorities included in the National Agenda 2006-2015.

[137] See also IMF, "Capital Budget Preparation and Medium Term Budget Planning", METAC, May 2010.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-12	**B+**	**A**	Scoring Method M2 (average of dimension scores)	
(i)	A	A	Three-year medium-term MTFF and MTEF started with the 2008 General Budget Law. Forecasts of fiscal aggregates are available in the economic, administrative, and functional classification. Definitive links exit between multi-year estimates and the subsequent setting of annual budget ceilings in the early stages of the budget preparation.	**The 2007 and 2011 scores are non-comparable** because the A score in 2007 was based on "three years macro-economic frameworks" prepared by MoF when in fact no multi-year budgeting was undertaken at that time. Thus the score in 2007 should have been much lower. **A considerable performance improvement has occurred since 2007** based on the introduction of multi-year budgeting since the 2008 budget and the establishment of links between multi-year estimates and subsequent setting of annual budget ceilings.
(ii)	A	A	Debt sustainability analysis for both external and domestic debt has been undertaken annually for the past three years by the IMF and the findings were accepted by the MoF.	**The 2007 and 2011 scores are comparable.** **Performance has remained unchanged.** Although the 2007 PEFA report did not provide specific information, a review of past IMF reports showed that debt sustainability analysis was also undertaken annually during 2004-2006 by IMF teams and accepted by the government.
(iii)	B	A	Strategies for sectors representing well over 75 percent of primary expenditure exist with full costing of investment and recurrent expenditure, broadly consistent with fiscal forecasts.	**The 2007 and 2011 scores are non-comparable** because the 2007 report does not provide any information about this dimension other than copying the text corresponding to the B score in the summary box showing the scores for the dimensions related to this indicator. **Substantial positive performance change has occurred since 2007** as fully costed strategies consistent with national priorities started been prepared in 2008.
(iv)	C	B	The majority of capital projects are selected based on sector strategies and most of their recurrent costs are included in forward budget estimates for the sector.	**The 2007 and 2011 scores are non-comparable** because the 2007 report does not provide any information about this dimension other than copying the text corresponding to the C score in the summary box showing the scores for the dimensions related to this indicator. **Performance change has been positive since 2007**. Since 2008 all MDAs have been preparing sector strategies that need to be consistent with priorities included in the National Agenda 2006-2015.

Reform in Progress

MoF is working on upgrading its macroeconomic and fiscal modelling and forecasting capabilities and intends to update its macro-fiscal framework quarterly in the future. Also, the MoF Public Debt Directorate is in the process of defining a medium-term debt strategy that will require that MoF undertakes its own debt sustainability analysis annually.

3.4. Predictability and control in budget execution

This section analyses different performance aspects of budget execution in the following three areas of the PFM system:

1. Tax administration
2. Management of treasury and debt management
3. Internal control of expenditures.

PI-13 Transparency of Taxpayer Obligations and Liabilities

This indicator assesses the level of clarity and comprehensiveness of major tax legislation and regulations; access of taxpayers to this information; and the existence and functioning of the tax appeals mechanism at the time of this Repeat PEFA Assessment, which was May 2011.

In Jordan the major taxes are the (i) income tax and (ii) the general sales tax (GST) and (iii) the Special Sales Tax that are administered by the Income and Sales Tax Department (ISTD) which is part of the MoF[138]; (iv) custom duties that are administered by the Customs Department; and (v) the property tax and the land registration tax that are administered by the Department of Land and Surveys. The GST is effectively a VAT. As a percentage of total taxes collected in 2010, income taxes accounted for 21 percent, GST for 66 percent (over 40 percent of which were collected on imports of goods), customs duties for 10 percent and property related taxes for less than 3 percent.

Dimension (i): Clarity and comprehensiveness of tax liabilities

At the time of this assessment, the legislation and procedures for most major taxes in Jordan were comprehensive and clear. However, some out dated legislation and procedures undermined transparency and provided fairly limited administrative discretion in the assessment of tax liabilities. As of May 2011, the existing legislation comprised the following:

(i) The revised temporary Income Tax Law No. 28, which was approved by the Council of Ministers on a provisional basis on 29 December 2009, became effective on 1 January 2010. New forms, processes, systems and training were developed during 2010. As of May 2011, the temporary law had not yet been approved as permanent law. [139]

The revised tax law introduced many positive structural changes. Compared to the previous Income Tax Law No. 57 of 1985 and its various amendments, the new temporary tax law is clearer and simplifies the tax system. However, it does not group articles of the law by topics under different sub-headings which were a positive feature of the Tax Law No. 57. The Income Tax Law No. 28 repealed 11 past laws under which amendments and exemptions had been introduced. The revised law includes less elements of administrative discretion than the old law, such as the value of some penalties, the estimated tax liabilities to be included in administrative assessments sent to non-filers and stop-filers, etc.

[138] The Special Sales Tax is a de facto excise which is applied to most traditionally excisable commodities. These are alcohol beverages, cigarettes, tobacco, cars, other vehicles, and mobile phone services. The Special Sales Tax is imposed to these commodities in addition to the GST.

[139] The Parliament was dissolved in November 2009 before the new law was enacted and resumed operations a year later in November 2010 after Parliamentary elections.

Two new by-laws related to the Income Tax Law No. 28 were issued in January 2010, one exempting export profit from taxes and the other related to tax court procedures. Two additional by-laws have been sent to the Prime Minister's office and are expected to be issued soon. One is related to the depreciation schedule and the other one to exemptions on legal persons (charities, societies, NGOs, etc.). This is considered to be in compliance with Article 4 in the law which states that such exemptions should be governed by regulations.

While the Chamber of Commerce considered the law to be good and clear, the Chamber of Industry considers it premature to voice an opinion about the revised income tax law and noted that the by-laws have not been finalized and that more clarifications about the law are needed. [140] The Chamber of Commerce mentioned that the MoF had posted on its website the draft tax law to enable citizens and concerned parties to give their suggestions and considered that their views had been taken into account.

(ii) The amended temporary General Sales Tax No. 29, which has also been approved by the Council of Ministers on a provisional basis on 29 December 2009, became effective on 1 January 2010. While this law is denominated the GST Law, it is applied on GST and the special sales tax. The amendments to this law were related to administrative procedures which were harmonized for the most part with those established in the Income Tax Law No. 28. No new by-laws, regulations or instructions have been issued after the law was amended.

The transparency and clarity of the legislation and procedures related to the GST are undermined by the existence of multiple thresholds, many exemptions and zero-rated supplies. This complicates both administration and taxpayer compliance, especially for taxpayers who may have multiple economic activities falling within separate thresholds[141].

(iii) The Customs Law No. 20 of 1998, its amendments, regulations, and hundreds of directives. Jordan's current tariff system is based on the harmonized system of tariffs. The tariff system remains complex with a large number of nominal rates (26 rates mostly ranging from 0 percent to 30 percent but tariffs on cigarettes and alcohol reach 200 percent) and widespread exemptions (more than 50 percent of tariff lines are exempted).

(iv) The Property Tax Law No. 11 of 1954 and its amendments. One important amendment to the law was introduced in 2004 when the municipalities were given the authority to collect two property taxes: a 15 percent tax on buildings and a 2 percent tax on vacant lands (both assessed on rental value). In addition, the central government collects a land registration tax on property transfers (assessed on property value): a 4 percent tax on the seller and a 5 percent fee on the buyer. The multiple taxes and fees complicate administration and taxpayer compliance.

Performance change and other factors since 2007 PEFA assessment

The Income Tax Law of December 2009 constitutes an important improvement to the law of 1985 which was in effect at the time of the 2007 PEFA Assessment. At that time, a draft income tax law had been submitted to Parliament with the aim of unifying corporate income tax rates and eliminating tax concessions in special zones. However, the Lower House of

[140] Income taxes increased from 10 to 14 percent for the industry sector and this seems to explain part of the unhappiness expressed by members of the Chamber of Industry. On the other hand, income taxes decreased from 25 percent to 14 percent for companies in the commerce sector, which likely explains the quite opposite positive sentiment at the Chamber of Commerce.

[141] There are four thresholds for GST registration ranging from JD 10,000 to JD 75,000 of annual turnover. The standard threshold is JD 60,000 with a higher threshold for retail traders (JD 75,000) and reduced thresholds for service providers (JD 30,000) and manufacturers of products subject to the special sales tax (JD 10,000).

Parliament modified the proposal extensively by including numerous tax exemptions that were not sustainable. As a result of this, the Government intervened and the Upper House of Parliament did not approve the draft income tax law.

In April 2009, the MoF posted on its website a draft tax law for comments which unified all tax laws in Jordan into one single law and included simplified administrative regulations. This proposal had been developed with the support of USAID Jordan Fiscal Reform I project. As initially presented, the draft tax code repealed eight different tax laws (including three earmark taxes of one percent each) and a further eight pieces of legislation would see their revenue provisions eliminated. The draft law aimed at unifying the following taxes: the income tax, general sales tax and special sales tax, stamp duty, and the property transfer tax.

The unified draft tax law was to be presented to Parliament together with around 20 other laws to be debated and approved in one month in June 2009. In this context, the Government decided that there was a better probability of getting individual draft tax laws approved than a unified one. With this in mind, the Cabinet submitted four draft tax laws to Parliament in June 2009: a revised income tax draft law, an amended sales tax draft law, a revised stamp duty draft law, and a revised property transfer draft law. The first two laws were approved as temporary laws in December 2009 with effect as of January 2010. It is important that the income tax and GST laws have almost completely harmonized provisions for tax administration, with few exceptions such as penalties and tax-specific time limits such as filing and payment periods.

It is not clear that the 2007 PEFA provided enough weight to the substantial administrative discretion which was allowed under the Income Tax Law No. 57 of 1985 and the lack of clarity of this law. If so, the score in 2007 would have been lowered.

Dimension (ii): Taxpayer access to information on tax liabilities and administrative procedures

Income and general sales taxpayers have easy access to comprehensive and updated information on their tax liabilities, tax forms, and administrative procedures at the user-friendly website of ISTD. ISTD also has a website on Facebook, uses Twitter and sends SMS messages to keep taxpayers informed on deadlines for sending tax returns, to thank them when the tax return is sent within the deadline, etc. In the period January-April 2011, ISTD broadcasted TV communications during 15-27 April informing taxpayers that the deadline for sending their income tax returns was 30 April, published 97 advertisements in newspapers, gave 14 radio interviews, and sent 462,000 SMS messages. During this same period, ISTD Call Center responded 7,500 calls and responded to 700 email messages. ISTD has 18 service centers for taxpayers: 7 in Amman and 11 located around Jordan, all of which provide taxpayer information and services. ISTD has offered electronic services since 2005. Since January 2011, GST returns can also be sent electronically. ISTD has conducted 11 tax educational campaigns on the revised Income Tax Law No. 28 in and outside Amman during January-April 2011 and has an active taxpayer education campaign. ISTD has had an action plan on media communications since 2009 and reports on their media activities to the Office of the Prime Minister monthly.

Importers and exporters also have easy access to comprehensive and updated information on their custom duties, declaration forms, and administrative procedures at the user-friendly website of the Customs Department. The website also offers electronic services and a Comprehensive Integrated Tariff System (CITS) that provides updated tariffs by articles[142].

[142] CITS was developed with assistance from USAID and was concluded in 2005.

CITS members get information on changes in legislation by electronic mails. There are 13 Custom Houses that provide customer services and information. In addition, the Customs Department has a Call Center that responds to emails, faxes and letters.

Performance change and other factors since 2007 PEFA assessment

Substantial progress has been made since 2007. While at that time the websites of both ISTD and the Customs Department offered already easy access to legislation, procedures and tax/customs forms, ISTD and Customs website services have been expanded to allow taxpayers obtain information on their tax liabilities online. Also, ISTD has developed a media communications strategy and action plan since 2009 which includes active taxpayer education campaigns.

Dimension (iii): Existence and functioning of a tax appeals mechanism

The legislation defines the appeal process as comprising three appeal mechanisms: objection, tax appeal, and court. The tax appeal mechanism is clearly described in the temporary Income Tax and GST Laws. The mechanism is similar since both laws have almost completely harmonized provisions for tax administration. There are basically two cases in which an appeal would be presented. *First*, a taxpayer can appeal an audit decision within 30 days of being notified of the decision, in which case an Objections Committee is established to issue a decision within 90 days from the date that the taxpayer filed the objection. If the taxpayer disagrees with the decision, he can appeal to the Tax Court of 1^{st} Instance, then to the Tax Court of Appeals and finally to the Court of Cassation, equivalent to a Supreme Court. *Second*, non-filers who fail to file a tax declaration after 30 days from receiving a preliminary assessment from ISTD will receive an administrative assessment decision based on third-party information available to ISTD. Taxpayers can appeal the administrative assessment decision after which an Objections Committee would be established and the same process described above would follow. A new provision in Tax Laws No. 28 and 29 allows taxpayers to submit self-assessed tax returns and pay their tax liabilities within the month after receiving a preliminary assessment, in which case the preliminary assessment is cancelled.

No tax appeals have been submitted so far under the revised Tax Law No. 28 and the amended GST Law No. 29 as income tax returns based on the revised tax law were mostly submitted in April 2011 and those pertaining to GST started being submitted in February 2011, as GST are paid every two months. Thus, it is not possible to conclude whether the tax appeal system is effectively operating and its decisions are promptly acted upon. Nonetheless, while the Chamber of Industry does not consider the tax appeal mechanism to be fair, the Chamber of Commerce considers it appropriate.

A tax appeal mechanism is also described in the Customs Law No. 20 of 1998. If an appeal is presented to a customs house, a Local Committee is established to provide a decision. If no agreement is reached, a higher Special Committed is set up to review the appeal. This committee has the authority to decide on disputes related to valuation, origin, tariff classification, etc. If no agreement is reached, the importer or exporter can file a legal complaint at the Customs Court of 1^{st} Instance. It is estimated that 80 appeals have been presented during January-April 2011.

Performance change and other factors since 2007 PEFA assessment

Performance has improved since 2007. The old mechanism for income and sales tax appeals used to be protracted and inefficient. The revised legislation for appeals related to income tax and GST has established deadlines for taxpayers and ISTD that are likely to expedite noticeably the process of tax appeals and therefore minimize the increase of further tax arrears.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-13	**B**	**B+**	Scoring Method M2 (average of dimensions)	
(i)	B	B	The tax and customs legislation is fairly comprehensive and clear. While the 2009 Income Tax and GST Laws provide less room for administrative discretion, fairly limited discretionary powers are still provided in the tax and customs legislation.	**2007 and 2009 are not entirely comparable scores.** The 2007 PEFA does not seem to have provided enough weight to the substantial administrative discretion allowed under the Income Tax Law No. 57 of 1985 and the GST Law No. 6 of 1994 as well as the lack of clarity of these laws. If so, the score in 2007 would have been lowered. **Performance has improved since 2007.** The revised temporary Income Tax Law No. 28 and amended GST Law of December 2009 have established clearer and simpler tax legislation and administrative procedures. The legislation for other major taxes has not been revised.
(ii)	B	A	ISTD and the Customs Department offer user-friendly website access to comprehensive and updated information on tax legislation, tax/customs forms, and administrative procedures. They also have taxpayer service centers and customs houses where information and customer services are provided. Finally, ISTD carries educations campaign on a regular basis.	**2007 and 2011 are comparable scores. Substantial progress has been made since 2007.** ISTD and Customs website services have been expanded to provide information on tax liabilities online. Also, ISTD has developed a media communications strategy and developed an action plan since 2009 which is monitored on a monthly basis.
(iii)	B	B	The tax appeal mechanism is clearly described in the temporary Income Tax No. 28, the temporary GST Law No. 29, and the Customs Law No. 20 of 1998. But it is too early to assess the effectiveness of the tax appeal mechanism established through the temporary laws.	**2007 and 2011 are non-comparable scores**. Not enough evidence was provided and probably considered. It is unclear for what tax the appeal mechanism was discussed. The 2007 assessment considered providing a C score, which would probably have been correct. The following was stated in 2007: “As the scoring is mainly based on major taxes and not on all tax liabilities and the overall efficiency of the tax system, the score attributed is B and not C”. **Performance has improved since 2007.** The old mechanism for income and sales tax appeals was protracted, long and inefficient. The revised legislation established deadlines for taxpayers and ISTD which are likely to expedite the time of tax appeals and thus minimize the increase of further tax arrears.

Reform in Progress

A revised Property Tax Law is under preparation and is expected to be finished in July 2011. The revision of the law was funded by UNDP and will propose changes to the tax base, tax rates, determination of the assessment value, valuation and revaluation, exemptions, tax collection and distribution, and enforcement.

PI-14 Effectiveness of Measures for Taxpayer Registration and Tax Assessment

This indicator aims at determining the effectiveness in the tax assessment based on the reliability of the taxpayer registration system and the correct assessment of taxpayer liabilities at the time of this Repeat PEFA Assessment in May 2011.

Dimension (i): Controls in the taxpayer registration system

A taxpayer registration system is in place and assigns a unique Tax Identification Number (TIN) to each taxpayer. The registration system is electronic and is linked to other relevant government registration systems. Since 2007, ISTD contacted 78 ministries and agencies to establish a link with their databases, of which 68 accepted. Currently, electronic links have been established to the databases of 40 institutions, including the Ministry of Industry and Trade, Customs Houses, the Social Security Administration, MOPIC, the Department of Lands and Surveys, government procurement organizations, the stock market, business licensing, etc. However, effective use of these data seems to be limited because software applications for cross-referencing these data with information in the ISTD's own databases have not yet been adequately developed. Cases where an electronic link has not been established but information is being obtained include the municipalities, the Department of Vehicle Registration, Free Zones and Development Zones. ISTD has also contacted independent professional associations to identify potential taxpayers, as a result of which the taxpayer base has expanded. Work in identifying non-filers related to different professional associations is on-going.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are comparable. Noticeable improvement has occurred since the time of the PEFA Assessment in March 2007. A single and unique TIN has been issued to taxpayers since 1 July 2007. Previously, separate TINs were issued to taxpayers for income taxes, GST, the Special Sales Tax, and Customs. Thus, taxpayers are registered in a complete database system. The taxpayer registry, however, needs to be clean up as only around 20 percent of registered taxpayers are active and it is not possible to determine how many of the rest are deceased, insolvent, or stop-filers. Another improvement it that important linkages to government registration systems have been established since 2007 and independent professional non-filers brought into the tax base, but the linkage to banks has not yet been established as these institutions have not been responsive.

Dimension (ii): Effectiveness of penalties for non-compliance with registration and declaration obligations

All individual tax legislation has a system of penalties for non-compliance with registration and tax declaration obligations that vary with the seriousness of the offense, including imprisonment of up to two years for repeat offenders[143]. The Chamber of Commerce considered penalties to be fair and clear. Penalties are, however, seldom enforced and therefore are not effective given. A clear indication of this is that only around 16 percent of all registered taxpayers filed a tax return in 2010. There are about 520,000 taxpayers in the ISTD taxpayer registry, of which only around 85,000 currently file tax returns. [144] About 250,000 or 48 percent

[143] See the Income Tax Law No. 28 articles: 27, 30, 32 (d), 35 (a) and (b), 36 (b), 38, 40, 41, 52, 53, 55. See the GST Law No. 29 articles: 42, 45, 48 (d), 51 (a), 52 (b), 55.

[144] There are further 450,000 employee-taxpayers in the registry, but most of these people are not required to file annual income tax returns.

are considered to be stop filers, including many deceased people. Even after excluding the stop-filers, the ratio of active taxpayers is only 31 percent. [145] Tax compliance is low.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 PEFA scores are non-comparable because no information was provided in 2007 to sustain its assessment. While penalties were revised in the temporary Income Tax Law No. 28 and GST Law No. 29 of December 2009, the new administrative provisions including penalties are still un-tested as they apply to taxes of 2010 which are reported in 2011. Therefore, the situation has not changed since the 2007 assessment.

Dimension (iii): Planning and monitoring of tax audit and fraud investigation programs

The ISTD Audit Management Division in the Tax Compliance and Operational Management Directorate prepares an annual audit work plan which is monitored through an Automated Tracking System developed under USAID Fiscal Reform I Project (FRP I). Audit managers and the Audit Management Division monitor and report progress on objectives of the annual audit plan at least monthly through the Automated Tracking System. And other automated systems.

With the support of the USAID FRP I, ISTD developed a risk-based computer-assisted selection system, which has been somewhat used for about two years. While the annual audit work plan is supposed to select cases for audit based on this system, tax audits do not seem to be strictly risked based and are still undertaken in large numbers. In this regard, all 800 large taxpayers continue to be subject to comprehensive audits. Banks, insurance companies and major companies are audited first. The remainder large taxpayers are prioritized according to risk criteria based on the risk-based computer package mentioned earlier. Large taxpayers are administered by the Large Taxpayers Office located in ISTD headquarters.

Medium-sized taxpayers are administered by the Medium-Size Taxpayers Office at ISTD headquarters, which audits 25-35 percent of the 20,000 taxpayers in this category each year. As in the case of the large taxpayers, the audit activity is comprehensive. Thus, the current risk-based selection system for audit cases is not sufficiently selective. There are 13 Small Taxpayers Offices around Jordan, including four in Amman. Cases selected for audit are on the basis of the risk criteria adopted by a centralized audit committee. Those cases are identified and sent to the Small-Size Taxpayer Offices for audit action.

After the audit activity is completed, all large taxpayers cases and about 25 percent of the cases related to medium-sized taxpayers are referred to the Audit Bureau which carries out further checks to ensure that the audit has been completed in accordance with the law and international accounting standards. This is not usual practice in other tax administrations as the responsibility for administering the tax law rests with the Director General of ISTD.

Fraud investigations are the responsibility of the ISTD Anti-Tax Fraud Directorate, which prepares an annual work plan and monitors progress on its objectives on an on-going basis. The work of this unit focuses on investigating cases of GST non-filers but also cases of suspected under-reporting and non-reporting of income and overstating of business expenses.

[145] 520,000 taxpayers minus 250,000 stop filers totals 270,000. 85,000 active taxpayers out of 270,000 is equivalent to 31.5 percent.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 PEFA scores are non-comparable because insufficient information was provided in 2007 to sustain its assessment. Performance has substantially improved since 2007. ISTD has an annual audit plan that is monitored with the Automatic Tracking System, has developed a risk-based computer assisted system for selecting audit cases and has made considerable progress in channelling their resources to higher-priority audits, but there are still too many cases selected for audit and thus the risk criteria is undermined. ISTD Anti-Tax Fraud Directorate has been established since 2007 and undertakes fraud investigations based on an annual work plan.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-14	**C+**	**B**	Scoring Method M2 (average of dimension scores)	
(i)	C	B	Taxpayers are registered in a complete database system with some linkages to other relevant registration systems.	**The 2007 and 2011 scores are comparable. Performance has improved since 2007.** A single and unique TIN has been issued to taxpayers since 1 July 2007. Thus, taxpayers are registered in a complete database system. Important linkages to government registration systems have been established since 2007, but the linkage to banks has not yet been established as these institutions have not been responsive.
(ii)	B	B	Penalties for non-compliance with registration and declaration obligations exist, but are largely not being enforced and therefore cannot be effective.	**The 2007 and 2011 PEFA scores are non-comparable** because no information was provided in 2007 to justify the assessment. **Positive changes have occurred since 2007.** Penalties were revised in the temporary Income Tax Law No. 28 and GST Law No. 29 with the aim of discouraging non-compliance, but the new system remains un-tested.
(iii)	C	C	ISTD prepares and monitors annual audit and fraud investigations plans, but audit programs are not based on clear risk assessment criteria despite the existence of risk-based selection criteria. In this regards, all large taxpayers are subject to comprehensive audits and around 25-35 percent of the 20,000 mid-sized taxpayers.	**The 2007 and 2011 PEFA scores are non-comparable** because insufficient information was provided in 2007 to justify the assessment. **Positive changes have occurred since 2007.** ISTD has an annual audit plan that is monitored with the Automatic Tracking System. A risk-based computer assisted system for selecting audit cases was developed, but there are still far too many cases selected for audit and thus the risk criteria is undermined. ISTD Anti-Tax Fraud Directorate has been established since 2007 and undertakes fraud investigations based on an annual work plan.

PI-15 Effectiveness in Collection of Tax Payments

This indicator assesses the effectiveness of the tax administration authorities to control the level of tax arrears and collect them when they occur, to transfer tax collection to the Treasury on a timely basis and to undertake reconciliation exercises to ensure that the collection system works as intended. This indicator analyses the last two completed fiscal years (2009 and 2010) for the first dimension and the situation at the time of assessment in May 2011 for the other two dimensions.

Dimension (i): Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)

Data on gross and net tax arrears (including and excluding arrears in dispute) related to income, sales and property taxes are updated daily for individual taxpayers and consolidated on a monthly basis. While arrears data can be produced with different breakdown alternatives upon request, one of the regular monthly tables that is prepared and sent to relevant ISTD managers show gross arrears, arrears under objection, arrears under appeal, and collectable tax arrears[146] (see tables in Annex 2). Arrears data are available by type of tax, type of taxpayer (large, medium-sized and small taxpayers) and by age of the arrears.

Tax arrears are high in Jordan as shown in the table below. Total arrears were equivalent to 49 percent of total revenue in 2010, which represented an increase from the rate of 43 percent in 2009. Income tax arrears were higher than income tax collected in 2010 and tax property arrears were about 2.5 higher than collection either 2009 or 2010. Arrears as a percentage of collections increased substantially for all type of arrears in 2010.

A large part of this debt is very old and is not expected to be recovered, as it belongs to companies that are not active any longer, people who are deceased, and unresolved disputed cases. These debts cannot be written off because there is no provision in the law permitting write-offs of uncollectible debts to the government. Arrears on customs duty do not appear to be an issue as duties and import taxes are paid before the goods are released to the importer. Also, banks provide guarantees on amounts in dispute.

Table 3.12. Tax Arrears for 2009 and 2010
(In thousands of JD, unless otherwise indicated)

	Years	1 Tax Revenue	2 Stock of Gross Arrears at year-end	2/1 Arrears as Percent of Revenue
Income tax	2009 2010	764,718 624,611	624,482 666,894	82% 107%
GST	2009 2010	1,682,510 1,987,269	307,401 457,182	18% 23%
Property tax	2009 2010	64,378 63,172	152,443 179,748	237% 285%
TOTAL REVENUE	**2009** **2010**	**2,511,606** **2,675,052**	**1,084,327** **1,303,824**	**43%** **49%**

Source: ISTD and MoF Property Tax Project Office

The debt collection ratio is very low, as shown in the table below. While the tax authorities have a good range of powers to collect arrears, including filing protective liens on real estate

146 ISTD defines collectables arrears by subtracting from gross arrears the following concepts: arrears under objection, in dispute, and the amount agreed to be paid in installments. The latter should, however, not be considered as it does not constitute amounts in dispute.

and personal property as well as seizing and selling property at public auctions, this rarely happens. Data indicated that relatively little is actually being collected from arrears related to GST and that some of the income tax arrears collected are related to an amnesty that was approved in September 2009 for taxpayers with outstanding debts. Little or no attention seems to be placed in monitoring the collection of arrears as shown by the fact that these data are not readily available and published on a regular basis at ISTD.

Table 3.13. Tax Arrears Collection Ratio for 2009 and 2010
(In thousands of JD, unless otherwise indicated)

	2009	2010
Tax Arrears collected during the FY	159,572	128,485
Stock of Gross Tax Arrears at beginning of FY	788,110	1,084,327
Collections Ratio for Gross Tax Arrears [147]	**20.2%**	**11.8%**

Source: ISTD and MoF Property Tax Project Office

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 PEFA scores are non-comparable. Since data on total tax arrears were not available in 2007, this dimension should not have been scored.

While the level of arrears is high and the debt collection ratio is low, there has been a substantial improvement in the availability of tax arrears data and the focus of the authorities on this problem since 2007. *First*, in 2007 data on outstanding tax arrears were not available and much less arrears data with a breakdown. Tax arrears data were not reported routinely but upon request and it would take around two months to obtain these data. *Second*, ISTD has created two new directorates since 2007 to deal with the tax arrears issue and stop-filers as well as to identify non-filers. The Tax Compliance Directorate and the Debt Management Directorate were established in end-2008 and have been operational since 2009.

Dimension (ii): Effectiveness of the transfer of tax collections to the Treasury by the revenue administration

According to the Financial Affairs Directorate at ISTD, taxpayers pay their taxes and duties at the ISTD Directorate Service Centers or at commercial banks. Importers pay import duties at the Customs Houses or at commercial banks. Taxpayers pay most of the taxes owned to ISTD at ISTD Directorates and the staff of the ISTD Directorates deposit the collected revenue at commercial banks.

According to the MoF Treasury Directorate, over 95 percent of taxes are paid at the Housing Bank for Trade and Finance and the rest at seven other commercial banks. [148] Banks agreed to offer tax collection services in all their branches. These commercial banks have signed agreements with the MoF committing them to transfer all revenue collected on behalf of the MoF within two working days to the MoF Public Revenue Account at the Central Bank of Jordan, which is the Treasury Single Account (TSA). In practice, the Housing Bank takes less time and transfer funds to the Treasury daily[149]. All payments made in cash prior to 2pm and all payments made by check prior to 12pm are transferred to the TSA on the same day. The

[147] It is defined as the ratio of collected arrears to the stock of arrears
[148] These banks include the Arab Bank, Jordan Kuwait Bank, Capital Bank, Jordan Bank of Commerce, Arab Commerce Institution, and Cairo Amman Bank.
[149] This opinion was also expressed in the IMF and World Bank report *Public Financial Management Reforms* of January 2011 (page 21, article 30).

Housing Bank sends vehicles to collect payments made at Custom Houses that are far away. At the end of the month, the balance at the commercial banks has to be zero.

Performance change and other factors since 2007 PEFA assessment

The 2007 assessment provides inconsistent information about this dimension. The text of the report indicated that "daily transfers are made for cash payments and as soon as cheques are cleared for check payments" which is consistent with an A score. However, the summary box stated: "Revenue collections are transferred to the Treasury at least weekly" which is consistent with a B score.

Performance change has been positive since 2007 when commercial banks were allowed to keep government revenue collected through them for four days in the case of the Housing Bank and two days for other banks before transferring the TSA. In practice banks might have kept tax collection longer as a zero balance account requirement was not in effect. An agreement with the Housing Bank was signed on 2 November 2009 and subsequently with other seven commercial banks[150]. Initially, the idea was to have an agreement only with the Housing Bank. Under this arrangement, tax revenue is transferred daily to the TSA. Consequently, there has been a consolidation of government cash resources under treasury control which supports government cash management and forecasting.

Dimension (iii): Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Reconciliation of tax collections and tax transfers to the TSA at the CBJ is carried out on a daily basis by the MoF Treasury and MoF Public Revenue Directorates. After taxpayers pay their taxes, commercial banks send a hard copy of the payment slip to the MoF Treasury Directorate, one to the MoF Public Revenue Directorate and another one to ISTD. This is done daily. The MoF directorates enter the information in their daily journals and compare tax collections to funds transferred to the TSA. The MoF can also access the Housing Bank website to determine the value of revenue collected. The CBJ also sends information in hard print and in electronic form about revenue transferred by commercial banks daily to the MoF.

ISTD undertakes reconciliation of tax assessments, collections and arrears monthly within one month after the end of the month. Reports are prepared on a monthly basis with these data.

Performance change and other factors since 2007 PEFA assessment

Performance has improved since 2007 when the MoF Treasury and Public Revenue Directorates had not yet been established, information on tax revenue was not provided daily by commercial banks, and arrears data were three years old and took around two months to be produced.

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[150] The MoF issued invitations for competitive bids from the commercial banks in early 2009 to provide services in support of the TSA in exchange for payment of transaction costs to them. Transaction costs compensate the banks for operating zero balance accounts. The Housing Bank, which is the bank with more branches in Jordan, was the only bider. The contract was awarded to this bank in end-2009 and a payment of JD 850,000 was agreed for the first year.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-15	**B** [151]	**D+**	Scoring method M1 (weakest link)	
(i)	NS	D	The debt collection ratio is very low and deteriorated from 20.2 percent in 2009 to 11.8 percent in 2010. The total amount of tax arrears is very high. Total arrears were equivalent to 49 percent of total revenue in 2010, up from a ratio of 43 percent in 2009. No attention is paid to monitoring the collection of arrears.	**The 2007 and 2011 scores are non-comparable.** Since data on total tax arrears were not available in 2007, this dimension should not have been scored then, which would have resulted in PI-15 not been scored. While the level of arrears is high and the debt collection ratio is low, there has been a substantial improvement in the availability of tax arrears data and the focus of the authorities on this problem since 2007 which resulted in two new directorates established at ISTD in 2009.
(ii)	NS	A	The Housing Bank collects over 95 percent of all tax revenue and other commercial banks the rest. Transfers to the Treasury are made daily.	**The 2007 assessment provides inconsistent information.** The report described a situation that deserved an A score but the text in the summary box described a situation corresponding to a B score. **Performance has improved since 2007.** As of May 2011, commercial banks transfer tax collection to the TSA daily. In 2007 the banks were allowed to retain the collected taxes for up to four days and in practice might have kept them longer as a zero balance requirement was not in effect.
(iii)	NS	A	Reconciliation of tax collections and tax transfers to the TSA at the CBJ is carried out on a daily basis by the MoF Treasury and MoF Public Revenue Directorates. ISTD undertakes reconciliation of tax assessments, collections and arrears monthly within one month after the end of the month.	**The 2007 assessment provides inconsistent information.** The report indicated that reconciliations are undertaken regularly but the text in the summary box quoted the description provided for score B (at least quarterly reconciliations) without specifying what the situation in Jordan is. **Performance has improved since 2007** when the MoF Treasury and Public Revenue Directorates had not yet been established, information on tax revenue was not provided daily by commercial banks, and arrears data were three years old and took around two months to be produced.

Reform in Progress

A proposal for a new Property Tax Law is being finalized and would be sent to the Prime Minister for review by end-June 2011. This law would increase penalties to discourage stop-filers and non-filers.

[151] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

PI-16 Predictability in Availability of Funds for Commitment of Expenditures

This indicator assesses the extent to which the MoF provides reliable information on the availability of funds to the MDAs that manage administrative budget heads in the central government budget, and therefore are the primary recipients of such information from the MoF. This indicator is intended to measure performance over the last completed fiscal year before assessment.

Dimension (i): Extent to which cash flows are forecast and monitored

Each MDA forecasts its expected cash flow in January for the entire year. These forecasts are updated monthly, based on the results for the previous month, year-to-date execution, and the related cash releases received from Treasury.

The frequency of allocations depends on the type of expenditure and disbursement to be made. In the case of payroll the allocation is made during the week that the payroll is due. In the case of all other expenditures, releases are typically made at the beginning of each month. However, in times of cash shortages, Treasury may make multiple cash releases during a given month.

An internal control has been put in place with the MDAs accounts operating in the Central Bank. Each cash release to the MDAs is simultaneously sent to the Central Bank who in turn records the corresponding amount in each MDA expenditure/disbursement account. This allows Treasury to be informed at all times if a particular MDA has disbursed funds in excess of its cash ceiling. Conversely, Treasury has information, on a daily basis, as to the portion of the cash ceiling that has not yet been used. This information is used as an input in calculating future cash releases.

Performance change and other factors since the 2007 PEFA

Treasury no longer has an overdraft facility with the Central Bank. At the time of the previous assessment the overdraft facility had an upper limit of JD 800 million. As a result, Treasury must rely on the issuance of public debt in the form of Treasury bills to meet its cash needs when government revenue flows does not meet expectations. This situation sometimes results in the lowering of cash ceilings below the MDAs cumulative requests, or making partial cash releases during a given month. Nevertheless, this new restriction on overdraft facilities at the Central Bank is a positive change, one that requires a more disciplinary approach by Treasury to coordinate with the Debt Management Directorate to borrow on the open market within existing limits on overall borrowing.

Dimension (ii): Reliability and horizon of periodic in-year information to MDA's on ceilings for expenditures

Most commitments outside payroll expenditures are related to procurement of goods and services. To proceed with procurement above the JD 10,000 threshold, the ministry or department must receive a certificate of funds availability from GBD. GBD records this commitment in their internal database as a charge against the annual budget allocation. These records are posted throughout the year, maintaining a cumulative running balance of funds availability. A similar commitment register is maintained by each respective MDA for control and management purposes. Therefore, the MDAs have reliable information as to actual budget resources (appropriations) that are available for commitments.

There is no advance notice required to incur additional commitments inasmuch as GBD automatically approves commitments up to the annual budget ceiling and a parallel database is maintained by each MDA. As a result, MDAs are able to plan and commit.

In practice, the treasury is not involved in the commitment process. Treasury only provides cash releases on a monthly basis in the form of cash ceilings for expenditures. These ceilings are based on requests from the individual MDAs who include amounts based on invoices due.[152]

Performance change and other factors since the 2007 PEFA

The Treasury and GBD have a better coordination between the incurrence of commitments and the establishment of periodic cash ceiling releases. While the Treasury continues to rely on monthly cash requests from the MDAs for forecasting its cash needs, it also has data supplied by GBD as to the total level of commitments that have been recorded year-to-date. The eventual full introduction of GFMIS will facilitate these data sharing through a function that records commitments in the individual MDA budget ledger that can be seen on-line by both Treasury and GBD. Within a GFMIS pilot ministry (MoE) this feature is being used. When the full roll-out of GFMIS covers all 56 chapters of the central government budget, GDB could drop its internal stand-alone database on commitments. Meanwhile, Treasury would have up-to-date information on cumulative commitments and outstanding commitments. This will greatly enhance Treasury's ability to independently prepare cash forecasts in terms of future disbursements beyond the current monthly basis requests submitted by MDAs.

Dimension (iii): Frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDA's

Virements are authorized within a single budget chapter (a ministry, department or agency) with the exception of transferring to or from personnel costs with the capital portion of the budget. Other limits on virements are detailed in the General Budget Law each fiscal year. All virements require the approval of GBD. These rules and regulations are respected by government authorities.

Article 112 (iii) of the Constitution of Jordan explicitly prohibits budget transfers from one chapter to another unless approved by a law passed by the National Assembly.

When there is a need for a supplementary appropriation, the government must make a request to Parliament for approval. If Parliament is not in session to consider a request for a supplementary appropriation, which is often the case, Parliament itself or the King can call for an extraordinary session.

The adjustment to the original budget for the most recent year for which Final Accounts are available (2009) are portrayed in Table 2.13 in Annex 2 based on data supplied by the MoF General Accounts Directorate. The data show a modest overall increase in the original budget allocations by JD 22 million, or less than one percent. Only three line items had variances over 10 percent: Goods and Services, Subsidies to Non-financial Institutions, and Goods Subsidies.

[152] See Article 110 of the MoF Application Instructions No. 1 for the Year 1995, as amended

Performance change and other factors since the 2007 PEFA assessment

There has been no significant change since the last assessment. The rules for virements have consistently been included in the introductory pages of the annual budget law, both for the 2007 assessment and the current one.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-16	A	**A**	Scoring method M1 (weakest link)	
(i)	NS	A	A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows.	**2007 and 2011 assessments are non-comparable** because the 2007 report failed to point out that a key ingredient for making cash forecasts is to have up-to-date information on open commitments. This feature did not exist in 2007 and the score of A is too high. Until the GFMIS is implemented government-wide, no reliable information is available to Treasury as to open commitments (as opposed to cumulative commitments currently being provided by GBD) and the timing for conversion from a commitment to an expenditure/disbursement. This data is a crucial element for forecasting cash outflows.
(ii)	NS	A	MDAs are able to plan and commit expenditures for at least six months in advance with the budgeted appropriations.	**2007 and 2011 assessments are comparable.** There has been no significant change since the 2007 assessment.
(iii)	NS	A	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.	**2007 and 2011 assessments are comparable.** There has been no significant change since the 2007 assessment.

Reform in Progress

Commitment control features have been introduced in MoE on a pilot basis within the GFMIS program. When fully implemented throughout central government, Treasury would have a more complete forecast horizon for forecasting disbursements. Additionally, GBD would be able to drop its internal control database for recording certificates of funds availability to incur commitments by the individual MDAs

PI-17 Recording and Management of Cash Balances, Debt and Guarantees

This indicator assesses the quality and completeness of debt records, debt management and the overall consolidation and control of government cash balances. Dimensions (i) and (ii) of this indicator assesses the situation as at the time of assessment (May 2011), while dimension (iii) measures performance over the last completed fiscal year before assessment.

Dimension (i) Quality of debt data recording and reporting

Debt data is recorded by the MoF Debt Management Division. This data covers both external and domestic debt. The debt records, for both external and domestic debt, are maintained in the "Debt Management and Financial Analysis System" (DMFAS), a software product developed and supported by UNCTAD. The debt records are of high quality and complete, providing full coverage of all public debt.

Reconciliation of debt takes the form of comparing outstanding debt directly with external debt holders, and for domestic debt with the records maintained by the Central Bank. The reconciliation with domestic debt records at the Central Bank is done on a daily basis. The reconciliation of external debt is done on an on-going basis via direct communication with external debt holders and through access to an online connection with MoPIC to capture disbursements (loan drawdowns) from creditors. Central Bank debt records are not yet integrated with central accounting records, and therefore debt balances are not reconciled with the MoF accounting records because outstanding debt is not recorded as liabilities in the general accounts. The accounting records only include the current-year debt service activity.

The reporting routine is strong, including daily internal reports to senior management, quarterly "Public Debt Bulletin" issued directly by the Debt Management Division, and monthly reports published in the MoF "General Government Finance Bulletin". The latter is available on the MoF website. These reports cover debt service, stock and operations during the period.

Performance change and other factors since the 2007 PEFA

There have been no significant changes since the last assessment. Debt recording and reporting continue to be done at a very high level of quality.

Dimension (ii): Extent of consolidation of the government's cash balances

The expenditures and revenues of the 56 ministries and departments, that comprise central government, are channelled through the treasury single account (TSA) under the management of the MoF Public Treasury Directorate. In addition the MDAs' trust accounts, previously held in commercial banks, are now managed by Treasury in a special non-TSA account.

These Treasury accounts are maintained at the Central Bank. In order to keep track of the source of revenue and disbursements, the Central Bank has established a sub-account ledger that includes one revenue and one expenditure account for each of MDA. The daily report from the Central Bank summarizes the activity in each ledger account to allow Treasury to know the source of financial transactions. The balances of these sub-accounts are swept daily into the TSA by the Central Bank. That is, revenues are taken and expenditures are covered, so that at the end of each day the sub-ledger accounts end with a zero balance.

Some bank accounts are maintained outside the TSA mechanism, most notably some project accounts that have external funding that have provisos in the loan or grant agreements to maintain separate bank accounts. These project bank accounts are in the Central Bank but not under Treasury's control.

However, these project accounts are recorded in the Treasury GFMIS General Leger and thus the Treasury has full knowledge as to their existence and status. The bank reconciliations are performed by MOPIC. Monthly financial summaries are sent by MOPIC to the MoF General

Account Directorate who incorporate these data into the monthly consolidated financial accounts.

In addition, the Autonomous Government Agencies (AGAs) maintain their bank accounts outside the realm of TSA and outside the Central Bank. The AGAs perform their respective bank reconciliations and send their financial position statements monthly to GBD, but do not report to MoF General Accounts Directorate. There is no immediate plan to transition these accounts to the TSA mechanism although some of these agencies perform central government functions. However, there is general agreement that some of the AGA accounts need to be moved into the TSA mechanism in the intermediate future.

Performance change and other factors since the 2007 PEFA assessment

The fact that the MoF has introduced GMFIS functionality into their operations allows the Treasury to know of and consolidate foreign currency denominated project bank accounts, and for the MoF General Accounts Directorate to consolidate their activity into the monthly financial statements. This represents a major improvement since the 2007 assessment.

Dimension (iii): Systems for contracting loans and issuance of guarantees

The authority and guidance to contract loans and issue guarantees is provided by Articles 37 through 44 of the MoF Financial By-law No. 3 and by the Public Debt Management Law No. 26 of 2001.

The MoF with participation of the Public Debt Management Committee has the exclusive authority to enter loan agreements and issue guarantees. The basis of this authority is clear and respected. The Public Debt Management Committee is comprised of the Minister of Finance, the Minister of Planning and International Cooperation, and the Governor of the Central Bank,

The Public Debt Management Law provides authority and guidelines. The government also sets limits every year as to the total of public debt outstanding balance as a percentage of GDP in line with fiscal targets. This limit of debt in relation to GDP is currently 60 percent.

Performance change and other factors since the 2007 PEFA assessment

The situation for evaluating this dimension has not changed in any substantial form since the last assessment. The procedures for contracting loans and issuing guarantees continue to be enforced at a very high level of quality.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-17	A	**A**	Scoring method M2 (average of dimension scores)	
(i)	A	A	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity. Comprehensive management and statistical reports, covering debt service, stock and operations are produced at least quarterly.	**2007 and 2011 assessments are comparable.** The scores are equal, as the debt management directorate continues to maintain high standards.
(ii)	B	B	Most cash balances are calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the consolidation process.	**2007 and 2011 assessments are comparable.** A major **performance improvement has taken place since 2007.** TSA management has been strengthened with the consolidation of data flows through the Treasury with on-line linkages to the Central Bank of Jordan (CBJ). In turn, the CBJ maintains a series of bank accounts that separate cash receipts from disbursements so that accounts can be swept daily while maintaining gross data for each type of transaction. The role on maintaining sub-ledgers will eventually migrate from CBJ to the GFMIS Treasury General Ledger once GFMIS is fully operational. When this occurs, the score would likely be upgraded to an A.
(iii)	A	A	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets and always approved by a single responsible government entity (MoF).	**2007 and 2011 assessments are comparable.** The scores are equal, as the debt management directorate continues to maintain high standards.

Reform in Progress

Full implementation of the GFMIS accounting system with respect to the Treasury General Ledger.

PI-18 Effectiveness of Payroll Controls

This indicator is concerned with the payroll for public servants only. The payroll is underpinned by a personnel database which provides a list of all staff who should be paid every month and which can be verified against the approved establishment list and the individual personnel records. Dimensions (i) through (iii) of this indicator assess the payroll control function as at the time of assessment (May 2011), while dimension (iv) measures performance over the last three years before assessment.

Position Control
The annual budget contains a human resource supplement that has affixed 25 signatures from the Cabinet members and all Ministers, that serves as a position control data base. This supplement identifies each and every position for the combined workforce of all 56 ministries, departments and agencies comprising the central government. In addition to basic salary (and grade steps therein) the position control identifies any additional benefit that accrues to a given position.

Personnel Records
The personnel file for employees is maintained within each ministry, department or agency within the corresponding Human Resources Division. Records in this file are exclusively based on decisions made by the Civil Service Bureau. Changes from the Civil Service Bureau are communicated through official written communication.

Payroll Records
The payroll records and management of issuing salary payments to employees is the responsibility of the Payroll Division within the ministry's Human Resources Division. Monthly payroll updates are based on changes made to the personnel file during the previous month.

Auditing Process
Within the Ministry of Education, the Human Resource Directorate has a cadre of 21 control officers who visit field offices and schools to verify that employees are actually at work. The Internal Control Directorate (that reports directly to the Minister) also performs some spot checks, usually initiated by the receipt of a complaint from a citizen, parent or principal.

Dimension (i): Degree of integration and reconciliation between personnel records and payroll data

The payroll function in Jordan is decentralized at the ministry, department and agency level. There is no centralized payroll operations or supervisory activity form MoF or any other central authority. For the purpose of this assessment, the ministry with the largest single payroll (Ministry of Education that has in excess of 100,000 employees) was selected for review. In addition, a review was made of the Ministry of Health, the second largest employer within central government, and identified a very similar set of payroll processes and procedures

The test case revealed the human resource function, including payroll, to be completely computerized. There is a custom developed software package built on INFORMIX software, that although dated functions well. The Human Resource Directorate within the ministry is responsible for the personnel records and the personnel database.

Based on a visual inspection of the computerized file, it demonstrated a high level of quality and completeness of all payroll related records. Updates are made daily to both personnel and payroll databases and review is made to assure they are reconciled on a continuous basis. The frequency of this reconciliation therefore is on a daily basis with a final review being conducted during the upcoming payroll routine each month.

In terms of the actual payment of salaries, all MoE employees receive their net pay via transfers to the bank of their choice. There are a total of 24 banks used for payroll purposes. The Payroll Division provides a costing and net pay register to the Finance and Accounts Directorate who in turn issues a corresponding global check to each of the 24 banks. Independently, the Payroll

Division issues a list of employees and their individual bank account numbers to each of the corresponding banks who then make the appropriate credits to the employees' accounts.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. However, based on the scoring methodology provided in the PEFA measurement framework for Method 1, it can be inferred that a B score was assigned to each of the four dimensions in the previous assessment.

The higher score given to this dimension in the current assessment is based on the complete fulfilment of all related elements, as applied to the ministry with the largest number of employees within central government.

Dimension (ii): Timeliness of changes to personnel records and the payroll

For a ministry as large as the one reviewed, there are relatively few changes made during the course of a year. For example for the first five months of 2011, only 700 change orders were approved by the Civil Service Bureau (CSB) for updating personnel files. Each change order is applied to the data base upon receipt. Maximum time delay is three days. Retroactive adjustments to correct the payroll files based on notices of personnel actions from the CSB are very rare.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole.

The higher score given to this dimension in the current assessment is based on the complete fulfilment of all related elements, as applied to the ministry with the largest number of employees within central government.

Dimension (iii): Internal controls applied to changes to personnel records and the payroll

With regards to the existence of controls to personnel records, the three basic files: position control, personnel records, and payroll registers are linked in a single database facilitating controls on changes among and between them.

With regards to the existence of strong internal controls to avoid payment errors, the internal checking by the internal auditors (reviewers) of the Human Resource Directorate provides moderate assurances to ensure integrity of data. In addition school principals are also responsible for reporting cases where teachers or staff do not appear for work for any consecutive two day period, at which time the concerned employees payroll check is blocked. Payment errors are unlikely (and rarely occur) due to the integrated nature of the computerized files and the on-going spot checking.

Based on CSB actions/orders, the Secretary General authorizes the director of Human Resources Directorate to update the personnel and payroll records. The chain of command is clear, understood, and followed. In addition, all entries in personnel records and payroll files are traceable via audit trails in the form a paper documents and data entries to the computerized files.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole.

The performance for this dimension has not changed since the last assessment and therefore the assigned score is the same.

Dimension (iv): Existence of payroll audits to identify control weaknesses and/or ghost workers

Partial audits are routinely performed by the Internal Audit unit within the Human Resource Directorate that involves field inspections. However, no full payroll audits or staff surveys, either by the ministry itself or central authorities (MoF and AB), are performed for the government-wide payroll operations.

As a result, the identification of overall control weaknesses is the responsibility of each ministry or department. This includes the ability to identify "ghost workers", which in the case of MoE; heavy reliance is assigned to school principals to report employees absent from work. AB does perform sample audits of the payroll function on an ad hoc basis.

Performance change and other factors since the 2007 PEFA assessment

The 2007 assessment provided no evidence to support the score of B (inferred) for this dimension. It also did not provide any evidence or text that would validate a strong, independent review of systemic issues. On this point, the two assessments are not comparable. The current assessment found a lack of system-wide review of audits and internal control reviews on payroll operations on a systemic basis. Thus the score was reduced and set at a C level as per the PEFA standards. The higher rating (inferred B) in the last assessment does not seem to be based on any additional factors present at that time.

Based on the M1 scoring method assigned to this indicator, the overall score was reduced to a C+ from B even though two of the dimensions (i and ii) scored higher in 2011.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-18	B	**C+**	Scoring method M1 (weakest link)	
(i)	NS	A	The personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.	**A direct comparison with the previous assessment is not possible** due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. The higher score given to this dimension in the current assessment is based on the complete fulfilment of all related elements, as applied to the ministry with the largest number of employees within central government.
(ii)	NS	A	The required changes to the personnel records are updated monthly (or more frequently), in time for the following month's payroll disbursements. Retroactive adjustments are very rare.	**A direct comparison with the previous assessment is not possible** due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. The higher score given to this dimension in the current assessment is based on the complete fulfilment of standards for this dimension as identified in the target ministry.
(iii)	NS	A	Authority to change records and payroll is restricted and results in an audit trail.	**A direct comparison with the previous assessment is not possible** due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole Consistent and good record keeping evidenced in the target ministry support the score of B.
(iv)	NS	C	Partial payroll audits (including attendance of employees) or staff surveys have been undertaken within the last three years at the ministry and department level.	**A direct comparison with the previous assessment is not possible** due to a lack of evidence or text that would validate a strong, independent review of systemic issues. No system-wide review of central government has been conducted. Heavy reliance on ministry and department internal review which is done on an ad hoc basis is not a substitute for systemic reviews.

Reform in Progress

The target ministry (MoE) is one of the selected institutions for GFMIS implementation. One of the GFMIS modules currently being deployed relates to position control. The Human Resource Directorate is presently loading data into this new system. While this is a positive development, the use of the GFMIS position control module will be more useful for budget preparation, but not particularly useful as an assist to a personnel and payroll system that has been developed in-house under a different database modality.

PI-19 Competition, Value for Money and Controls in Procurement

This indicator assesses the strength of the national procurement system, covering the design of, and compliance with, the legal framework.

Box 2. Modification in PEFA methodology

In January 2011, the PEFA Secretariat modified the PEFA guidelines for PI-19 because it had been seen as inadequate given the significance of the volume of public spending that takes place through the public procurement system. Two of the three dimensions also proved difficult to rate consistently. PI-19 has been made more comprehensive in examining the strength, operation and openness of a national procurement system, by adding a fourth dimension and completely reformulating the other three to reflect and provide linkages to the OECD-DAC 'Methodology for Assessing Procurement Systems' (MAPS) tool. The revised PI-19 draws on information collected as part of a MAPS exercise, or, if none has been recently completed, guides PEFA Assessors to appropriate sources of information and evidence by referring to the MAPS documentation.

The fourth dimension lays out multiple requirements for an independent administrative procurement complaints system. While some of these requirements were present, or implied in the previous version used in the 2007 assessment, the revised text included in dimension (iv) is more complete and more explicit. The lower score (C+) in 2011 is mainly due to the lack of current procurement procedures to fulfill this new requirement.

Dimensions (i), (iii) and (iv) of this indicator assesses the Procurement function as at the time of assessment, while dimension (ii) measures performance over the last year before assessment.

Dimension (i): Transparency, comprehensiveness and competition in the legal and regulatory framework

The procurement process for purchases above the threshold of JD 20,000 is divided into three main central departments, each of which has its own guidelines and regulations, as follows:

Table 3.14. Government Entities involved in Public Procurement

Entity	Authority	Nature of Procurements
Joint Procurement Department (JPD) within the Prime Minister's Office	Joint Procurement Law of 2002	Medications for the health sector
General Supplies Department (GSD) within MoF	Supplies Act No. 32 of 1993 and its amendments	General procurements for central government
Government Tender Department (GTD) within the Ministry of Public Works and Housing	Public Works By-law No. 91 of 1996 and its amendments	Construction projects typically of a highly technical nature (on behalf of MDAs)

Within a MDA, the procurement of goods and services up to JD 200 can be done via direct purchase. Between JD 200-10,000, the MDA can procure goods and services by setting up an internal Special Tender Committee that is led by the MDA procurement directorate. Between JD 10,000-20,000 the internal Special Tender Committee must include representatives from

GSD and also obtain a certificate of funds availability from GBD. All procurement that is conducted internally within a MDA must follow the GSD Supplies Act No. 32.

Procurement of medications via JPD has some noticeable exclusions. JPD procures against a list of approximately 1,700 medications for the Ministry of Health (MoH) and five government institutions that require substantial amounts of medications. For procurement of medications not on this list, the individual institutions are free to pursue their needs via their own tendering process. Evidence (tender announcements in the local newspaper by the Jordanian Armed Forces) shows that at least some of these processes apply open competition methods. The degree of procurement outside JPD control is shown in the following table.

Table 3.15. Procurement at JPD

Health Related Institution	Procured via JPD	Procured Directly
Ministry of Health	95%	5%
Royal Medical Services	80%	20%
Jordan University Hospital	80%	20%
King Abdullah The Founder Hospital	45%	55%
King Husssein Cancer Center	10%	90%
Jordanian Armed Forces	35%	65%

Source: JPD

The GTD within the Ministry of Public Works and Housing specializes in large procurements involving construction of buildings, roads and infrastructure, water and sewerage, and electrical/mechanical works. The volume of procurements has been:

2008	JD 450 million
2009	JD 432 million
2010	JD 182 million
2011	JD 200 million (projected)

The legal and regulatory framework for procurement has been clearly established by means of the three laws and by-laws that are followed by the main procurement agencies plus the internal procurement authorized within MDAs. Thus, the laws and associated regulations apply to all government funded procurements

The procurement activities, especially tender announcements and subsequent awards are easily accessible to the public. All three procurement avenues (GSD, JPD and GTD) have websites that present data on tender opportunities and awards. In addition the five health-related institutions, who partially procure outside the JTD, also follow an open tender policy and have websites with similar procurement information.

Open and competitive is the default of procurement. Other than small purchase up to JD 200, the default method of procurement is an open competitive process. Exceptions to this default method are defined in the GSD Supplies Act 32 on page 87 (English version): *Instructions for purchasing supplies through methods other than tenders, for ministries, government departments and public institutions.*

Bidding opportunities and contract awards are listed on the respective websites. Government procurement plans are assembled within the first month of each fiscal year for planning purposes, but not generally made available to the public.

Data as to complaints and their resolution is not maintained or published due to the very small portion of complaints during a given year, for example only two or three award protests are lodged to the GTD. All three procurement agencies resolve complaints internally by referring them back to the original tender committee that decided on an award. They unanimously stated that this process of resolving award protests functions well, given the limited number of protests, and is efficient and transparent.

However, no independent procurement review process for handling procurement complaints exists as required in dimension (iv) according to PEFA standards.

Performance change and other factors since the 2007 PEFA assessment

For this dimension, a direct comparison with the previous assessment is not possible due to the fact that this indicator was substantially changed by the PEFA Secretariat after the 2007 assessment was finished. Specifically, dimension (iv) of this indicator did not exist in 2007, having only recently been introduced in January 2011.

Dimension (ii): Use of competitive procurement methods

Procurement contract awards are based on the default open competition method. Exceptions to the default method are defined in the GSD Supplies Act 32, Instruction No. 1 for the year 1995, on page 87 (English version): *Instructions For purchasing supplies through methods other than tenders, for ministries, government departments and public institutions.* Article 13 instructs "all departments are requested to open a special register for the purchases conducted through methods other than (open) tender invitations, stating therein supplies kind, trademark, purchasing date, unit price, total price, payment method and sellers name". This register provides an audit trail where internal and/or external auditors can verify these non-competitive transactions.

Performance change and other factors since the 2007 PEFA

For this dimension, a direct comparison with the previous assessment is not possible due to the fact that this indicator was substantially changed by the PEFA Secretariat in January 2011, after the 2007 assessment was finished.

Dimension (iii): Public access to complete, reliable and timely procurement information

Government procurement plans and resolution of procurement complaints are generally not made available to the public. Bidding opportunities and contract awards are made available to the public through local newspapers and via websites. These latter two elements are complied with for at least 50 percent of procurement operations (GSD, JPD and GTD combined).

Performance change and other factors since the 2007 PEFA assessment

For this dimension, a direct comparison with the previous assessment is not possible due to the fact that this indicator was substantially changed by the PEFA Secretariat after the 2007 assessment was finished.

Dimension (iv): Existence of an independent administrative procurement complaints system

Complaints or protests of contract awards are referred back to the original tender committee. If required this committee would bring outside experts and/or consultants to provide technical advice. There is no input from independent private sector or civil society individuals.

Within the framework of internal review, the process for making complaints is defined. Bidders have one week to lodge a protest and are not subject to fees or any other obstacles to lodge a complaint. Complaints are dealt with in a timely fashion, typically within one week of receiving a complaint. If warranted, the tender committee can re-open a tender process for re-evaluation, but almost never is a procurement process suspended.

After reviewing an appeal, the decision by the original tender committee is final. Unsatisfied contenders always have the court system for appeals through the courts, but this rarely occurs.

Performance change and other factors since the 2007 PEFA assessment

For this dimension, a direct comparison with the previous assessment is not possible due to the fact that this indicator was substantially changed by the PEFA Secretariat in January 2011, after the 2007 assessment was finished.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-19	B	**C+**	Scoring method M2 (average of dimension scores)	
(i)	NS	C	Three of the six requirements for this dimension are not met, which require that the legal framework: (iii) apply to all procurement undertaken using government funds; (v) provide for public access all procurement information including data on resolution of procurement complaints; and (vi) provide for an independent administrative review process for handling procurement complaints.	**The 2007 and 2011 assessment scores are not comparable** due to a PEFA directed change made in January 2011. The 2011 score is based on evidence found during the current assessment.
(ii)	NS	A	Other less competitive methods when used are justified in accordance with regulatory requirements.	**The 2007 and 2011 assessment scores are not comparable** due to a PEFA directed change made in January 2011. The higher score in 2011 score is based on evidence found during the current assessment.
(iii)	NS	C	At least two of the key procurement information elements are complete and reliable for government units representing 50 percent of procurement operations and made available to the public through appropriate means.	**The 2007 and 2011 assessment scores are not comparable** due to a PEFA directed change made in January 2011. The 2011 score is based on evidence that shows only two of the four requirements for this dimension being met.
(iv)	NS	D	There is no independent procurement complaints review body.	**The 2007 and 2011 assessment scores are not comparable** due to a PEFA directed change made in January 2011. The 2011 score is based on evidence that indicates that there is no independent protest review body.

Reform in Progress

A study on the issue of restructuring government procurement institutions was completed in early 2011. While the Council of Ministers decided to keep the three organizations separate, the goal is to have all public procurements to be conducted under one legal umbrella, or by-law. A draft legislation to this effect has been put forward based on a study conducted by the World Bank, with input by the USAID FRP-II consultants.

PI-20 Effectiveness of Internal Controls for Non-Salary Expenditures

A good system of internal controls, based on an assessment of risks, supports compliance with rules on procurement and other expenditure processes, minimizes the scope for mistakes or fraud, safeguards information and assets, and ensures accurate and timely accounting and reporting. It also ensures that spending authorities do not commit themselves beyond the limits of prospective cash availability. This indicator assesses the internal control function for non-salary expenditures as at the time of assessment. The target institutions are limited to those included in the central government budget. They total 56 institutions that are comprised of 24 ministries, 23 departments, and 9 supervisory agencies.

Dimension (i): Effectiveness of expenditure commitment controls

There is an extensive ex-ante review that is carried out by three separate entities: (i) MDA auditors/reviewers assigned to major directorates involved in budget execution (finance and accounting, payroll, and procurement); (ii) MoF Control Inspectorate officers located at each of the MDAs; and (iii) the Audit Bureau staff (conducting ex-ante work in about 25 percent of the MDAs). The combined work of these three units provides a thorough examination of all payment vouchers, and the issuance of monthly financial statements in accordance with Part IX of the MoF Financial By-law No.3 and Application Instructions for Financial Affairs.

For example, in the case of a normal expenditure vouched, the first check on accuracy is carried out by the "internal auditors" within the Finance and Accounts Directorate to assure that the line item of expense is included within the budget and that funds have been released by the Treasury in its cash flow transfers, or in the case of a procurement of goods or services, that the required commitment authorization (confirming budget allocation availability) has been issued by GBD. The voucher is signed by the internal checker.

Secondly, the on-site MoF control inspectors review the voucher to ascertain its completeness and accuracy as to account numbers and serial numbers, funds availability and supporting documentation. The MoF control inspector also signs the voucher.

Thirdly, in approximately one fourth of the MDAs, there are representatives of the Audit Bureau on-site to perform a final checking of the voucher. The AB official also affixes his signature to the document before the Finance and Accounts Directorate is cleared to issue a disbursement and record the accounting transaction in the accounting ledgers.

The MoF Financial By-laws concerning internal checking of receipt and expenditures vouchers are followed by all MDAs and other control personnel.

Commitment documents are required only in the case of procurement of goods and services. A certification of "funds available" must be issued by GBD before a tender can proceed.

However there is no mandate that this commitment transaction actually be recorded in the accounting records of the MDAs. However, GBD does record entries for certificates of funds availability in an internal database so as to keep running cumulative totals and calculate the remaining balance for MDAs' budget line items. This GBD procedure effectively limits MDAs to remain within their allocated appropriations.

Commitment controls are not required (or used) for other types of expenditures. All expenditures are subject to a second level of control in the form of periodic Treasury cash-ceiling release that give authority to MDAs to make disbursements for incurred expenditures. These cash ceilings cover fully the payroll costs, but do not necessarily cover the other expenditure items that accumulate within a given MDA from month to month. Thus, cash ceilings do not effectively provide controls on either the incurrence of neither commitments nor expenditures.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole.

Dimension (ii): Comprehensiveness, relevance and understanding of other internal control rules/ procedures

The rules and procedures for ex-ante controls for revenue and expenditure are clearly defined by MoF Financial By-Law and Instructions. These rules and procedures are understood (and applied) by those directly involved in their application. However, there is general agreement by MDA managers that this amounts to an excessive application of control mechanisms that include at least three levels of ex-ante checking of vouchers within each MDAs, plus intervention by GBD to certify funds available for individual procurement events.

The rules and procedures are comprehensive in that they enforce the current instructions for financial control, but certainly not cost effective, especially in the case of diverting Audit Bureau staff from their external audit (ex-post) responsibilities, that represents 25 percent of their audit resources.

Performance change and other factors since the 2007 PEFA

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole.

Dimension (iii): Degree of compliance with rules for processing and recording transactions

Error rates are not generally compiled as they are practically non-existent once all the pre-checking of vouchers is completed (any error detected in the ex-ante review is quickly resolved in order to proceed with the transaction). This is mainly due to the high compliance with the rules, procedures, and instructions that are clearly (and extensively) laid out in the MoF Financial By-law No.3 and the associated Application Instructions No.1.

Generally, there is little to no unjustified use of simplified or emergency procedures outside the normal practices.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-20	B	**C+**	Scoring method M1 (weakest link)	
(i)	NS	C	Expenditure and commitment controls are only selectively in place and partially limit budget charges to approved budget allocations. However, commitment controls do not help to prevent the accumulation of arrears as expenditures go beyond the actual cash releases (Treasury resource availability) for most types of expenditures.	**2007 and 2011 assessments are not comparable** as no scores were provided in 2007 on individual dimensions.
(ii)	NS	B	Other internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood, but may in some areas be excessive (e.g. through duplication in approvals) and lead to inefficiency in staff use and unnecessary delays.	**2007 and 2011 assessments are not comparable** as no scores were provided in 2007 on individual dimensions.
(iii)	NS	A	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.	**2007 and 2011 assessments are not comparable** as no scores were provided in 2007 on individual dimensions.

Reform in Progress

The government has recognized that major changes are necessary to introduce strong internal audit functionality in the MDAs. As a result, the government has recently introduced a strategy for addressing this recognized problem by instituting a program to develop Internal Audit in line with international standards[153]. Further to this new Financial Control Regulation, a Memorandum of Understanding was agreed to by the MoF and the Audit Bureau to cooperate on the fulfillment of this objective. Once strong internal audit functionality is achieved within the MDAs, there can be a gradual reduction in the level of ex-ante internal checking as described in the evaluation of this indicator.

Additionally, the GFMIS accounting system that is currently in its implementation phase has features that require a pre-recording of commitments for all planned expenditures. This will greatly enhance the use of internal control mechanisms built into the GFMIS that allow for both control on periodic releases of budget allocations and Treasury releases for cash management purposes.

[153] Regulation No. 3 of 2011, Financial Control Regulation, Issued Pursuant to Article 114 of the Constitution, Based on the Council of Ministers' decision dated 18 January 2011.

PI-21 Effectiveness of Internal Audit

This indicator relates to the degree that regular and adequate feedback is provided to management on the performance of internal control systems that meet international standards such as the ISPPIA[154]. The term "management" refers to senior level officers within a Ministry, Department or Agency (MDA). The function of internal audit should be focused on reporting on significant systemic issues in relation to: reliability and integrity of financial and operational information; effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, regulations and contracts.

Internal audit that is focused only with the pre-audit of transactions is considered within the PEFA framework as part of the internal control system that is assessed as part of indicator PI-20.

This indicator assesses the internal audit function based on the latest available financial and operational information, that is, as of the time of the assessment in May 2011. The target institutions are limited to those included in the central government budget. They total 56 institutions that are comprised of the 24 ministries, 23 departments and 9 supervisory agencies.

Dimension (i): Coverage and Quality of the Internal Audit Function

With the possible exception of the Ministry of Education, the internal audit function, as described above, is generally not operational in the MDAs. The "internal audit" activities are limited primarily to ex-ante review of receipts, expenditure vouchers, and disbursements. These activities follow the instructions for "Financial Control" as described in Articles 48 through 51 and 137 through 139 of the Financial By-Laws[155].

This ex-ante review is carried out by three separate entities: (i) MDA auditors assigned to major directorates involved in budget execution (finance and accounting, payroll and procurement); (ii) MoF Control Inspectorate officers located at each of the MDAs; and (iii) the Audit Bureau staff (conducting ex-ante work in about 25 percent of the MDAs). The work of these three entities does not qualify as "internal audit" as their work output is not independently reported to top management in the respective MDA nor reported to outside monitoring agencies such as MoF.

In certain major Ministries and Departments, there are "internal control" units who do, in fact, report directly to higher management (e.g. the respective Minister). However, much of what is reported is based on operational activities (such as monitoring all procurement tenders, or following-up on complaints related to individual transactions), and not on systemic issues. Additionally, these reports remain strictly internal. They are not shared with the MoF or the Audit Bureau, which would be desirable in accordance with the PEFA standard for this indicator.

With regards to the authority over the internal audit function, Article 51 of the Financial by-law No. 3 states that the Minister of Finance is responsible for forming a "financial control unit in

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[154] International Standards for the Professional Practice in Internal Audit, issued by the Institute if Internal Auditors.

[155] Ministry of Finance Financial By-Law No 3 for the year 1994, as amended and Application Instructions for Financial Affairs No 1 for the Year 1995, as amended, 2005

each department" and that " the Minister **may** delegate this assignment to the internal control units formed within the Department (MDAs) itself if it seems that such unit is capable to carry out the job efficiently".

With regards to overall audit coverage of central government, internal audit based on international standards is generally not applied. Some large institutions such as the MoF itself and the MoE partially meet internal audit standards. Data as to the proportion of total expenditures covered is not readably available.

There is very little systemic review, roughly no more than ten percent of staff time. Based on interviews with internal MDA management, and a review of monthly status reports from ex-ante internal auditors, the overwhelming emphasis is spent on the review of transactions.

There is little understanding and very little application of recognized professional internal audit standards. The government has recognized that major changes are necessary to introduce strong internal audit functionality in the MDAs (see section below on Reforms in Progress).

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. Additionally, insufficient evidence was provided to demonstrate the existence of an internal audit function within most important central government entities who dedicate at least 20 percent of staff time to system reviews.

Dimension (ii): Frequency and Distribution of Reports

In line with the descriptions in dimension (i) above, the only substantial reports are done by a limited number of major ministries or departments within their respective institutions. For these cases, reports are issued regularly (typically on a monthly basis), plus ad hoc reports in special circumstances. These reports, as described in dimension (i) above, are not focused on systemic issues.

Most government agencies do not have internal audit units of the nature described within this indicator. In the few cases where reports are issued dealing with systemic issues, they are used for internal purposes only. There is no requirement to share reports with either the MoF or AB.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. Overall, the situation for evaluating this dimension has not changed in any substantial form since the last report.

Dimension (iii): Extent to Management Response to Internal Audit Findings

For the limited reporting that is done to internal senior management, there is a quick response to findings. This is the case because of the simplicity of issues and the simplicity of lines of command. When a Minister or Department Director issues corrective action to be taken, the order is given directly to the Internal Control Director, who in turn carries out the corrective action. Because this order carries the weight of the offices of senior management, it is taken seriously by all involved parties.

For those entities performing limited internal audits, findings, reports and follow-up actions are kept confidential, and therefore, no comprehensive data is maintained as to the quality of the audits or the immediate impact they may have on improvement of operations.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible due to the fact that it did not rate each of the dimensions separately, but rather assigned only a summary score for the indicator as a whole. Overall, the situation for evaluating this dimension has not changed in any substantial form since the last report. The inferred score of C given in 2007 is not based on presented evidence nor warranted.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-21	C	**D+**	Scoring method M1 (weakest link)	
(i)	NS	D	There is a general absence of an Internal Audit function within MDAs that meets international standards. This is openly recognized by the MoF	**The previous rating, although not comparable to the current assessment**, introduced an element of internal checking of vouchers ex-ante as compensating evidence for lack of review of systemic issues. This argument is not convincing, based on the data provided in 2007.
(ii)	NS	C	Major ministries and departments (MoE, MoH and MoF) have Internal Control units that perform some systems review utilising at approximately one-fourth of their time. Reports are issued to senior internal management but not to the MoF or the Audit Bureau. Reports that may be issued, all are maintained with strict confidentiality within the concerned MDA	**2007 and 2011 assessments are not comparable.** Justification for the score in this dimension recognized that "the work internal audit is largely based on pre-audit of transactions". This clearly does not meet PEFA standards for supporting this dimension.
(iii)	NS	C	Internal senior managers request that action is taken by giving follow-up instructions to the Internal Control unit.	**2007 and 2011 assessments are not comparable.** "A fair degree of action taken by many managers on major issues" certainly does not occur. No evidence to the contrary was presented in the 2007 assessment.

Reform in Progress

The government has recognized that major changes are necessary to introduce a strong internal audit functionality in the MDAs. As a result, the government has recently introduced a strategy for addressing this recognized problem by instituting a program to develop Internal Audit in line with international standards[156]. Further to this new Financial Control Regulation, a Memorandum of Understanding was agreed to by the MoF and the Audit Bureau to cooperate on the fulfillment of this objective.

[156] Regulation N03 3 of 2011, Financial Control Regulation, Issued Pursuant to Article 114 of the Constitution, Based on the Council of Ministers' decision dated 18 January 2011.

Subsequently, a joint steering committee was established with members appointed from both the MoF and Audit Bureau for the purpose of implementing this new internal audit strategy. At the time of the assessment, the committee had conducted a survey to verify the current status of internal audit units within the MDAs, whether they exist or not, and to gather information as to their organizational structure and the qualifications and experiences of staff. The results of this survey are being entered into a database for planning purposes.

The next steps envisioned to be completed by the end of the third quarter of 2011 by the steering committee are to develop and officially endorse rules and regulations in line with international standards, and to issue instructions and guidelines for the MDAs to develop audit manuals tailored to the specific characteristics of their institutions.

3.5. Accounting, recording, and reporting

This section assesses whether adequate records and information are produced, maintained and disseminated to meet decision-making control, management, and reporting purposes.

PI-22 Timeliness and Regularity of Accounts Reconciliation

This indicator is concerned with the overall reconciliation process of bank accounts and other accounting information related to suspense accounts and advances to either civil servants of project related activities. This indicator assesses the situation measures performance at the time of the assessment.

Dimension (i): Regularity of bank reconciliations

The MoF Public Treasury Directorate is charged with performing regular reconciliations of government owned bank accounts. All Treasury managed bank accounts are reconciled daily through the TSA arrangement with the Central Bank. There are no significant unresolved differences between Treasury records and the Central Bank inasmuch as they do simultaneously mirror cash transactions on a daily basis.

Certain other accounts, principally project accounts managed by MoPIC that are held in foreign currency at the Central Bank, are known and recorded by Treasury, but not reconciled by them. Under current arrangements and delegation, these accounts are directly managed by MoPIC including the responsibility for their reconciliation. MoPIC is required to report monthly to the MoF General Accounts Directorate for inclusion of the special project accounts in the financial statements.

In addition, the Autonomous Government Agencies (AGAs) hold bank accounts outside of Treasury control. Similar to the conditions related to MoPIC-controlled bank accounts, the AGAs reconcile their respective bank accounts and report monthly to the MoF General Accounts Directorate for inclusion in the consolidate financial statements.

Performance change and other factors since the 2007 PEFA

Very little text or evidence was presented in the 2007, so the resulting scores are not comparable to the current assessment. The 2007 score of A is too high given the general lack of information provided. A significant upgrade in operations has occurred since the last assessment with the introduction of the GFMIS General Ledger within Treasury and the unified chart of accounts. The Treasury now has a more complete and current picture of its cash status within the TSA mechanism established at the Central Bank as well as data on foreign denominated bank accounts.

Dimension (ii): Regularity of reconciliation and clearance of suspense accounts and advances

The rules that govern suspense and advance accounts are found in MoF Financial B-law No. 3 for the year 1994 as amended and Application Instructions for Financial Affairs No. 1 for the year 1995 as amended. There are advance accounts for travel and for projects that are now identified to budget allocation accounts within the GFMIS system in place within Treasury. Reconciliation of advance accounts takes place quarterly. Reconciliation and clearance of these accounts take place within one month after the end of each quarter year. There are not a significant number of un-cleared balances that are brought forward at year-end.

There are no significant suspense accounts in Treasury records. Travel advances are charged to expenditure in the corresponding MDA budgetary account at the time they are given. Responsibility for follow-up on travel receipts has been transferred to the MDAs. Advances for projects have been substantially reduced in line with the reduced level in the value of projects and the need to conserve limited cash resources.

MDA trust accounts, previously held at commercial banks, have been consolidated within Treasury (approximately JD 5 million). If a trust account has no activity for five years it is closed with the remaining balance credited to general revenue.

Performance change and other factors since the 2007 PEFA Assessment

Very little text or evidence was presented in the 2007, so the resulting scores are not comparable to the current assessment. A second significant upgrade in operations has occurred in Treasury since the last assessment with consolidation of MDA Trust accounts within Treasury-maintained General Ledger. The use of a GFMIS General Ledger to consolidate trust accounts at MoF has facilitated the consolidation of accounts both for Treasury operations as well as account consolidations performed by the MoF General Accounts Directorate. Based on these developments, this dimension deserves an A rating.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-22	B+	**B+**	Scoring method M2 (average of dimension scores)	
(i)	A	B	Bank reconciliations for all Treasury managed bank accounts take place at least monthly, usually within less than four weeks from the end of the month.	**Very little text or evidence was presented in the 2007, so the resulting scores are non-comparable to the current assessment.** A grade of B was given to this dimension due to exclusion from Treasury direct management of donor designated foreign currency bank account associated with central government project accounts.
(ii)	B	A	Reconciliation and clearance of suspense accounts and advances take place at least quarterly and within a month from end of period and with few balances brought forward.	**Although very little text or evidence was presented in the 2007, the resulting scores are comparable to the current assessment.** A higher grade was given to this dimension due to major improvement in managing trust and advance accounts with introduction of GFMIS and associated COA within Treasury Division

Reform in Progress

Further implementation of the GFMIS accounting system to the full complement of all MDAs should increase the information flow to both Treasury and the MoF General Accounts Directorate to facilitate reconciliations and consolidations,

PI-23 Availability on Information on Resources received by Service Delivery Units

The objective of this indicator is to establish whether any consolidated information is available in regard to the amounts of resources effectively received (in money or in kind) by the basic service delivery units, particularly schools and primary health care centers throughout the country, regardless of their funding source. It is also important to verify that this information, if it exists, is used for follow-ups and to ensure that the public finance management systems effectively support front-line service provision. The assessment covers the years of 2008, 2009 and 2010.

Dimension (i): Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front- line service delivery units (focus on schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.

In Jordan, the Central Government is responsible for the operation and funding of the service delivery units for the education and health sectors. All payroll is paid from the central offices of MoE and MoH. Likewise, procurement of goods and services and payment of all other expenditures are processed at the respective central headquarters in Amman. Therefore, any data on providing resources to the front-line service delivery units is captured as part of the normal accounting processes and financial reporting in line with the details of the approved annual budget.

During 2008-2010, there is no evidence of additional data capture, on a sample or consolidated basis, of resources effectively delivered to service delivery units beyond the normal budget execution reports. No special studies have been commissioned by either the ministries directly concerned or central supervisory ministries such as MoF or AB.

Performance change and other factors since the 2007

The 2007 and 2011 assessments are comparable. There has been no change.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-23	**D**	**D**	Scoring method M1 (weakest link)	
(i)	D	D	No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last three years	**The 2007 and 2011 are comparable. There has been no change.**

PI-24 Quality and Timeliness of In-Year Budget Reports

Appropriate and periodic information on budget execution is necessary for the MoF to monitor fiscal performance and for the MDAs to monitor their budgets. This indicator evaluates whether the Accountant General prepares comprehensive in-year budget reports for government's internal use, i.e. providing an overview of execution in order to take management decisions on a well-informed basis. This indicator covers in-year budget execution reports of the budgetary central government and pertains to the last completed fiscal year, which was 2010.

Dimension (i): Scope of the reports in terms of coverage and compatibility with budget estimates

In-year budget execution reports are prepared monthly by the MoF General Accounts Directorate based on reports sent by MDAs by the end of the first week after the end of the month. This is in accordance to article 140 of a regulation of 1994 which requires that MDAs submit their "balance of monthly movements of their accounts" within the first week after the end of the month. Data are submitted in the same format as that available in the General Budget Law, including data by group codes for aggregate expenditure categories (salaries, wages and allowances; social security contributions; use of goods and services; other expenditures; non-financial assets; capital expenditures) and data by item codes for the corresponding details. The mission saw the submissions sent by the MDAs and also observed how these data were entered manually by staff of the MoF General Accounts Directorate into an Oracle database. Data are also received from the MoF Public Debt Directorate. Data on commitments are not reported.

The monthly in-year budget reports present data on budgeted and actual revenues, expenditures, external grants, and the overall fiscal balance. The report provides consolidates data in four main tables including: (i) a summary table showing domestic revenue broken down into taxes and non-tax revenue, total expenditures broken down into current and capital expenditure, and the operating balance; (iii) a table showing key information in accumulated values for 2010 compared to accumulated values for 2009; (iii) a table on revenue showing monthly data, accumulated data, and some ratios for domestic revenue and for external grants; and (iv) a long table on expenditures with monthly data, accumulated data, and some relevant ratios and including data on food subsidies, gasoline subsidies, and other subsidies.

While data provided in MDA reports and updated by the MoF General Accounts Directorate can be presented in the economic, administrative or functional classification, the consolidated data presented in the monthly in-year budget execution reports for government's internal use do not show information to allow a comparison across administrative headings (these are not at all reported). The MoF General Accounts Directorate could easily produce these data and does so upon request but does not consider it necessary to produce these data on a regular monthly basis.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the 2007 report did not discuss the internal in-year budget reports but considered the information published in the MoF monthly bulletin[157]. Even if that bulletin would have been valid evidence to score this indicator, the data

[157] See the discussion on this indicator in the PEFA Secretariat "Clarifications to the PFM-PM Framework of June 2005", September 2008.

published in the bulletin does not allow a comparison across administrative headings, which should have resulted in a D score for 2007.

Performance seems to be unchanged since the 2007 PEFA assessment.

Dimension (ii): Timeliness of report presentation

In year-budget reports are produced monthly and are ready at the most four weeks after the end of the month.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin. Furthermore, based on this evidence, the score in 2007 should have been an A. The 2007 does not explicitly scored any of the dimensions for this indicator and provided a C score for the indicator bases on the unavailability of commitments data.

Performance seems to be unchanged since the 2007 PEFA assessment.

Dimension (iii): Quality of information

Data are compiled and produced according to international standards following a modified cash-basis accounting system that is consistent for the most part with the International Public Sector Accounting Standards (IPSAS). In addition, debt liabilities are reported on an accrual-basis, as suggested by IPSAS 1[158].

The aggregated monthly data received during 2010 did not differ substantially from the annual data reported for 2010. MDAs report to the MoF General Accounts Directorate any revisions in the data for past months. While there are some iinaccuracies related to the manual input of the data, this does not compromise the overall consistency and usefulness of in-year budget reports.

Performance change and other factors since 2007 PEFA assessment

The 2007 and 2011 scores are non-comparable because the 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin.

The quality of the in-year budget reports has improved substantially since 2007 because of the introduction of the new Chart of Accounts which is consistent with the *GFSM 2001* methodology.

[158] See USAID, "Further Public Finance Reforms; Treasury and Public Accounts Directorates of the Jordanian Ministry of Finance", October 2010.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-24	**C**	**D+**	Scoring method M1 (weakest link)	
(i)	NS	D	The consolidated data provided in the monthly in-year budget execution reports for government's internal use do not provide information to allow a comparison across administrative headings (these are not at all shown), even though the MoF General Accounts Directorate could easily produce these tables and does so upon request. In addition, data on commitments are not reported.	**The 2007 and 2011 assessments are non-comparable** because the 2007 report did not discuss the internal in-year budget reports but considered the information published in the MoF monthly bulletin. Even if that bulletin would have been valid evidence for this indicator, the data published in the bulletin does not allow a comparison across administrative headings which should have resulted in a D score for 2007. **Performance seems to be unchanged since the 2007 PEFA assessment** because data on commitments are yet not still available and the reports present consolidated data that do not allow a comparison across administrative headings.
(ii)	NS	A	In year-budget reports are produced monthly and are ready at the most four weeks after the end of the month.	**The 2007 and 2011 assessments are non-comparable** because the 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin. Furthermore, based on this evidence, the score in 2007 should have been an A. The 2007 does not explicitly scored any of the dimensions for this indicator and provided a C score for the indicator bases on the unavailability of commitments data. **Performance seems to be unchanged since the 2007 PEFA assessment.**
(iii)	NS	B	While there are some inaccuracies related to the manual input of the data, this does not compromise the overall consistency and usefulness of in-year budget reports.	**The 2007 and 2011 scores are non-comparable** because the 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin. **The quality of the in-year budget reports has improved substantially since 2007** because of the introduction of the new Chart of Accounts which is consistent with the *GFSM 2001* methodology.

Reform in Progress

Information on commitment expenditure is expected to be available once GFMIS is rolled out to all MDAs.

PI-25 Quality and Timeliness of Annual Financial Statements

This indicator evaluates three dimensions: the completeness of financial statements, timeliness of their submissions and accounting standards used. The coverage is the budgetary central government. The analyzed period varies and, thus, is mentioned under the analysis of each dimension.

Dimension (i): Completeness of the financial statements

This dimension covers the last prepared annual financial statements which were those of 2009, as published by the MoF General Accounts Directorate in the volume denominated "Final Accounts of the General Budget for the Year 2009" which was issued in June 2010. In general, a consolidated government statement is prepared annually by the MoF General Accounts Directorate. The final accounts for 2009 included information on revenues, expenditures and financial liabilities, but not on financial assets. The volume of the final accounts for 2009 included the following sections:

- A section on the 2009 Budget Law including 12 tables
- A section on the supplementary budget law for 2009
- A section of the total budget including the supplementary law for 2009
- A section on revenues including tables for 2009
- A section on current expenditure including tables for 2009
- A section on capital expenditure for 2009
- A section on capital expenditure financed by loans and grants for 2009
- A section on financing including grants, loans, repayments, and schedule of payments

The final accounts for 2009 also included the following annexes:

- Summary of expenses and receivables
- Summary of general budget for 2009
- Summary of the actual revenues, expenditures and financing 2009
- Final account for 2009
- Budget flow & deficit account until the end of 2009
- Cash position statement for public treasury in 31/12/2009
- Details of miscellaneous advances
- Table of cash balances for revenues and trusts in 31/12/2009
- Consolidated treasury account in 31/12/2009
- Public revenues and Financing 2004-2009
- Tables comparing the current expenditures for six years (2004-2009)
- Tables comparing the capital expenditures, loans, refunds 2004-2009
- Actual revenues and expenditures and financing resources (2000-2009)

Performance change and other factors since 2007 PEFA assessment

This dimension was not rated in 2007 and the annual accounts were not sufficiently discussed, other than stating that they did not cover financial assets and liabilities. Performance has improved since 2007 because financial liabilities were included in the final accounts of 2009.

Dimension (ii): Timeliness of submission of the financial statements

This dimension covers the last annual financial statement submitted for audit which was that of 2009. Financial statements have to be legally submitted to the Audit Bureau for external audit within six months after the end of the year. MoF submitted the final accounts for 2009 within this limit to the Audit Bureau in 2010. The financial statements for 2010 were in the process of being finalized in May 2011.

Performance change and other factors since 2007 PEFA assessment

This dimension was not rated in 2007 but the timeliness of MoF submissions of the financial statements to the Audit Bureau has not changed since 2007.

Dimension (iii): Accounting standards used

This indicator covers the financial statements for the last three years. The financial statements of the government were presented in a consistent format for the period under analysis. A new chart of accounts that provides for the classification of *GFSM 2001* was introduced and has been used since 2008.

The MoF General Accounts Directorate prepares the annual financial statements under a modified cash-basis accounting system that is consistent for the most part with the International Public Sector Accounting Standards (IPSAS), except for fixed assets. Outstanding accounts payable (arrears) are not formally in the accounting records as they are maintained on a cash basis. Thus, they are not reported in the financial statements. Debt liabilities are, however, reported on an accrual-basis, as suggested by IPSAS 1.[159] Thus, neither a fully accrual-based nor cash-based IPSAS are complied with (omission of financial assets and payables).

Performance change and other factors since 2007 PEFA assessment

This dimension was not rated in 2007. Performance change has been considerable since 2007 as a new chart of accounts consistent with international standards was introduced in 2008.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-25	**C**	**C+**	Scoring method M1 (weakest link)	
(i)	NS	C	A consolidated government statement is prepared annually by the MoF General Accounts Directorate. The last prepared final accounts were those for 2009. They included information on revenues and expenditures, but not on financial assets and liabilities.	**This dimension was not rated in 2007** and the annual accounts were not sufficiently discussed, other than stating that they did not cover financial assets and liabilities. **Performance has improved since 2007** because financial liabilities were included in the final accounts of 2009.
(ii)	NS	A	Financial statements have to be legally submitted for external audit within six months after the end of the year and this requirement was met in 2010.	**This dimension was not rated in 2007** but the timeliness of MoF submissions of the financial statements to the Audit Bureau has not changed since 2007.
(iii)	NS	C	The MoF General Accounts Directorate prepares the annual financial statements under a modified cash-basis accounting system that is consistent for the most part with the International Public Sector Accounting Standards (IPSAS), except for fixed assets. Thus, neither a fully accrual-based nor cash-based IPSAS are complied with (omission of financial assets and payables).	**This dimension was not rated in 2007.** **Performance has improved considerably since 2007** as a new chart of accounts consistent with international standards was introduced in 2008.

[159] See USAID, "Further Public Finance Reforms; Treasury and Public Accounts Directorates of the Jordanian Ministry of Finance", October 2010.

3.6. External scrutiny and audit

This section assesses whether arrangements for scrutiny of public finances and follow-up by the Executive are operating.

PI-26 Scope, Nature and Follow-up of External Audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. This indicator deals with the scope, coverage and timeliness of the audit, including adherence to appropriate audit standards promulgated by INTOSAI and IFAC/IAASB; focus on significant and systemic PFM issues; performance of the full range of financial audit processes and procedures; and use of performance audit techniques. The assessment covers the central government institutions, extra-budgetary funds (if existing) and autonomous agencies and assesses three dimensions. All three dimensions assess the external audit function based on the last audited fiscal year which was 2008, and activities, analyses and observations included in the Audit Bureau (AB) 2009 annual report that was completed in May 2010 (but not delivered to Parliament until it came back in session in December 2010).

Dimension (i): Scope and nature of audits performed including adherence to auditing standards

The AB is charged with performing the external audit function applied to the general government public institutions. Since its founding in 1928, the AB has undergone progressive updates to have the scope of a fully functioning SAI and to be admitted as a member of INTOSAI. In recent years it has been moving towards the application of international auditing standards, moving from a strictly financial audit role into administrative, performance and environmental auditing techniques.

The AB has a broad mandate to review and audit the spectrum of government institutions in accordance with Article 4 of its enabling legislation "The law of the Audit Bureau No. 28 of 1952" and its amendments. The following table summarizes the government institutions subject to external audit by the AB. Public sector external auditing is carried out throughout the year and reported on annually in the AB report to Parliament.

Table 3.16. Government Institutions subject to External Audit by the AB

Institutional Grouping	Number of Institutions	Percent subject to Ex-ante Audit	Inclusion in Annual Audit Bureau Report to Parliament
Central Government Ministries and Departments	56	22 %	AB presents its observations on the set of Final Accounts prepared by MoF, plus summary of findings as to individual institutions administrative operations
Public Enterprises	10	0%	AB limits its scope to the review of PE financial statements that have been subject to commercial external audit reports.
Autonomous Public Institutions	96	15%	AB has links to senior management of autonomous institutions during the course of the year. Findings in annual report to Parliament restricted to observed administrative and operational deficiencies.
Governorates and Districts	120	10%	For sub-national entities AB report to Parliament provides summary of findings as to administrative and operational deficiencies observed during the course of the previous year.
Total	**282**		

Audits cover income and expenditure in relation to Central Government, as well as financial assets and liabilities including debt. Approximately 80 percent of total Central Government expenditure is subjected to annual audit. Financial audits focus on systems-based problems in the MDAs, staff, acquisitions, budget, and accounting systems, etc. The financial results based on the Final Accounts, as presented by the MoF, are reviewed on a consolidated basis.

The AB has positioned approximately 350 audit staff members within the institutions listed in the above table in order to carry out both ex-post and ex-ante audit. The AB reviews financial statements from approximately 10 public enterprises and 96 other autonomous agencies. This represents close to 100% of the autonomous agencies However, no AB staff are located within these agencies, as the AB relies on external audit reports issued by their respective commercial audit firms.

In addition the AB reviews the transactions and financial reporting of all 120 Governorates and their respective districts.

The external auditors are involved in both transactions and systems audit. As of the assessment, there is still a significant emphasis on transactional reviews. Outside of this ex-ante voucher checking, the AB understands best practices of INTOSAI and IFAC/IAASB and is gradually adopting these standards on their planning for and conducting of audits.

There have been a limited number of performance audits done recently. There were two performance audits included on the 2009 AB report to Parliament. None were included in the 2010 report that was sent to Parliament in June 2011, at the end of this assessment. However, there are two new performance audits under way at the time of the assessment: one dealing with the operations of the Ministry of Environment (40 page draft currently being finalized) and one concerning biodiversity also related to the Ministry of Environment (50 page draft currently being finalized).

Performance change and other factors since the 2007 PEFA assessment

Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare. While the overall text of the previous report provides the context of the AB scope of operations, the current information documents how the audit work is actually carried out by the AB and is more clearly explained. The AB has developed an electronic database that clearly identifies their target government institutions and the make-up as to the scope and nature of their application of auditor resources and application of time.

Based on current data, the score has been raised to a B for this dimension, up one level from the previous assessment.

Dimension (ii): Timeliness of submission of audit reports to legislature

The ability to properly assess this dimension is limited by the fact that there was no functioning legislature for the period between 24 November 2009 and 27 November 2010.

The law of the Audit Bureau No. 28 does not fix any date or deadline. It only refers to "every fiscal year". The Constitution dictates that "the Audit Office shall submit to the Chamber of Deputies a general report at the beginning of each ordinary session". In practice this report is submitted by April of each year. Except for the delay of one year in which Parliament was dissolved, the legal provisions are followed.

The time lapse of finalizing audit reports to be sent to the legislature from the end of the period covered has been four months for the past two years. However, actual delivery of the report to Parliament is contingent on the Chamber of Deputies being in session.

The PEFA standard for timeliness of auditing and reporting to Parliament dates from the time that the 2008 Final Accounts (consolidated year-end financial statements) are delivered to the AB. These were issued by MoF in June of 2009. The AB had finished its review and provided observations in its annual report that normally would be presented to the Finance and Economic Committee of the House of Representatives "at the beginning of each ordinary session." This typically occurs in May. However, in May of 2010 the Parliament remained dissolved and did not reconvene (after elections) until December 2010. Therefore, the 2009 report was not delivered until January 2011.

The 2010 AB annual report (containing the 2009 Final Accounts) was only recently delivered in June 2011 to the Finance and Economic Committee of the House of Representatives. This report in fact was ready to be sent to Parliament at the end of April 2011. The delay in sending it to Parliament was due to the fact that it was not in session.

Performance change and other factors since the 2007 PEFA assessment

Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare. While the Parliament convened during the four months ended 31 March 2011, the Finance and Economic Committee of the House of Representatives had not begun its review at the time of the assessment.

Dimension (iii): Evidence of follow-up on audit recommendations

Before recommendations are presented in the AB annual report, management is given the chance to provide clarifications and/or rectify the noted deficiency. Once included in the report, management is provided 30 days to respond and make necessary corrections. This rarely happens. At the time of the assessment, there were a total of approximately 4,300 open recommendations to be resolved dating back to 1999. Of this total 3,000 were relative minor administrative cases. The remaining 1,300 were more serious with clarification letters repeatedly being sent by the AB. For tracking purposes, the AB keeps manual files as well as an electronic database on the 1,300 serious open cases. These files were shown to the evaluators.

Therefore, the extent to which audit recommendations from the SAI are addressed by management (after submission of the AB report to Parliament) is relatively poor. However, at the time of the assessment, the AB has been more proactive in following-up on open cases. It has established a special directorate within the AB to provide more active follow-up activities regarding open recommendations. Additionally, there is evidence that Parliament is also pressuring for more follow-up. At the time of the assessment, a Member of Parliament recently requested the AB to provide them with all pending issues that remain open with the Ministry of Higher Education for the period 2000 through 2011.

Performance change and other factors since the 2007 PEFA assessment

Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare. Although the situation has not yet improved much since the last assessment, significant changes are underway. A new directorate has been charged to carry-out a more proactive approach to outstanding audit recommendations.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-26	C	**C+**	Scoring method M1 (weakest link)	
(i)	NS	B	Central government entities representing at least 75% of total expenditures are audited annually, at least covering revenue and expenditure. A wide range of financial audits are performed and generally adheres to auditing standards, focusing on systemic issues.	**Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare.** Nevertheless, improvements have been observed, such as: the AB has a detailed electronic file that lists all government entities that they audit. This file includes information as to the extent of audit (ex-ante or ex-post), the existence or not of an Internal Audit unit, and the level of management with whom they interact, and the number of AB staff assigned to each entity. The score of B was determined by applying PEFA framework standards
(ii)	NS	B	Audit reports are ready for submission to the legislature within eight months of the end of the period covered and in the case of financial statements from their receipt by the audit office.	**Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare.** The lack of a sitting Parliament often delays the actual timing of delivery of AB reports. The score of B was determined by applying PEFA framework standards
(iii)	NS	C	Formal responses are made (either to the AB or the Finance Committee of the House of Deputies) though delayed and not very thorough, and the follow-up is weak.	**Inasmuch as the previous report did not provide scoring on the individual dimensions for this indicator, it is not possible to directly compare.** Improvement are underway but only in their initial stages, therefore a grade of C is warranted until these improvements are instituted.

Reform in Progress

The AB has been receiving expert guidance by SIGMA (OECD) to upgrade the skills of their staff and support AB in their efforts to adopt international auditing standards. AB has established a new directorate for performance auditing that is actively creating a database (Oracle) to identify target programs and projects and identifying the skill mix that will be required to carry out this type of audit. In addition, AB has drafted guidelines for performance auditing and is in the process of writing a companion manual. The Performance Audit Directorate has also issued a questionnaire to all MDAs asking for descriptions of their programs, projects and activities so as to be able to plan for future performance audits.

A related development related to the development of strong internal audit units in the MDAs (see indicator PI-21) would allow the AB to gradually retire from ex-ante audit tasks that currently consume a sizable part of their workforce effort. They intend to re-direct manpower from ex-ante to post audit techniques using international standards.

PI-27 Legislative Scrutiny of the Annual Budget Law

This indicator is concerned with the degree that legislature performs a meaningful, thorough and timely review of the annual budget proposed by the executive. This indicator assesses the legislature's review of the central government budget for the last completed fiscal year, which was 2010.

***Dimension (i)*: Scope of legislature's scrutiny of the annual budget law**

During the last completed fiscal year, the legislature was not in session (dissolved) for the first eleven months. It returned to a functioning status in early December 2010 and was in session for the subsequent four months. Therefore a review of the last completed fiscal year (2010) is not possible as no work was performed by the legislature during that period.

The 2011 proposed annual budget law was presented to the legislature in January 2011. Subsequently, it was pulled for revisions and re-submitted in March 2011. It was approved by the legislature in end-March 2011 and enacted in the Official Gazette on 11 April 2011.

The in-depth analysis is performed by the Financial and Economic Committee within the House of Representatives. They review two basic budget documents: the Central Government "General Budget Law" and the Budget Estimates for Autonomous Government Agencies and its accompanying budget law. These two documents are examined in detail. The legislature review covers expenditures and revenues and fiscal policies as laid out in the draft budget laws and further outlined in the budget speech to Parliament by the Prime Minister.

Information as to the medium-term fiscal framework and medium-term priorities is not clearly presented by government and thus not considered by Parliament.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is possible in that both assessments covered at least a single budget review process by the legislature. Other than the long period of dissolution of Parliament, the conditions under which the oversight review was conducted are similar. However, after the second draft 2011 General Budget Law was presented in March 2011 (the third month after the start of the fiscal year), and the Legislature approved it in the same month, there was obviously very little time for in-depth review of MTEF and MTFF considerations.

***Dimension (ii)*: Extent to which the legislature's procedures are well established and respected**

The procedures for legislative review are established and mandated by legislation. The principle authority is provided in articles 111 through 119 of the Jordanian Constitution and Organic Law on Public Finance of 1962. In addition, the By-laws of the House of Representatives (pursuant to Article 83 of the Constitution) clearly define the establishment of the Financial and Economic Committee and provide detailed guidelines for it to perform its responsibilities. As a matter of practice, this committee normally calls in the competent minister when examining a particular ministry or department to provide explanations and answer questions posed by the committee.

Performance change and other factors since the 2007 PEFA assessment

This assessment is comparable to the previous one. There has been no significant change in the legislative procedures. They are firmly established and respected.

Dimension (iii): Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)

The legislature is given 45 days to complete its review and vote. The Financial and Economic Committee takes about one month to finish its review and present it to the full House of Representatives. The House, in turn, typically takes its vote within one week, followed immediately by the Upper Chamber. Based on interviews with a leading member of the Financial and Economic Committee, the time allotted to them for the full process is adequate. However, as indicated above in dimension (i), this most recent year time-frame was severely truncated to the detriment of a serious and comprehensive review.

Performance change and other factors since the 2007 PEFA assessment

This assessment is comparable to the previous one. The time allotment has not changed over the years and has been deemed adequate by Members of Parliament.

***Dimension (iv)*: Rules for in-year amendments to the budget without ex-ante approval by the legislature**

The approved 2011 General Budget Law describes the virements allowed, and those specifically disallowed during the course of the execution of the budget. Any increase in the overall budget totals requires prior approval from Parliament. The rules governing transfers during the fiscal year are clearly stated, even if they may change slightly from year to year

Extensive reallocation is permitted within a given ministry or department, with certain restrictions as defined in the budget law. From an administrative viewpoint, these reallocations within a budget chapter require the prior approval of GBD. Restrictions on budget transfers and requests for supplementary appropriations are respected by the executive authorities.

Performance change and other factors since the 2007 PEFA assessment

This assessment is comparable to the previous one. Assuming that there is a sitting legislature, supplementary appropriations are dealt with on a timely basis. However, this sometimes requires calling for an extraordinary session of Parliament due to the limited (four months) duration of their ordinary session.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-27	A	**B+**	Scoring method M1 (weakest link)	
(i)	NS	B	The legislature's review covers fiscal policy and aggregates for the coming year as well as detailed estimates of expenditure and revenue.	**The 2007 and 2011 assessments are comparable.** The score reduced from 2007 for lack of evidence of legislature review of medium-term fiscal framework and medium-term priorities.
(ii)	NS	A	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.	**The 2007 and 2011 assessments are comparable.** The current score is consistent with the previous assessment.
(iii)	NS	B	The legislature has at least one month to review and vote on the budget proposals.	**The 2007 and 2011 assessments are comparable.** Legislature is often under pressure to review and approve budget proposals quickly due to the late presentation of the proposed budget to them. But, once received, they complete their work within the time-frame allotted. No justification presented in the 2007 report to warrant a higher score.
(iv)	NS	A	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected. Outstanding accounts payable (arrears) are not formally in the accounting records as they are maintained on a cash basis. They are not reported in the financial statements and thus not considered as part of in-year budget amendments.	**The 2007 and 2011 assessments are comparable.** The current score is consistent with the previous assessment

PI-28 Legislative Scrutiny of External Audit Reports

The focus of this indicator in on central government entities, including autonomous agencies to the extent that either they are required to do so by law, or their parent or controlling ministry or department must answer questions and take action on the agency's behalf. Dimension (i) of this indicator assesses audit reports submitted to legislature within the last three years, and dimensions (i) and (iii) cover the last twelve months.

Dimension (i): Timeliness of examination of audit reports by the legislature (for reports received within the last three years

The current legislation and/or existing procedures do not establish any fixed deadlines for the review of audit reports by the legislature. Because the legislature is in regular session for only four moths within a twelve month period, the completion of the examination runs beyond twelve months. This has been the case for each of the last three fiscal years (and before). Due to this short annual session, the legislature carries forward outstanding issues revealed by AB into subsequent sessions.

The legislature was dissolved for 12 months between November 2009 and November 2010. Therefore in 2010 there was no legislature examination of the 2009 AB report. For the 2008 AB report (related to the year ended December 31, 2007 and the Final accounts for 2006) and the 2007 AB report (for the year ended December 31, 2006 and the final accounts for 2005) the duration of the examination was limited to the four-month ordinary session.

As per the AB directorate responsible for reports to Parliament, as at the time of this current assessment, the legislature is currently dealing with cases that date back to 1999. During the time of this assessment, Parliament's Investigative Committee requested that the AB deliver all open audit queries related to Higher Education (totalling 16). In total there are approximately 4,300 open audit queries. Of this total, 1,300 are considered to be serious cases that require action on the part of the audited institution.

In sum, for the past three fiscal years, the review process of audit reports by the legislature is slow, with attention given mainly to the more serious audit critiques. This has been the prevalent modus operandi for a long period extending before 2007.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible inasmuch as it provided no evidence and very little supporting text. The scrutiny of external audit reports was and continues to be partial, with open items carried forward into future years. Critical audit critiques receive attention, while a large number of open cases are carried forward for as long as ten years.

Dimension (ii): Extent of hearings on key findings undertaken by the legislature

With regards to major findings, the Financial and Economic Committee calls in the corresponding Competent Minister and senior staff to answer questions and/or defend their position related to open items. To the extent that Parliament is in session, in-depth hearings take place on a routine basis, but clearly there is a lack of time to thoroughly review and follow-up on all audit recommendations.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible, inasmuch as it provided no evidence and very little supporting text. While in-depth hearings take place on open items deemed to be of critical importance, the preponderance of items receive little attention and remain as open items far into the future. This represents no change from the previous assessment.

Dimension (iii): Issuance of recommended actions by the legislature and implementation by the executive

The law does not require actions to be taken with respect to recommendations of the legislative review. The findings and recommendations are sent to the Prime Minister who forwards these recommendations to the competent minister of the entity corresponding to the audit findings. In practice, the burden of follow-up rests with AB.

The AB is the only source for a consolidated overview of open audit findings. Their records show that some action eventually is taken by the executive branch, but at a very slow and inconsistent basis.

Performance change and other factors since the 2007 PEFA assessment

A direct comparison with the previous assessment is not possible inasmuch as it provided no evidence and very little supporting text. The situation has not significantly changed over many years. A large backlog of open audit queries remains in place.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
PI-28	C	**D+**	Scoring method M1 (weakest link)	
(i)	NS	D	Examination of the audit reports by the legislature usually takes more than twelve months to complete.	**A direct comparison with the previous assessment is not possible.** The assigned score is in line with the PEFA Secretarial standards.
(ii)	NS	B	In depth hearings take place with responsible officers from the audited entities as a routine, but may cover only some of the entities which received a qualified or adverse opinion.	**A direct comparison with the previous assessment is not possible.** The assigned score is in line with the PEFA Secretarial standards.
(iii)	NS	B	Actions are recommended to the executive, some of which are implemented, according to existing evidence	**A direct comparison with the previous assessment is possible.** The assigned score is in line with the PEFA Secretarial standards.

3.7. Donor Practices

This section assesses elements of donor practices which impact the performance of a country PFM system. These practices are the exclusive responsibility of the donors and are mainly outside the authority of the Government.

In 2010, the GOJ received external assistance from donors (through grants and loans) for around JD 800 million, which represents 14 percent of the total actual expenditure of budgetary Central Government. Most of this assistance (88 percent) was financed through grants, and especially through budget support (55 percent).

Detailed figures on external assistance and its part on the total expenditure are presented in Annex 2. Only data of in-budget external aid (budget support grants and loans) is accurate. Data on projects and programs financed by grants have been estimated on the basis of the figures provided by MOPIC and GAD (MoF). In 2010, MOPIC developed the Jordan Aid Information Management System (JAIMS) with the support of the European Union and the United Nations. This browser provides information on global donor commitments but do not show real disbursements on a fiscal year basis. A questionnaire was prepared and sent to the donors in order to collect information to assess the three indicators related to donor practices[160].

D-1 Predictability of Direct Budget Support

Direct budget support (DBS) constitutes an important source of revenue for Central Government in Jordan. Poor predictability of inflows of budget support affects the government's fiscal management in much the same way as the impact of external shocks on domestic revenue collection and can have serious implications for the government's ability to implement the budget as planned. This indicator asses the predictability of all DBS provided by donors to or through the Central Government during the last three fiscal years (2008-2010).

Dimension (i): Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature[161]

In 2010, budget support accounted for 8 percent of the Government expenditure. The main donors that provided DBS in the period under analysis (2008-2010) were USAID, the European Union (EU), Japan, the World Bank (WB) and Saudi Arabia. These donors have provided non reimbursable DBS (grants), except for the World Bank.

The DBS provided by the WB has consisted in a single Policy Development Loan (PDL) of JD 212 million (US$ 300 million) fully disbursed in December 2009. This support was based on an agreed number of prior actions included in a policy matrix that was discussed during the fiscal year 2009. When the Government was preparing 2009 budget in August-October 2008, the WB had not made any commitment yet related to this loan and thus the Government had no basis to include it in its budget proposal[162]. In accordance with the PEFA Secretariat clarifications to the Framework[163], this DBS has been excluded of the analysis.

With regards to the foreign grants transferred to the Treasury account, although none of the donors did specifically provide a forecast, they did made commitments and the Government was able to base its budget estimates on those commitments. Table 3.17. below shows the annual deviation of actual budget support from the estimated budget support in the Government Budget Law, for each of the donors. Disaggregated figures by donor are included in Annex 2. It appears from these data that only in 2009 has DBS out-turn fallen short of the forecast by more than 5 percent.

[160] No answers were received by the mission but the preliminary data of the assessment were shared with the main donor (USAID).
[161] Or equivalent approving body.
[162] The uncertain expected financing was included in the financial sources of the budget, as part of "Domestic loans". When the amount was disbursed, it was recorded as "International Organizations loans to support the budget". Communication of the GDD (MOF).
[163] Clarifications to the PEFA Framework updated in September 2008.

Table 3.17. Global Budget Support Deviations by Donor in 2008-2010

(In millions of JD)

Direct Budget Support	2008			2009			2010		
	Estim.	Actual	Deviat.	Estim.	Actual	Deviat.	Estim.	Actual	Deviat.
European Union	100	32	-68	66	35	-31	26	78	52
USAID	71	179	108	145	154	9	116	108	-8
Japan	2	1	-1	11	3	-8	18	2	-16
Others (Saudi Arabia)	267	507	240	462	142	-320	170	214	43
DBS estimated in Budget	440	718	278	684	333	-351	330	402	72
Annual deviation in percentage of total forecast			**63%**			**-51%**			**22%**
World Bank (PDL)					212	212			
Total DBS	440	718	278	684	545	-139	330	402	72

Source: Calculations made from data provided by GDD (MoF).

In 2009, actual budget support out-turn fell short of the forecast by 51 percent, mainly due to an earlier disbursement of the Saudi Arabian grant (scheduled in part in 2008 but fully disbursed that year). Budget support provided by the Saudi Arabia and other Arab countries is used to finance fiscal deficit and is not based on the implementation of policy actions as condition for disbursement.

The DBS provided by the EU through several agreements has also contributed to this global negative deviation in 2009. The EU budget support is based on an agreed number of disbursement conditions. As the implementation of some of these actions was delayed, part of the funds expected for 2009 (and also for 2008) were finally disbursed in 2010.

Budget support disbursements from USAID are in general well consistent with the budget estimates. The disbursement requires that the global envelope had been allocated for specific expenditure in the budget (earmarked budget support), but no specific justification of actual expenditure is needed.

Japanese DBS is called “None Project Grant Aid” and is managed directly by the Embassy. The Central Government receives this grant to buy several agreed commodities (such as barley and wheat) and sell them in the local market. The funds obtained are then used to finance specific projects in the budget. Commitments and disbursement for this DBS have deviations, but the global envelope is relatively insignificant.

Performance change and other factors since 2007 PEFA assessment

It seems impossible to establish a comparison with the previous assessment as no accurate data were provided in 2007 (precise data on DBS out-turn could not be confirmed at that time). Some interview data were provided but it was not used to calculate the score. The mission was unable to clarify in which basis the score of the indicator was decided, but it seems that in the absence of precise data, not scoring this indicator would have been a better option in 2007 (see Annex 1).

Dimension (ii): In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

This dimension should be assessed on the basis of quarterly distribution of actual budget support inflow compared to the distribution according to the initial agreed plan. However, when the Government negotiates the terms of the budget support agreements with the donors, it does not request for a detailed calendar of disbursements for each agreed fiscal year. In practice, most of the DBS inflows are disbursed at the end of the year, which contributes to cash shortfalls in Central Government during the year.

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible due to the absence of accurate data presented at that time (see Annex 1). The 2007 PEFA assessment did not provide any evidence on whether quarterly disbursement estimates had been agreed with donors and whether actual disbursement delays had been lower than 50 percent in at least two years of the three year period 2004-2006 (which are the two requirements for a C score). No performance change has been observed in the last few years. The situation in 2007 seems to have been the same as in 2011, and thus 2007 score appears to be over-rated.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
D-1	**C**[164]	**D+**	Scoring method M1 (weakest link)	
(i)	NS	A	Only in 2009, DBS out-turn has fallen short of the forecast by more than 5 percent (it fell short of the forecast by 51 percent).	**2007 and 2011 are non-comparable scores**. No accurate data were available in 2007 and the data presented (coming from interviews) were not used to calculate the score.
(ii)	NS	D	Quarterly disbursement estimates have not been agreed with donors.	**2007 and 2011 are non-comparable scores**. No accurate data were available in 2007 which seems rather to correspond with the lower score. No performance change has been observed in the last few years.

D-2 Financial information provided by donors for budgeting and reporting on project and program aid

This indicator aims at evaluating how predictable is donor financing for programs and projects in relation to the provision of accurate and timely estimates of available funds for inclusion in the budget proposal and the presentation of reports on actual donor flows.

The evaluation covers the information available from at least the five largest programme and project financing agencies operating in Jordan during 2010, namely the United States of America (USA), the Arab Fund for Economic and Social Development, the European Union

[164] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.

(EU), the Kuwaiti Fund for Arab Economic Development and the Saudi Fund for Development. These agencies cover close to 84 percent of all grants and loans supplied to the Government of Jordan. USA and EU provided grants, whereas the three others provided loans.

Dimension (i): Completeness and timeliness of budget estimates by donors for project support

In 2010, donor funded projects and programs accounted for 6 percent of the Government expenditure. Around 72 percent of these projects and programs were financed by grants managed off-budget, and the rest were financed by loans executed in-budget. Only donors financing projects through loans actually provided the Government with budget estimates for disbursement of project aid during the budget preparation process. These estimates covered the fiscal year under preparation as well as the next following years and were ready on time to be taken into account in the budget proposal.

However, the main donors providing grants to finance projects and programs (USA and EU) do not provide budget estimates for disbursement of project aid for the Government's coming fiscal year and at least three months prior its start. The financial agreements of those projects include global and annual commitments but the revision of the estimate to be disbursed each year is only included in the annual action plan of the project, which is finished at the beginning of the fiscal year.

Performance change and other factors since 2007 PEFA assessment

The situation seems to remain the same as in 2007. No performance change has been observed.

Dimension (ii): Frequency and coverage of reporting by donors on actual donor flows for project support

Only projects financed by loans are estimated in the budget, and thus are covered by this dimension. Most of these projects (around 90 percent) have quarterly reports that are prepared within two months of the end of the quarter[165]. However, the information does not necessarily provide a breakdown consistent with the Government budget classification.

Performance change and other factors since 2007 PEFA assessment

Some improvements have been achieved since the situation reported in 2007 as at least projects financed by loans have now timely quarterly reports. According to MOPIC, the quality of these reports has also been improved.

[165] Communication of MOPIC.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
D-2	**D**[166]	**D+**	Scoring method M1 (weakest link)	
(i)	NS	D	Only the donors providing loans (which accounts for around 28 percent of all the donor funding projects in Jordan) provide budget estimates for disbursement of project aid for the Government's coming fiscal year and at least three months prior its start.	The situation seems to remain the same as in 2007. No performance change has been observed.
(ii)	NS	C	Donors provide quarterly reports within two months of end-of quarter on the all disbursements made for around 90 percent of the externally financed project estimates in the budget (which are only the projects financed by loans), but the information is not fully consistent with the budget classification.	Some performance change has been observed since 2007 as projects financed by loans have now timely quarterly reports. The GOJ considers that the quality of these reports has also been improved.

D-3 Proportion of aid that is managed by use of national procedures

Dimension (i): Overall proportion of aid funds to central government that are managed through national procedures

Budget support is fully managed through national procedures. In 2010, DBS accounted for around 55 percent of the overall assistance envelope. For the rest of the external aid (projects financed through loans and grants), no accurate data is available to determine the proportion that use national systems for each of the four areas of procurement, payment / accounting, audit and reporting. However, most of the projects financed by loans are managed through national procedures whereas most of projects financed by grants use donor procedures[167]. This results in a ratio of donor support following national procedures of around 65 percent in 2010[168].

Performance change and other factors since 2007 PEFA assessment

A direct comparison with the previous assessment seems impossible because the percentage of donor support following national procedures was not calculated in 2007. At that time, only DBS seemed to be using national procedures. However, the part of DBS in the total external aid was not calculated.

Most probably, some performance improvement has been achieved related to this indicator. This could be largely due to the increasing share of budget support in the overall assistance envelope.

Indicator / Dimension	Score 2007	Score 2011	Justification for 2011 Score	Performance Change Other factors
D-3	**D**	**C**	Scoring method M1 (weakest link)	
(i)	**D**	**C**	The total percentage of donor support (budget support and project support) following national procedures in 2010 was around 65 percent.	**2007 and 2011 are non-comparable scores**. The 2007 score was not based in a calculated proportion of donor support following national procedures. Some improvements could have been materialised since 2007 largely due to the increasing share of budget support in the overall assistance envelope.

[166] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as D for the overall score for this indicator to be a D.
[167] Communication of MOPIC.
[168] Communication of MOPIC.

4. GOVERNMENT REFORM PROCESS

This chapter describes the PFM reform efforts in Jordan and institutional factors affecting those reforms.

4.1. Description of Recent and On-Going Reforms

Concurrent with the development of the *National Agenda* in 2005, the government launched its aggressive financial reform agenda focused on its identification of its highest priority needs including tax policy and administration reform, development of a medium-term fiscal framework (MTFF) process, preparation of medium-term expenditure frameworks (MTEF), installation of a government financial management information system (GFMIS), introduction and implementation of results-oriented budgeting, reform of commitment control and internal control processes, and institution of a treasury single account (TSA). These reforms were described in the *Policy Statement for Public Sector Reform for 2004-2009* issued by the Office of the Prime Minister, the *Financial Management Reform Strategy 2004-2007* adopted by the Ministry of Finance (MoF), the MoF *Strategy for 2005-2009,* and the General Budget Department (GBD) *Strategy for 2007-2009*. To assist in this massive reform effort, Jordan called on the technical and financial resources of the international donor community. There has been on-going support from the European Union (EU), USAID, GTZ, the International Monetary Fund (IMF), the World Bank and others. Assessments by the EU, IMF, World Bank, and USAID all confirm that significant progress has been made on PFM reform.

Since mid-2009 when the end of the period of the strategies described above was approaching, the MoF prepared a PFM reform strategy contained in the MoF *"Overarching Financial Management Reform for Jordan's Public Financial Management 2010–2013"* and its action plan, which was issued in December 2009. This strategy encompasses the main elements of the PFM reform strategies of the MoF, GBD, ISTD and the AB, whose main elements are described below.

- ***Ministry of Finance.*** The *MoF Strategic Plan 2010–2013* states that "MoF is responsible for developing the country's financial policy, supervising its implementation, and directing the government investment as well as the domestic and external public debt management, and achieving integration between the public financial policy and the monetary policy to serve the national economy." To fulfill its responsibilities over 2010–2013, the *MoF Strategic Plan* has set the following strategic objectives consistent with the *National Agenda*: (i) draw up the public financial policy to enhance financial stability and encourage economic growth; (ii) reduce public indebtedness; (iii) improve the efficiency of control on public funds; (iv) promote the level of transparency and disclosure; (v) improve the level of provided services; and (vi) enhance the capacities of the MoF staff.

MoF's Action Plan for 2010–2013 commits to building on the substantial progress made thus far by calling for the development of a debt management strategy; broadening the tax base and taking aggressive steps to reduce tax evasion; increasing training activity and focusing recruitment on staff having better analytical skills; finalizing the GFMIS; and preparing the budget based on more realistic estimates of resources, the establishment of ministry and department ceilings based on strategic needs, programs focused on achievement of specific goals, and more accountability for performance. When fully operational, GFMIS will link instantaneously and electronically the MoF, the line ministries, their departments, and regional financial centers, and will also provide a database from which timely and accurate management reports will be drawn. There has been made a commitment to timely transparency exemplified by the release of the budget on the website upon approval by the Cabinet.

- ***Income and Sales Tax Directorate***. The *ISTD Strategic Plan 2010–2014* states that ISTD's mission is to upgrade the efficiency and effectiveness of the department in estimating and collecting taxes through self-assessment, applying sampling techniques, encouraging voluntary compliance, increasing the public's awareness of its obligations, pursuing tax evaders, and providing high quality services. The *ISTD Strategic Plan* has set the following strategic objectives to help meet the *National Agenda*'s goals: (i) taking steps to increase revenues to enable the Government to carry out its functions; (ii) raising efficiency and effectiveness in managing the tax system to ensure that every taxpayer complies with his tax obligations; (iii) raising voluntary compliance of taxpayers by increasing tax awareness, improving transparency, and providing quality taxpayer services; (iv) developing the capabilities and competencies of ISTD staff; and (v) raising efficiency and effectiveness in managing tax system processes by developing modern and effective information technology.

ISTD's Action Plan for 2010–2014 focuses on raising its efficiency and increasing revenues by using risk-based auditing, fully implementing the audit tracking system to focus resources on high priority activities based on careful tracking and analysis of staff resources and work results, developing new sources of information to identify tax evaders, and broadening the tax base.

- ***General Budget Department***. The *GBD Strategic Plan 2010–2013* includes among its major responsibilities preparing the general budget; developing manpower tables; allocating funds to implement policy in accordance with national priorities; evaluating the Government's programs, projects, and activities; monitoring the execution of the budget; and preparing regular analytical reports. To carry out these responsibilities so as to meet the goals of the *National Agenda*, the *GBD Strategic Plan* has set the following strategic objectives: (i) build a sound and stable financial position in Jordan; (ii) stay abreast of the best international practices in budget management; and (iii) improve the work environment.

GBD's Action Plan for 2010–2013 seeks to achieve its strategic goals by controlling public expenditure in line with national priorities, gradually reducing subsidies, maintaining a safe level of budget deficit as a percentage of GDP, complying with public debt ceilings as a percentage of GDP, enhancing implementation of results-oriented budgeting, enhancing application of MTFF, expanding the application of chart of accounts components, developing GFMIS within GBD, paying more attention to the analytical aspects of public expenditure, measuring performance in capital projects, developing the efficiency of GBD staff, and transferring knowledge about the new developed systems to the rest of the government.

- ***Audit Bureau.*** The *Audit Bureau Strategic Plan 2010–2015* states that its duties include submitting an annual report to the House of Representatives; monitoring the Government's revenues, expenditures, trust accounts, advances, loans, settlements, and warehouses; providing accounting advice; ensuring spending of public funds is legal and effective; ensuring the soundness of the implementation of environmental legislation; and verifying that the decisions and administrative procedures of entities subject to its oversight were conducted in accordance with active legislation. To carry out these duties, which are consistent with the *National Agenda*'s goals, the *Audit Bureau Strategic Plan 2010–2015* includes the following strategic objectives: (i) maintain public funds and consolidate accountability principles; (ii) train its staff; (iii) amend the Audit Bureau Law in line with international audit standards, best professional practices, and development in the organizations subject to audit; and (iv) optimize the use of financial resources.

The reform plans of the Audit Bureau envisage its progressive transformation into an independent public body with an essential role of oversight within the public finance system, ensuring that the projects and programs of the Government are executed legally, effectively, and efficiently through the application of external audit techniques based on international practice. The Audit Bureau's Strategic Plan contains the right components, implying that in the medium term it will move to focus its activities on its core oversight function.

The main reforms undertaken since 2007 have been: (i) strengthening macro-fiscal forecasting; (ii) adopting a new *GFSM 2001*-compliant budget classification and Chart of Accounts; (iii) consolidating government banking arrangements to channel funds to the TSA; (iv) establishing a GFMIS that will be roll out to all MDAs in 2012; (v) introducing MTEF and results-oriented budgeting processes for all budgetary units and independent agencies with a revised budget calendar designed to provide addition time for deliberation and involvement by the Cabinet and the Parliament; (vi) improving coordination between the MoF Public Treasury Directorate and GBD regarding budget allocations for commitments and periodic cash ceiling releases for expenditure/disbursements; (vii) activating position control features within GFMIS for budgeting purposes; and (viii) establishing filer, non-filer, stop-filer, and Audit Tracking Systems aimed at improving the collection process and reducing arrears.

4.2. Institutional Factors supporting Reform Planning and Implementation

Government leadership and ownership have strengthened over time and is reflected in the strategies and actions plans prepared by the key institutions defining and guiding the PFM system in Jordan: the MoF, GBD, ISTD, and AB.

The MoF, GBD and ISTD have made changes to their organizational structures in the past few years that have led to greater focus on high priority activities. The September 2009 IMF-WB report, *Advancing the PFM Reform Agenda,* recommended the creation of an expenditure policy division at GBD and this unit has already been established. A new macro-fiscal unit and a public revenue unit were also established at MoF. ISTD has continued modernizing its organizational structure since the merge of the Income Tax Department and the Sales Tax Department in 2004 and separating operational from planning functions. New directorates were established at ISTD to deal with debt management and non-filer issues. ISTD structure has changed from a tax-based structure to a modern combination of a (i) functional structure for tax headquarters providing guidance to the operational directorates and (ii) a taxpayers-size basis for operational purposes, all of which is in line with TA advice provided by the IMF METAC and Fiscal Affairs Department (FAD) in the past years.

The organizational arrangements within which PFM is conducted in Jordan operate fairly well, but coordination can be further strengthened especially on planning and budgeting capital spending. In this regard, the coordination exercise undertaken in 2010 to ensure consistency between the *Executive Development Program 2011-2013* and the budgeted MTEF capital expenditure was positive. Further and continued coordination among MoF, GBD, and MOPIC related to capital spending are crucial to supporting the reform planning and the implementation process.

Government leadership with donors has not strengthened. Responsibility for donor coordination lies with MOPIC and UNDP, in close co-operation with the line ministries. MOPIC created Government-Donor Coordination Working Groups in 10 priority sectors in 2007, which meet as needed. One of the sectors is good governance. MOPIC chairs all the working groups with the aim of establishing a structured and technical level dialogue with donors on Jordan's development needs and priorities.

In addition, there is a "Donor/Lender Consultation Group" (DLCG) process, initiated in 2000, which has waned in effectiveness over the years depending on the energy of its leadership and participants. The group is intended to provide coordination among member states, as well as USAID, UNDP, the EU, GTZ, and other active donors. The DLCG has established six thematic sub-groups: governance/public-sector reform, education, social development, private sector development, environment, and water. The EU is active in the DLCG, was chairman in 2008, and chairs several of the working groups. At times it has led more than half of the working groups.

The EU has supported MOPIC in the development of a new donor coordination mechanism called the *Jordan Aid Information Management System* (JAIMS). This database intends to provide information on ongoing financial assistance, projects, and programs. JAIMS supports the goals of the 2008 *Accra Agenda for Action* and the *International Aid Transparency Initiative*, which promote transparency and accessibility of information to increase accountability, predictability, and effectiveness of aid and reduce transaction costs.

Annex 1:

Overview of Progress and Comparability between Assessments

Table 1.1. Justification, Comparability, and Performance Improvement related to Performance Indicators Scores for 2007 and 2011

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
A. PFM OUT-TURNS: I. Credibility of the budget								
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	**A**	Scoring methodology: M1	**A**	**No**		**UC**[169]	
(i)	The difference between actual primary expenditure and the originally budgeted primary expenditure	A	Only in 2010 actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5 percent (the deviation was 4.7 in 2008, -2.2 percent in 2009 and 6.3 percent in 2010).	A	No	2007 score was based on wrong data coverage and appears to be over-rated due to methodological shortcomings.	UC	Unclear as there are no other elements to determine if there has been some progress since 2007.
PI-2	**Composition of expenditure out-turn compared to original approved budget**	**A**	Scoring methodology: M1	**D**	**No**		**UC**	
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	A	Variance in expenditure composition only exceeded 5 percent in the last two years but was under 10 percent all among the period 2008-2010. It was 4.8 percent in 2008, 5.2 percent in 2009 and 4.8 percent in 2010.	D	No	This dimension has been modified by the revision of the PEFA Framework. Moreover, the assessment in 2007 was not accurate.	UC	Unclear as there are no other elements to determine if there has been some progress since 2007.
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	A	The average of actual expenditure charged to the contingency vote in the period 2008-2010 was 0.8 percent of the original budget.	-	No	This dimension has been newly introduced by the revision of the PEFA Framework.	UC	Unclear as there are no other elements to determine if there has been some progress since 2007.
PI-3	**Aggregate revenue out-turn compared to original approved budget**	**D**	Scoring methodology: M1	**A**	**No**		**No**	
(i)	Actual domestic revenue compared to domestic revenue in the originally approved budget.	D	Actual domestic revenue was below 92 percent of budgeted domestic revenue in two of the last the three years. The ratios were 102.1 percent in 2008, 87.6 percent in 2009 and 90.8 percent in 2010.	A	No	In January 2011, the PEFA Secretariat modified the criteria used to score the indicator to incorporate both positive and negative deviations, although as the consequences of the latter are more severe, especially in the short term, more weight is	No	Performance has deteriorated since 2007. Revenue forecasts for the 3 years under evaluation were under-estimated in 2007 and over-estimated in 2011, if one excludes the windfall of the sale of fixed assets in 2008. Overestimation of revenue is more serious as it can lead to larger deficits if expenditure is not reduced

[169] UC stands for unclear.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
						given to an under-realization of revenue.		accordingly.
PI-4	**Stock and monitoring of expenditure payment arrears**	**NR**	Scoring methodology: M1	**D**	**No**	It does not seem possible to have scored this indicator in 2007 while dimension (i) was not scored.	**No**	
(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock	NR	The stock of expenditure payment arrears is unknown.	NR	Yes		No	Some actions have been taken in recent years to reduce the stock of arrears but the situation remains the same.
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	There is no reliable data on the stock of arrears from the last two years.	D	Yes		No	The system for monitoring arrears is not yet in place.
B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency								
PI-5	**Classification of the budget**	**A**	Scoring methodology: M1	**A**	**No**		**Yes**	
(i)	The classification system used for formulation, execution and reporting of the central government's budget	A	Budget formulation and execution are based on a robust classification system using GFS/COFOG standards. Budget reporting is presented in administrative, economic, functional and program classifications but not in sub-functional classification. Program classification is applied with a level of project for capital expenditure and with a level of activity for recurrent expenditure.	A	No	2007 score was based on an inaccurate coverage of the analyses and appears to be over-rated. Although the budget classification was compliant with GFSM 1986, the program classification was weak, the sub-functional classification was not used and the COA was insufficiently linked to the classification at that time.	Yes	Substantial progress has been achieved since 2007 with the adoption of a new GFSM 2001 compliant budget classification and a detailed program classification, both of which are included in a new COA.
PI-6	**Comprehensiveness of information included in budget documentation**	**A**	Scoring methodology: M1	**A**	**Yes**		**Yes**	
(i)	Share of the above listed information in the budget documentation most recently issued by the central government	A	The budget documentation as submitted to the legislature for FY2011 includes 8 of the 9 components listed in the PEFA Framework (the macroeconomic assumptions do not include the exchange rate).	A	Yes	Although the 2011 PEFA mission could not confirm the situation described in 2007 for the financial assets and the macroeconomic assumptions, the score remains unchanged.	Yes	The budget proposal includes indicative allocations for the next two fiscal years. The hypothesis and macroeconomic assumptions that support the budget proposal are clearly included in the Draft General Budget Law.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
PI-7	**Extent of unreported government operations**	**C**	Scoring methodology: M1	**B**[170]	**No**		**PT**[171]	
(i)	The level of extra-budgetary expenditure (other than donor funded projects) which is unreported, i.e. not included in fiscal reports	C	The only extra-budgetary funds not fully reported in fiscal reports are related to the public Universities and the Social Security Corporation. The level of ex-ante unreported expenditure in 2010 constituted 8.6 percent of total expenditure. Ex-post unreported expenditure in that year was considerably lower (3.7 percent).	NS	No	Inaccurate data were used as evidence.	Yes	Significant improvements have been achieved in the last few years, through the approval of a tax reform and the Surplus Law. All taxes are now on-budget and the budgets of the AGAs are integrated into the Budget Law for Government Units.
(ii)	Income / expenditure information on donor-funded projects which is included in fiscal reports	C	Complete income and expenditure information for all loan-financed projects is included in fiscal reports. However, projects financed by external grants are off-budget and there is no consolidated fiscal report that includes income/expenditure information on an annual basis.	NS	No	Inaccurate data were used as evidence.	No	No performance change has been observed in the last few years.
PI-8	**Transparency of Inter-Governmental Fiscal Relations**	**B**	Scoring methodology: M2	**B+**	**No**		**No**	
(i)	Transparency and objectivity in the horizontal allocation among sub-national governments	A	The horizontal allocation of the Government transfer and the share of centrally collected revenues are determined by a fixed and transparent formula.	A	Yes		No	No change in performance has been observed since the previous assessment.
(ii)	Timeliness of reliable information to sub-national governments on their allocations	A	Municipalities can anticipate the funds they will receive from Government transfers. Moreover, they receive confirmation of the global subsidy allocation from Central Government in time to revise and present their budget to MOMA for approval.	A	Yes		No	No change in performance has been observed since the previous assessment.
(iii)	Extent of consolidation of fiscal data for general government according to sectoral categories	D	The consolidation of fiscal data for General Government which is completed annually within around 24 months after the end of the fiscal year does not include fiscal data according to sectoral and/or functional categories.	C	No	Not enough evidenced was provided and some important evidence used to score was inaccurate. The 2007 score appears over rated and more likely to have been a D.	No	No change in performance has been observed since the previous assessment.

170 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

171 PT stands for partial.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
PI-9	**Oversight of aggregate fiscal risk from other public sector entities**	**C**	Scoring methodology: M1	**B+**	**No**		**No**	
(i)	Extent of central government monitoring of Autonomous Government Agencies (AGAs) and Public Enterprises (PEs)	C	All AGAs and PEs submit fiscal reports including audited accounts to MOF at least annually. Central Government consolidates some statistical data related to budget execution and outstanding debt of all AGAs and PEs, but an analysis of the overall fiscal risk is missing.	A	No	The coverage of the analyses was not accurate (PEs were not taken into account) and the evidence provided was insufficient (it was not justified whether fiscal reports were submitted at least six-monthly).	No	The oversight of aggregate fiscal risk from AGAs has deteriorated since 2007. The annual consolidated review of the AGAs budget is not produced any more.
(ii)	Extent of central government monitoring of SN government's fiscal position	C	The municipalities can generate fiscal liabilities for Central Government. Their net fiscal position is monitored annually by MOF and MOMA but Central Government does not consolidates overall fiscal risk into a report.	B	No	Not enough evidenced was provided.	No	No change in performance has been observed since the previous assessment.
PI-10	**Public Access to key fiscal information**	**C**	Scoring methodology: M1	**B**	**No**		**Yes**	
(i)	Number of the above listed elements of public access to information that is fulfilled	C	The Government makes available to the public 2 of the 6 listed types of information (items i and ii related to annual documentation and in-year budget execution reports).	B	No	Not enough evidenced was provided and some important evidence used to score was inaccurate. The 2007 score appears over rated and more likely to have been a C.	Yes	Some progress has been achieved since 2007 in relation to item (i: Annual budget documentation).
C. BUDGET CYCLE								
III. Policy-Based Budgeting								
PI-11	**Orderliness and participation in the annual budget process**	**C+**	Scoring methodology: M2	**B+**	**No**		**Yes**	
(i)	Existence and adherence to a fixed budget calendar	C	A revised budget calendar was approved in end-2009 and brought forward the beginning of the budget preparation calendar. While the budget calendar is generally adhered to, in 2010 the decision to ensure consistency between MOPIC's *2011-2013 Executive Development Program* and the MTEF consolidated by GBD delayed approval of the final budget ceilings and, thus, the issuance of the budget circular by two months. The budget	A	No	While the 2007 PEFA assessment provided the indicative calendar existing at the time, it did not discuss the budget preparation calendar followed in 2006 to prepare the 2007 General Budget Law.	Yes	The adoption of a revised calendar approved in end-2009 brought forward the beginning of the process from May to end-January and has allowed more time for strategic analysis of forward expenditure requirements and priorities prior to issuing the budget circular. In this respect, MoF and GBD prepared a 2011-2013 Budget Policy and Priorities Paper for the first time in

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
			circular was issued on 4 November 2010. As a result, MDAs only had a couple of weeks to finalize their estimates					2010.
(ii)	Clarity/comprehensiveness in the guidance on the preparation of budget submissions	A	A budget circular was issued to MDAs in 2010, which was clear and included 2011-2013 budget ceilings approved by the Council of Ministers.	A	No	The 2007 assessment does not discuss anything at all on the budget circular. It only copied the text corresponding to the A score in the summary table.	Yes	There have been significant performance improvements since 2007 when the budget circular provided only aggregate spending limits to MDAs for the upcoming fiscal year. The 2010 budget circular provided a set of annexes to each MDA providing ceilings on current and capital expenditure for 2011-2013 that are consistent with macroeconomic framework, a MTFF, and MTEFs. The budget circular is also more comprehensive.
(iii)	Timely budget approval of the budget by the Legislature	D	The General Budget Law for 2010 was approved on 30 March 2011 and the General Budget Law for 2011 was approved on 28 March 2011, which is 15 months and 3 months after the start of the fiscal year, respectively. This was because the National Assembly was suspended in November 2009, re-elected only in November 2010 and fully operational in December 2010. In addition, the turmoil in the Middle East resulted in the change of two Cabinets during January-March 2011, when the 2011 General Budget Law was reviewed by the new Cabinets.	C	Yes	The 2007 and 2011 scores are comparable. They refer to dates of the budget approval.	No	The performance deteriorated since 2007. At the time of the 2007 PEFA, the budget had been approved after the beginning of the fiscal year for the 3 years under assessment, but in two of those years the budget had been approved within two months of the start of the fiscal year. In 2011, the budget for two of the past three years was approved with more than two months delay.
PI-12	**Multi-year perspective in fiscal planning, expenditure policy and budgeting**	**A**	Scoring methodology: M2	**B+**	**No**		**Yes**	
(i)	Preparation of multi-year fiscal forecasts and functional allocations	A	Three-year medium-term MTFF and MTEF started with the 2008 General Budget Law. Forecasts of fiscal aggregates are available in the economic, administrative, and functional classification. Definitive links exit between multi-year estimates and the subsequent setting of annual budget ceilings in the early stages of	A	No	The A score in 2007 was based on "three years macro-economic frameworks" prepared by MOF when in fact no multi-year budgeting was undertaken at that time. Thus the score in 2007 should have been much lower.	Yes	A considerable performance improvement has occurred since 2007 based on the introduction of multi-year budgeting since the 2008 budget and the establishment of links between multi-year estimates and subsequent setting of annual budget ceilings.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
			the budget preparation.					
(ii)	Scope and frequency of debt sustainability analyses	A	Debt sustainability analysis for both external and domestic debt has been undertaken annually for the past three years by the IMF and the findings were accepted by the MoF.	A	Yes	The 2007 and 2011 scores are comparable. While the 2007 PEFA report did not provide specific information, the 2011 PEFA team reviewed past IMF reports and concluded that debt sustainability analysis had been undertaken by IMF teams and accepted by the government during 2004-2006.	No	Performance has remained unchanged. A review of past IMF reports showed that debt sustainability analysis was also undertaken annually during 2004-2006.
(iii)	Existence of sectoral strategies with multi-annual determination of current expenditure and investment costs	A	Strategies for sectors representing well over 75 percent of primary expenditure exist with full costing of investment and recurrent expenditure, broadly consistent with fiscal forecasts.	B	No	The 2007 report did not provide any information about this dimension other than copying the text corresponding to the B score in the summary box showing the scores for the dimensions related to this indicator.	Yes	Substantial positive performance change has occurred since 2007 as fully costed strategies consistent with national priorities started been prepared in 2008.
(iv)	Linkages between the investment budget and future expenditure estimates	B	The majority of capital projects are selected based on sector strategies and most of their recurrent costs are included in forward budget estimates for the sector.	C	No	The 2007 report did not provide any information about this dimension other than copying the text corresponding to the C score in the summary box showing the scores for the dimensions related to this indicator.	Yes	Since 2008 all MDAs have been preparing sector strategies that need to be consistent with priorities included in the National Agenda 2006-2015.
IV. Predictability & Control in Budget Execution								
PI-13	**Transparency of taxpayer obligations and liabilities**	**B+**	Scoring methodology: M2	**B**	**No**		**Yes**	
(i)	Clarity and comprehensiveness of tax liabilities	B	The tax and customs legislation is fairly comprehensive and clear. While the 2009 Income Tax and GST Laws provide less room for administrative discretion, fairly limited discretionary powers are still provided in the tax and customs legislation.	B	No	The 2007 PEFA does not seem to have provided enough weight to the substantial administrative discretion allowed under the Income Tax Law No. 57 of 1985 and the GST Law No. 6	Yes	The revised temporary Income Tax Law No. 28 and amended GST Law of December 2009 have established clearer and simpler tax legislation and administrative procedures. The legislation for other major taxes has not been revised.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
						of 1994 as well as the lack of clarity of these laws. If so, the score in 2007 would have been lowered.		
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	A	ISTD and the Customs Department offer user-friendly website access to comprehensive and updated information on tax legislation, tax/customs forms, and administrative procedures. They also have taxpayer service centers and customs houses where information and customer services are provided. Finally, ISTD carries educations campaign on a regular basis.	B	Yes		Yes	Substantial progress has been made since 2007. ISTD and Customs website services have been expanded to provide information on tax liabilities online. Also, ISTD has developed a media communications strategy and developed an action plan since 2009 which is monitored on a monthly basis.
(iii)	Existence and functioning of a tax appeals mechanism	B	The tax appeal mechanism is clearly described in the temporary Income Tax No. 28, the temporary GST Law No. 29, and the Customs Law No. 20 of 1998. But it is too early to assess the effectiveness of the tax appeal mechanism established through the temporary laws.	B	No	Not enough evidence was provided and probably considered. It is unclear for what tax the appeal mechanism was discussed. The 2007 assessment considered providing a C score, which would probably have been correct. The following was stated in 2007: "As the scoring is mainly based on major taxes and not on all tax liabilities and the overall efficiency of the tax system, the score attributed is B and not C".	Yes	Performance has improved since 2007. The old mechanism for income and sales tax appeals was protracted, long and inefficient. The revised legislation established deadlines for taxpayers and ISTD which are likely to expedite the time of tax appeals and thus minimize the increase of further tax arrears.
PI-14	**Effectiveness of measures for taxpayer registration and tax assessment**	**B**	Scoring methodology: M2	**C+**	**No**		**Yes**	
(i)	Controls in the taxpayer registration system	B	Taxpayers are registered in a complete database system with some linkages to other relevant registration systems.	C	Yes		Yes	A single and unique TIN has been issued to taxpayers since 1 July 2007. Thus, taxpayers are registered in a complete database system. Important linkages to government registration systems have been established since 2007, but the linkage to banks has not yet been established as these institutions have not been responsive.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	B	Penalties for non-compliance with registration and declaration obligations exist, but are largely not being enforced and therefore cannot be effective.	B	No	Not enough evidence was provided and considered.	Yes	Penalties were revised in the temporary Income Tax Law No. 28 and GST Law No. 29 with the aim of discouraging non-compliance, but the new system remains un-tested.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	C	ISTD prepares and monitors annual audit and fraud investigations plans, but audit programs are not based on clear risk assessment criteria despite the existence of risk-based selection criteria. In this regards, all large taxpayers are subject to comprehensive audits and around 25-35 percent of the 20,000 mid-sized taxpayers.	C	No	Not enough evidence was provided and considered.	Yes	ISTD has an annual audit plan that is monitored with the Automatic Tracking System. A risk-based computer assisted system for selecting audit cases was developed, but there are still far too many cases selected for audit and thus the risk criteria is undermined. ISTD Anti-Tax Fraud Directorate has been established since 2007 and undertakes fraud investigations based on an annual work plan.
PI-15	**Effectiveness in collection of tax payments**	**D+**	Scoring methodology: M1	B[172]	No		Yes	
(i)	Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	D	The debt collection ratio is very low and deteriorated from 20.2 percent in 2009 to 11.8 percent in 2010. The total amount of tax arrears is very high. Total arrears were equivalent to 49 percent of total revenue in 2010, up from a ratio of 43 percent in 2009. No attention is paid to monitoring the collection of arrears.	NS	No	Since data on total tax arrears were not available in 2007, this dimension should not have been scored then, which would have resulted in PI-15 not been scored.	Yes	While the level of arrears is high and the debt collection ratio is low, there has been a substantial improvement in the availability of tax arrears data and the focus of the authorities on this problem since 2007 which resulted in two new directorates established at ISTD in 2009.
(ii)	Effectiveness of the transfer of tax collections to the Treasury by the revenue administration	A	The Housing Bank collects over 95 percent of all tax revenue and other commercial banks the rest. Transfers to the Treasury are made daily.	NS	No	The 2007 assessment provides inconsistent information. The report described a situation that deserved an A score but the text in the summary box described a situation corresponding to a B score.	Yes	As of May 2011, commercial banks transfer tax collection to the TSA daily. In 2007 the banks were allowed to retain the collected taxes for up to four days and in practice might have kept them longer as a zero balance requirement was not in effect.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	A	Reconciliation of tax collections and tax transfers to the TSA at the CBJ is carried out on a daily basis by the MOF Treasury and MOF Public Revenue Directorates.	NS	No	The 2007 assessment provides inconsistent information. The report indicated that reconciliations	Yes	Performance has improved since 2007 when the MOF Treasury and Public Revenue Directorates had not yet been established, information on tax

172 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
			ISTD undertakes reconciliation of tax assessments, collections and arrears monthly within one month after the end of the month.			are undertaken regularly but the text in the summary box quoted the description provided for score B (at least quarterly reconciliations) without specifying what the situation in Jordan is.		revenue was not provided daily by commercial banks, and arrears data were three years old and took around two months to be produced.
PI-16	**Predictability in the availability of funds for commitment of expenditures**	**A**	Scoring methodology: M1	**A**	**No**		**Yes**	
(i)	Extent to which cash flows are forecast and monitored	A	A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows. Cash balances are available and delivered to the Minister on a daily basis.	NS	No	No scores given to individual dimensions	Yes	Until the GFMIS is implemented government-wide, no reliable information is available to Treasury as to open commitments (as opposed to cumulative commitments currently being provided by GBD) and the timing for conversion from a commitment to an expenditure/disbursement. Continuing work on GMFIS is a positives sign.
(ii)	Reliability and horizon of periodic in-year information to MDA's on ceilings for expenditures	A	Based on record keeping by GBD, MDAs are able to plan and commit expenditures for at least six months in advance with the budgeted appropriations.	NS	No	No scores given to individual dimensions	Yes	Pilot implementation of commitment control at MoE is a first good step to provide for commitment control at line agencies.
(iii)	Frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDA's	A	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.	NS	No	No scores given to individual dimensions	No	
PI-17	**Recording and management of cash balances, debt and guarantees**	**A**	Scoring methodology: M2	**A**	**Yes**		**Yes**	
(i)	Quality of debt data recording and reporting	A	Domestic and foreign debt records are complete, updated and reconciled on at least a monthly basis. Minor reconciliation occurs, principally with relationship to disbursements made by donors. Comprehensive management and statistical reports are produced quarterly.	A	Yes		No	Similar to the situation in 2007, debt recording and reporting continue to be done at a very high level of quality.
(ii)	Extent of consolidation of the government's cash balances	B	Main weakness is the lack of complete data on some extra-budgetary funds that remain outside the TSA. However most balances	B	Yes		Yes	The Treasury Division has consolidated its control over both revenue receipt and cash

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
			are calculated and consolidated at least weekly.					disbursements and has an online connection with the Central Bank that facilitates data transmission and reconciliations
(iii)	Systems for contracting loans and issuance of guarantees	A	Central government's loans and issuance of guarantees are made against transparent criteria and always approved by a single government entity	A	Yes		No	Similar to 2007, the procedures for contracting loans and issuing guarantees continue to be enforced at a very high level of quality.
PI-18	**Effectiveness of payroll controls**	**C+**	Scoring methodology: M1	**B**	**No**		**No**	
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	The personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation, Payroll is supported by full documentation for all changes made to personnel records during each month and reviewed against previous period payroll data.	NS	No	No scores given to individual dimensions.	No	The highest score given to this dimension in the current assessment is based on the complete fulfilment of all related elements, as applied to the ministry with the largest number of employees within central government.
(ii)	Timeliness of changes to personnel records and the payroll	A	Required changes to the personnel records and payroll are updated monthly, in time for the following month's payroll. Retroactive adjustments are rare,	NS	No	No scores given to individual dimensions.	No	The highest score given to this dimension in the current assessment is based on the complete fulfilment of all related elements, as applied to the ministry with the largest number of employees within central government.
(iii)	Internal controls of changes to personnel records and the payroll	A	Authority to change records and payroll is restricted and results in an audit trail.	NS	No	No scores given to individual dimensions.	No	Consistent and good record keeping evidenced in the target ministry support the score of A in 2011.
(iv)	Existence to payroll audits to identify control weaknesses and/or ghost workers	C	No global or systemic audits are performed. Some control weaknesses are discovered based on partial audits and spot checking of staff actually working as required in their assigned jobs.	NS	No	No scores given to individual dimensions.	No	No improvement.
PI-19	**Competition, value for money and controls in procurement**	**C+**	Scoring methodology: M2	**B**	**No**		**No**	
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	C	Three of the six requirements for this dimension are not met, which require that the legal framework:: (iii) apply to all procurement undertaken using government funds; (v) provide for public access all procurement information including data on resolution of procurement complaints; and (vi) provide for an independent	B	No	In January 2011, the PEFA Secretariat modified the criteria used to score the indicator by including a fourth dimension requiring the existence of an independent administrative procurement complaints	No	No improvement.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
			administrative review process for handling procurement complaints.			system		
(ii)	Use of competitive procurement methods	A	Other less competitive methods when used are justified in accordance with regulatory requirements.	B	No	In January 2011, the PEFA Secretariat modified the criteria used to score the indicator by including a fourth dimension requiring the existence of an independent administrative procurement complaints system.	No	The highest score in 2011 score is based on evidence found during the current assessment.
(iii)	Public access to complete, reliable and timely procurement information	C	At least two of the key procurement information elements are complete and reliable for government units representing 50% of procurement operations and made available to the public through appropriate means.	B	No	In January 2011, the PEFA Secretariat modified the criteria used to score the indicator by including a fourth dimension requiring the existence of an independent administrative procurement complaints system.	No	No improvement.
(iv)	Existence of an independent administrative procurement complaints system	D	There is no independent procurement complaints review body.	NS	No	In January 2011, the PEFA Secretariat modified the criteria used to score the indicator by including a fourth dimension requiring the existence of an independent administrative procurement complaints system	No	This is a new dimension introduced in January 2011.
PI-20	**Effectiveness of internal controls for non-salary expenditures**	**C+**	Scoring methodology: M1	**B**	**No**		**No**	
(i)	Effectiveness of expenditure commitment controls	C	Expenditure and commitment controls are only selectively in place and partially limit budget charges to approved budget allocations. However, commitment controls do not help to prevent the accumulation of arrears as expenditures go beyond the actual cash releases (Treasury resource availability) for most types of expenditures.	NS	No	No scores given to individual dimensions.	No	No improvement.
(ii)	Comprehensiveness, relevance and understanding of other internal controls	B	Internal control rules and procedures are comprehensive, widely understood, but in	NS	No	No scores given to individual dimensions.	No	No improvement.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
	rules/procedures		some areas are excessive and lead to inefficiency in staff use and unnecessary delays.					
(iii)	Degree of compliance with rules for processing and recording transactions	A	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.	NS	No	No scores given to individual dimensions.	No	No improvement.
PI-21	**Effectiveness of internal audit**	**D+**	Scoring methodology: M1	**C**	**No**		**No**	
(i)	Coverage and quality of the internal audit function	D	There is little or no internal audit focused on systemic monitoring.	NS	No	No scores given to individual dimensions.	No	No improvement.
(ii)	Frequency and distribution of reports	C	Reports on transaction reviews are issued regularly for most government entities but not submitted to MoF or AB	NS	No	No scores given to individual dimensions.	No	No improvement.
(iii)	Extent of management response to internal audit findings	C	Some action is taken by many managers within the MDAs but often with delay.	NS	No	No scores given to individual dimensions.	No	No improvement.
V. Accounting, Recording and Reporting								
PI-22	**Timeliness and regularity of accounts reconciliation**	**B+**	Scoring methodology: M2	**B+**	**No**		**Yes**	
(i)	Regularity of bank reconciliations	B	Bank reconciliations for all Treasury managed bank accounts take place at least monthly, usually within less than four weeks from the end of the month.	A	No	Incomplete data provided.	Yes	A significant upgrade in operations has occurred since the last assessment with the introduction of the GFMIS General Ledger within Treasury and the unified chart of accounts. The Treasury now has a more complete and current picture of its cash status within the TSA mechanism established at the Central Bank as well as data on foreign denominated bank accounts.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	**A**	Reconciliation and clearance of suspense accounts and advances tale place at least quarterly, and within a month from end of period and with few balances brought forward.	B	No	Incomplete data provided.	Yes	A significant upgrade in operations has occurred in Treasury since the last assessment with consolidation of MDA Trust accounts within Treasury maintained General Ledger. The use of a GFMIS General Ledger to consolidate Trust accounts at MoF has facilitated the consolidation of accounts both for Treasury operations as well as account consolidations performed by the General Accounts

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
								Directorate. Based on these developments, this dimension deserves an A rating.
PI-23	**Availability of information on resources received by service delivery units**	**D**	Scoring methodology: M1	**D**	**Yes**		**No**	
(i)	Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units	D		D	Yes		No	No improvement.
PI-24	**Quality and timeliness of in-year budget reports**	**D+**	Scoring methodology: M1	**C**[173]	**No**		**No**	
(i)	Scope of the reports in terms of coverage and compatibility with budget estimates	D	The consolidated data provided in the monthly in-year budget execution reports for government's internal use do not show information to allow a comparison across administrative headings (these are not at all reported), even though the MoF General Accounts Directorate could easily produce these tables and does so upon request.	NS	No	The 2007 report did not discuss the internal in-year budget reports but considered the information published in the MoF monthly bulletin. Even if that bulletin would have been valid evidence for this indicator, the data published in the bulletin does not allow a comparison across administrative headings which should have resulted in a D score for 2007.	No	Performance seems to be unchanged since the 2007 PEFA assessment because data on commitments are yet not still available and the reports present consolidated data that do not allow a comparison across administrative headings.
(ii)	Timeliness of report presentation	A	In year-budget reports are produced monthly and are ready at the most four weeks after the end of the month.	NS	No	The 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin. Furthermore, based on this evidence, the score in 2007 should have been an A. The 2007 does not explicitly	No	The good performance on this dimension has not changed since the 2007 PEFA assessment.

173 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
						scored any of the dimensions for this indicator and provided a C score for the indicator bases on the unavailability of commitments data.		
(iii)	Quality of information	B	While there are some inaccuracies related to the manual input of the data, this does not compromise the overall consistency and usefulness of in-year budget reports.	NS	No	The 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin.	Yes	The quality of the in-year budget reports has improved substantially since 2007 because of the introduction of the new Chart of Accounts which is consistent with the *GFSM 2001* methodology.
PI-25	**Quality and timeliness of annual financial statements**	**C+**	Scoring methodology: M1	**C**[174]	**No**		**Yes**	
(i)	Completeness of the financial statements	C	A consolidated government statement is prepared annually by the MoF General Accounts Directorate. The last prepared final accounts were those for 2009. They included information on revenues and expenditures, but not on financial assets and liabilities.	NS	No	This dimension was not rated in 2007 and the annual accounts were not sufficiently discussed, other than stating that they did not cover financial assets and liabilities.	Yes	Performance has improved since 2007 because financial liabilities were included in the final accounts of 2009.
(ii)	Timeliness of submission of the financial statements	A	Financial statements have to be legally submitted for external audit within six months after the end of the year and this requirement was met in 2010.	NS	No	This dimension was not rated in 2007.	No	The timeliness of MoF submissions of the financial statements to the Audit Bureau has not changed since 2007.
(iii)	Accounting standards used	C	The MoF General Accounts Directorate prepares the annual financial statements under a modified cash-basis accounting system that is consistent for the most part with the International Public Sector Accounting Standards (IPSAS), except for fixed assets. Thus, neither a fully accrual-based nor cash-based IPSAS are complied with (omission of financial assets and payables).	NS	No	This dimension was not rated in 2007.	Yes	Performance has improved considerably since 2007 as a new chart of accounts consistent with international standards was introduced in 2008.
VI. External Scrutiny and Audit								

174 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
PI-26	**Scope, nature and follow-up of external audit**	**C+**	Scoring methodology: M1	**C**	**No**		**Yes**	
(i)	Scope/nature of audit performed	B	At least 75percent of total expenditures are audited annually for central government entities, covering at least revenues and expenditures. Performed audits are conducted with general adherence to external auditing standards with some focus on systemic issues	NS	No	No scores given to individual dimensions	Yes	The AB has introduced a detailed electronic file that lists all government entities that they audit. This file includes information as to the extent of audit (ex-ante or ex-post), the existence or not of an Internal Audit unit, and the level of management with whom they interact, and the number of AB staff assigned to each entity.
(ii)	Timeliness of submission of audit reports to legislature (Parliament)	B	Audit reports are submitted by AB to Parliament within 8 months of the end of the period covered and in the case of the financial statements from their receipt by the audit office	NS	No	No scores given to individual dimensions	No	The lack of a sitting Parliament often delays the actual timing of delivery of AB reports
(iii)	Evidence of follow-up on audit recommendations	C	Formal responses are made by managers subject to audit though delayed or not very thorough, but the follow-up is weak as evidenced by the large number of open audit items	NS	No	No scores given to individual dimensions	Yes	Additional efforts being placed by the AB to improve resolving open items. It has been more proactive in following-up on open cases. It has established a special directorate within the AB to provide more active follow-up activities regarding open recommendations. Additionally, there is evidence that Parliament is also pressuring for more follow-up.
PI-27	**Legislative scrutiny of the annual budget law**	**B+**	Scoring methodology: M1	**A**	**No**		**No**	
(i)	Scope of legislature's scrutiny	B	The legislature's review covers fiscal policy and aggregates for the coming year as well as detailed estimates of expenditure and revenue	NS	No	No scores given to individual dimensions	No	No improvement.
(ii)	Extent to which the legislature's procedures are well established and respected	A	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.	NS	No	No scores given to individual dimensions	No	No improvement.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable,	B	The legislature has at least one month to review and vote on the budget proposals. The exception to this rule was the late	NS	No	No scores given to individual dimensions	No	No improvement.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
	for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)		delivery of the proposed budget for 2011, And in 2010, the legislature was dissolved for a twelve month period, thus complication the delivery and debate of the 2010 budget.					
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	Clear rules exist for in-year budget amendments by the executive, and strict limits are set on the extent and nature of amendments and are consistently respected.	NS	No		No	No improvement.
PI-28	**Legislative scrutiny of external audit reports**	**D+**	Scoring methodology: M1	**C**	**No**		**No**	
(i)	Timeliness of examination of audit reports by the legislature (for reports received within the last three years	D	Examination of the audit reports by the legislature usually takes more than twelve months to complete.	NS	No	No scores given to individual dimensions	No	No improvement.
(ii)	Extent of hearings on key findings undertaken by the legislature	B	In depth hearings take place with responsible officers from the audited entities as a routine, but may cover only some of the entities which received a qualified or adverse opinion.	NS	No	No scores given to individual dimensions	No	No improvement.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B	Actions are recommended to the executive, some of which are implemented, according to existing evidence	NS	No	No scores given to individual dimensions	No	No improvement.
D. DONOR PRACTICES								
D-1	**Predictability of Direct Budget Support**	**D+**	Scoring methodology: M1	**C**[175]	**No**		**UC**	
(i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature	A	Only in 2009, DBS outturn has fallen short of the forecast by more than 5 percent (it fell short of the forecast by 51 percent).	NS	No	No accurate data were provided in 2007 and the data presented (coming from interviews) were not used to calculate the score.	UC	There are no other elements to determine if there has been some progress since 2007.
(ii)	In-year timeliness of donors disbursements (compliance with aggregate quarterly estimates)	D	Quarterly disbursement estimates have not been agreed with donors.	NS	No	No accurate data were available in 2007 which seems to correspond with the lower score.	No	No performance change has been observed in the last few years.
D-2	**Financial information provided by donors for budgeting and reporting on project**	**D+**	Scoring methodology: M1	**D**[176]	**Yes**		**PT**	

175 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.

176 The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as D for the overall score for this indicator to be a D.

Indicators and Dimensions		Score 2011	Justification for 2011 score	Score 2007	Comparable Scores		Improvement since 2007	
					Y/N	Reason	Y/N	Description
	and program aid							
(i)	Completeness and timeliness of budget estimates by donors for project support	D	Only the donors providing loans (which accounts for around 28 percent of all the donor funding projects in Jordan) provide budget estimates for disbursement of project aid for the Government's coming fiscal year and at least three months prior its start.	NS	Yes		No	The situation seems to remain the same as in 2007. No performance change has been observed.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	C	Donors provide quarterly reports within two months of end-of quarter on the all disbursement made for around 90 percent of the externally financed project estimates in the budget (which are only the projects financed by loans), but the information is not fully consistent with the budget classification.	NS	Yes		Yes	Some performance change has been observed since 2007 as projects financed by loans have now timeliness quarterly reports. The GOJ considers that the quality of these reports has also been improved.
D-3	**Proportion of aid that is managed by use of national procedures**	**C**	Scoring methodology: M1	**D**	**No**		**UC**	
(i)	Overall proportion of aid funds to central government that are managed through national procedures	C	The total share of donor support (budget support and project support) following national procedures in 2010 was around 65 percent.	D	No	The 2007 score was not based in a calculated share of donor support following national procedures.	UC	Some improvements could have been materialised since 2007 largely due to the increasing share of budget support in the overall assistance envelope.

Table 1.2. Jordan: Level of Comparability between the Performance Indicators Scores for 2007 and 2011

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	R E A S O N S						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
1	A	(i)	A	No		X	The actual expenditure was compared to the total budget estimates (including supplementary budget laws) but should have been compared to the original budget estimates (according to these data, the score could have been C instead of A). However, the calculation was not based on primary expenditure, so the data provided appears to be insufficient. The source used was the General Government Financial Bulletin of January 2007, instead of the original budget and the annual financial statements for the period 2004-06. In January 2007, data for FY 2006 could have been provisional, but no comment was made on this issue.				
2	D	(i)	D	No	Indicator revised in 2011 by the PEFA Secretariat; the methodology to measure this dimension has been changed						
						X	The actual expenditure was compared to the total budget estimates (including supplementary budget laws) but should have been compared to the original budget estimates. The details of the calculation and the sources were not provided. In the final stage of the calculation that is presented in the report, the variance in expenditure composition does not deduct the percentage of overall primary expenditure in absolute value.				
		(ii)	-	No	Indicator revised in 2011 by the PEFA Secretariat; this dimension has been newly added						
3	A	(i)	A	No	Indicator revised in 2011 by the PEFA Secretariat; the methodology to measure this dimension has been changed						
										X	Data on revenues authorized through a Supplementary Budget Law and external grants were used to analyze this indicator in 2007, but this indicator should cover domestic revenues only.

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	R E A S O N S						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
4	D	(i)	NR	Yes	This dimension was not rated because accurate data on the stock of arrears was not available in 2007. However, it does not seem possible to have scored this indicator in 2007 while dimension (i) was not rated.						
		(ii)	D	Yes	The system for monitoring arrears was not yet in place						
5	A	(i)	A	Uncertain		X	It is not clear whether the administrative and functional classifications are used in the in-year execution report mentioned (i.e. the monthly General Government Finance Bulletin). Nothing is said about the chart of accounts, or the annual financial statements.				
6	A	(i)	A	Yes	Although it was not specifically mentioned which benchmarks were fulfilled by the budget documentation, it seems that it fulfilled 8 of the 9 information benchmarks. The element that appears unfulfilled in 2007 concerns the financial assets. The 2011 PEFA mission could not confirm the situation described in 2007 for the financial assets and the macroeconomic assumptions, but this does not affect the score which remains unchanged.						
7	B[177]	(i)	NS	No		X	The proportion of unreported government operations in the total expenditure of CG was not calculated. No evidence was thus provided to justify that that percentage was among 1 percent and 5 percent. This dimension was scored B based on what the team "believed". However, without accurate data, it do not seem possible to score it. The report stated that the budgets of the public universities were not part of the CG budget (including AGAs). If the data provided were accurate and these budgets really represented 5.6 percent of the total budget, the score should have been under B. Nothing was said about Social Security Corporation.				
		(ii)	NS	No		X	The average of complete income/expenditure that is included in fiscal reports was not calculated. No breakdown information was provided for grants.				

[177] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

Indicators Nº	Indicators 2007 Score	Dimensions Nº	Dimensions 2007 Score	Comparable (Yes / No / Uncertain)	R E A S O N S: 1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided		4. Inaccurate evidence provided
8	B+	(i)	A	Yes	Although it was not clear in the assessment whether the horizontal allocation to municipalities was really determined by the transparent rules / formulas included in the Law of Municipalities (being renovated at that time).						
		(ii)	A	Yes	Although the assessment in 2007 did not clearly mentioned the period between the date on which the municipalities administrators were provided firm information on the transfers from CG and the date on which they had to submit their budget proposals for final approval.						
		(iii)	C	No		X	The following issues were not assess: (i) availability of ex-ante fiscal information, (ii) exact data on total annual expenditure of municipalities for which data by functional categories are centrally collected and consolidated, as a percentage of total municipalities expenditures and (iii) period from the end of the FY covered by the last consolidated report on municipalities to the exact date of issue of the consolidated report.			X	The source mentioned (i.e. the General Government Finance Bulletin, Vol. 8, nº 12, January 2007) does not present expenditures according to functional classification
9	B+	(i)	A	No		X	A full comparison with the previous PEFA is not possible mainly due to an inaccurate coverage of the analyses, as PEs were not taken into account in 2007. Moreover, it was not justified whether fiscal reports were submitted at least six-monthly.				
		(ii)	B	No		X	The narrative in 2007 only mentioned that MOMA monitored the budget of the municipalities and that AB audited their accounts.			X	It is not clear if CG just monitored the municipalities' net fiscal position annually (equivalent to a score of C) or if it also consolidated their overall fiscal risk into a report (equivalent to a score of B). Nothing was said in 2007 about this second issue and the mission could not confirm the existence of such report.
10	B	(i)	B	No		X	According to the score given in 2007 (B), the government made available to the public 3 of the 6 listed types of information, which are items (i), (ii) and (iv). No information was provided on the other 3 items. Moreover, concerning item (i), the assessment was based on the budget law instead of the proposal of the budget law. Concerning items (ii) and (iv), exact period after relevant event that reports are made available to			X	The 2007 score appears to be over rated because a complete set of the budget proposal (i) and the external audit report on budget execution (iv) were not made available to the public on time and through appropriate means. Only 1 of the 6 criteria seems to have been satisfied at that time, which rather corresponds with a score C.

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	REASONS						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
							the public (i.e. in-year budget execution report and audit reports) were not mentioned. Moreover, nothing was said on the quality of the information made available and the means used to facilitate public access.				
11	B+	(i)	A	No		X	While the 2007 PEFA assessment provided the indicative calendar existing at the time, it did not discuss the budget preparation calendar followed in 2006 to prepare the 2007 General Budget Law.				
		(ii)	A	No	X						
		(iii)	C	Yes							
12	B+	(i)	A	No						X	The A score provided in 2007 was based on “three years macro-economic frameworks” prepared by MoF when in fact no multi-year budgeting was undertaken at that time. Thus the score in 2007 should have been much lower.
		(ii)	A	Yes							
		(iii)	B	No	X						
		(iv)	C	No	X						
13	B	(i)	B	No		X	The 2007 PEFA does not seem to have provided enough weight to the substantial administrative discretion allowed under the Income Tax Law No. 57 of 1985 and the GST Law No. 6 of 1994 as well as the lack of clarity of these laws. If so, the score in 2007 would have been lowered.				
		(ii)	B	Yes							
		(iii)	B	No		X	Not enough evidence was provided and probably considered. It is unclear for what tax the appeal mechanism was discussed. The 2007 assessment considered providing a C score, which would probably have been correct. The following was stated in 2007:				

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	R E A S O N S						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
							"As the scoring is mainly based on major taxes and not on all tax liabilities and the overall efficiency of the tax system, the score attributed is B and not C".				
14	B	(i)	C	Yes							
		(ii)	B	No	X						
		(iii)	C	No		X	Not enough evidence was provided and considered. The analysis for each dimension was not provided separately. No information was provided on the existence of audit and fraud investigations plans. The 2007 report indicated that "some form of risk assessment appears to take place" and provides no further information on the subject. Another non-substantiated comment in the 2007 report states that "there is evidence of a number of levels of audit, control and investigation in respect of the tax function" which is imprecise and insufficient information.				
15	B[178]	(i)	NS	No				X	Since data on total tax arrears were not available in 2007, this dimension should not have been scored then, which would have resulted in PI-15 not been scored.		
		(ii)	NS	No						X	The 2007 assessment provides inconsistent information. The report described a situation that deserved an A score but the text in the summary box described a situation corresponding to a B score.
		(iii)	NS	No						X	The 2007 assessment provides inconsistent information. The report indicated that reconciliations are undertaken regularly but the text in the summary box quoted the description provided for score B (at least quarterly reconciliations) without specifying

[178] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as B for the overall score for this indicator to be a B.

Indicators Nº	Indicators 2007 Score	Dimensions Nº	Dimensions 2007 Score	Comparable (Yes / No / Uncertain)	REASONS: 1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
											what the situation in Jordan is.
16	A	(i)	NS	No				X	2007 and 2011 assessments are non-comparable because the 2007 report failed to point out that a key ingredient for making cash forecasts is to have up-to-date information on open commitments. This feature did not exist in 2007 and the score of A is too high.		
		(ii)	NS	No		X	No evidence was provided other than a one line statement ascertaining fulfillment of dimension requirements.				
		(iii)	NS	No		X	No evidence was provided other than a one line statement ascertaining fulfillment of dimension requirements.				
17	A	(i)	A	Yes							
		(ii)	B	Yes							
		(iii)	A	Yes							
18	B	(i)	NS	No		X	No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
		(ii)	NS	No		X	No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
		(iii)	NS	No		X	No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
		(iv)	NS	No		X	A direct comparison with the previous assessment is not possible due to a lack of evidence or text that would validate a strong, independent review of systemic issues. No system-wide review of central government has been conducted. Heavy reliance on ministry and department internal review which is done on an ad hoc				

Indicators Nº	Indicators 2007 Score	Dimensions Nº	Dimensions 2007 Score	Comparable (Yes / No / Uncertain)	REASONS: 1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
							basis is not a substitute for systemic reviews.				
19	B	(i)	B	No	Indicator revised in 2011 by the PEFA Secretariat; the methodology to measure this dimension has been changed						
		(ii)	B	No	Indicator revised in 2011 by the PEFA Secretariat; the methodology to measure this dimension has been changed						
		(iii)	B	No	Indicator revised in 2011 by the PEFA Secretariat; the methodology to measure this dimension has been changed						
		(iv)	NS	No	Indicator revised in 2011 by the PEFA Secretariat; this dimension has been newly added						
20	B	(i)	NS	No		X	No score provided for individual dimensions				
		(ii)	NS	No		X	No score provided for individual dimensions				
		(iii)	NS	No		X	No score provided for individual dimensions				
21	C	(i)	NS	No				X	The previous rating, although not comparable to the current assessment, introduced an element of internal checking of vouchers ex-ante as compensating evidence for lack of review of systemic issues. This argument is not convincing, based on the data provided in 2007.		
		(ii)	NS	No				X	Justification for the score in this dimension recognized that "the work internal audit is largely based on pre-audit of transactions". This clearly does not meet PEFA standards for supporting this dimension.		
		(iii)	NS	No				X	"A fair degree of action taken by many managers on major issues" certainly does not occur. No evidence to the contrary was presented in the 2007 assessment.		
22	B+	(i)	A	Yes							

Indicators Nº	Indicators 2007 Score	Dimensions Nº	Dimensions 2007 Score	Comparable (Yes / No / Uncertain)	REASONS: 1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided		4. Inaccurate evidence provided
		(ii)	B	Yes							
23	D	(i)	D	Yes							
24	C[179]	(i)	NS	No				X	The 2007 report did not discuss the internal in-year budget reports but considered the information published in the MoF monthly bulletin. Even if that bulletin would have been valid evidence for this indicator, the data published in the bulletin does not allow a comparison across administrative headings which should have resulted in a D score for 2007.		
		(ii)	NS	No				X	The 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin. Furthermore, based on this evidence, the score in 2007 should have been an A. The 2007 does not explicitly scored any of the dimensions for this indicator and provided a C score for the indicator bases on the unavailability of commitments data.		
		(iii)	NS	No						X	The 2007 report did not discuss in year-budget reports but the public monthly MoF bulletin.
25	C[180]	(i)	NS	No		X	The annual accounts were not sufficiently discussed, other than stating that they did not cover financial assets and liabilities.				

[179] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.
[180] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	R E A S O N S						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
		(ii)	NS	No		X	This dimension was not explicitly rated in 2007.				
		(iii)	NS	No		X	This dimension was not explicitly rated in 2007.				
26	C	(i)	NS	No		X	This dimension was not explicitly rated in 2007.				
		(ii)	NS	No		X	This dimension was not explicitly rated in 2007.				
		(iii)	NS	No		X	This dimension was not explicitly rated in 2007.				
27	A	(i)	NS	Yes							
		(ii)	NS	Yes							
		(iii)	NS	Yes							
		(iv)	NS	Yes							
28	C	(ii)	NS	No			No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
		(iii)	NS	No			No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
		(iv)	NS	No			No score provided for individual dimensions and limited supporting evidence found in text of the assessment.				
D1	C[181]	(i)	NS	No		X	Precise data on DBS outturn and forecast could not be confirmed during the 2007 assessment, and thus it was not evidenced that in 2 out of the last 3 years the deviation was under 15 percent. In this situation, the dimension and the indicator should not have been scored.	X	According to interview data provided, annual DBS shortfall in the budget year varied between 4 percent and 8 percent. This situation appears to correspond with a score B instead of C.		
		(ii)	NS	No	X	If there were no annual data available to assess dimension (i), it does not seem possible that quarterly data were available. This situation rather seems corresponding with a score D.					
D2	D[182]	(i)	NS	Yes	Donors did not provide budget estimates						

[181] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as C for the overall score for this indicator to be a C.
[182] The dimensions were not scored in 2007. However, the scores of the dimensions would have been scored as D for the overall score for this indicator to be a D.

Indicators		Dimensions		Comparable (Yes / No / Uncertain)	R E A S O N S						
Nº	2007 Score	Nº	2007 Score		1.Absence of evidence	2. Insufficient evidence			3. Incorrect scores based on the evidence provided	4. Inaccurate evidence provided	
		(ii)	NS	Yes	Almost no donors provided quarterly reports						
D3	D	(i)	D	No		X	The proportion of donor funds that use national systems for each of the four areas of procurement, payment/accounting, audit and reporting were not calculated. Some useful information was mentioned (e.g. “no donor uses national procedures for grant financing excluding DBS” and “TA funds uses donor procurement procedures”), but many other elements are missing in the assessment (e.g. nothing is said about procedures uses by loan financing).				

Annex 2:

Supporting Data to Some Performance Indicators

Table 2.1. List of 56 MDAs of the Budgetary Central Government in 2010

Budgetary Central Government (list of MDAs)
Royal Hashemite Court
Parliament
The Cabinet and Prime Minister's Office
The Cabinet and Prime Ministry Office / Legislation and Opinion Bureau
The Cabinet and Prime Minister's Office/ Joint Procurement Department
The Cabinet and Prime Minister's office/ Jordan News Agency
Ombudsman Bureau
Audit Bureau
Ministry of Public Sector Development
Civil Service Bureau
Ministry of Political Development
Ministry of Defense
Royal Medical Services
Jordan Royal Geographic Centre
Ministry of Interior
Ministry of Interior/ Civil Status and Passports Department
Ministry of Interior/ Public Security
Ministry of Interior/ Civil Defense
Ministry of Interior / Gendarmerie Forces
Ministry of Justice
Supreme Judge Department
Ministry of Foreign Affairs
Ministry of Foreign Affairs / Palestinian Affairs Department
Ministry of Finance
Ministry of Finance/General Budget Department
Ministry of Finance/Customs Department
Ministry of Finance/Lands and Survey Department
Ministry of Finance/General Supplies Department
Ministry of Finance/Income and Sales Tax Department
Ministry of Industry and Trade
Ministry of Industry and Trade/Companies Control Department
Ministry of Planning and International Cooperation/National Planning Council
Ministry of Planning/Department Of Statistics
Ministry of Tourism and Antiquities/Tourism
Ministry of Tourism and Antiquities/Antiquities Department
Ministry of Municipal Affairs
Ministry of Energy and Mineral Resources
Ministry of Energy and Mineral Resources/Natural Resources Authority
Ministry of Public Works and Housing
Ministry of Public Works and Housing/ Government's Tenders Department
Ministry of Public Works and Housing/Government Buildings Department
Ministry of Agriculture
Ministry of Water and Irrigation

Ministry of Water and Irrigation/Jordan Valley Authority
Ministry of Environment
Ministry of Education
Ministry of Higher Education and Scientific Research
Ministry of Health
Ministry of Social Development
Ministry of Labour
Ministry of Culture
The Cabinet and Prime Minister's Office/Press and Publication Department
Ministry of Culture/National Library Department
Ministry of Transport
Ministry of Transport/Meteorology Department
Ministry of Communications and Information Technology

Original Data received from GBD and GAD at MoF to assess indicators PI-1 and PI-2

Table 2.2: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2008 (In Jordanian Dinars)

	Ministries	Estimated	Estimated Primary Expenditure (- interest and loans)	Estimated Primary Expenditure minus contingencies	Actual	Actual Primary Expenditure (- interest and loans)	Actual Primary Expenditure minus contingencies
1	Ministry of Finance	1.962.494	1.574.494	1.474.494	1.993.542	1.615.725	1.549.401
2	Ministry of Defense	885.800	885.800	885.800	963.972	963.972	963.972
3	Ministry of Education	460.089	460.089	460.089	525.286	525.286	525.286
4	Ministry of Health	366.557	366.557	366.557	378.251	378.251	378.251
5	Ministry of Interior-Public Security	342.000	342.000	342.000	394.384	394.384	394.384
6	Ministry of Public Works &Housing	183.418	183.418	183.418	184.433	184.433	184.433
7	Ministry of Planning- National Planning Council	122.182	49.062	49.062	120.048	46.946	46.946
8	Royal Medical Services	101.000	101.000	101.000	101.000	101.000	101.000
9	Ministry of Social Development	87.446	87.446	87.446	86.113	86.113	86.113
10	Ministry of Interior/ Social Defense	77.000	77.000	77.000	96.600	96.600	96.600
11	Ministry of Water and Irrigation	69.943	69.943	69.943	63.002	63.002	63.002
12	Ministry of Agriculture	46.741	43.741	43.741	46.023	46.023	46.023
13	Royal Court	41.980	41.980	41.980	41.453	41.453	41.453

14	Ministry of Justice	40.883	40.883	40.883	41.652	41.652	41.652
15	/ Ministry of Finance- Income & Sales Tax Department	36.761	36.761	36.761	37.298	37.298	37.298
16	Ministry of Communication and Information	35.307	35.307	35.307	21.980	21.980	21.980
17	Ministry of Foreign Affairs	33.797	33.797	33.797	33.389	33.389	33.389
18	/ Ministry of Water &Irrigation-Jordan Valley Authority	30.272	28.952	28.952	29.316	28.160	28.160
19	Ministry of Higher Education	28.686	27.186	27.186	24.626	24.626	24.626
	Total Expenditure of 19 Ministries	4.952.355	4.485.415	4.385.415	5.182.366	4.730.292	4.663.967
20	Total Expenditure of Other Ministries	272.613	269.813	269.813	249.563	249.563	249.563
TOTAL EXPENDITURE in 2008		**5.224.968**	**4.755.228**	**4.655.228**	**5.431.929**	**4.979.855**	**4.913.531**
Total Current Expenditure		4.100.740	3.712.740	3.612.740	4.473.415	4.095.599	4.029.274
Total Capital Expenditure		1.124.228	1.042.488	1.042.488	958.514	884.257	884.257

Source: Data provided by GBD and GAD of MoF.

Table 2.3: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2009
(In Jordanian Dinars)

	Ministries	Estimated	( ) Estimated Primary Expenditure (- interest and loans)	( ) Estimated Primary Expenditure minus contingencies	Actual	( ) Actual Primary Expenditure (- interest and loans)	( ) Actual Primary Expenditure minus contingencies
1	Ministry of Finance	2.188.156	1.754.156	1.659.156	1.975.512	1.583.916	1.534.361
2	Ministry of Defense	998.000	998.000	998.000	1.014.209	1.014.209	1.014.209
3	Ministry of Education	548.485	548.485	548.485	558.990	558.990	558.990
4	Ministry of Health	448.882	448.882	448.882	494.363	494.363	494.363
5	/ Ministry of Interior-Public Security	385.000	385.000	385.000	390.872	390.872	390.872
6	Ministry of Public Works &Housing	244.622	244.622	244.622	248.519	248.519	248.519
7	/ Ministry of Planning- National Planning Council	104.103	43.753	43.753	156.708	48.631	48.631
8	Royal Medical Services	128.500	128.500	128.500	128.500	128.500	128.500
9	Ministry of Social Development	118.508	117.143	117.143	114.250	114.250	114.250
10	/ Ministry of Interior/ Social Defense	129.000	129.000	129.000	130.877	130.877	130.877
11	Ministry of Water and Irrigation	86.095	86.095	86.095	85.477	85.477	85.477
12	Ministry of Agriculture	52.214	50.028	50.028	51.023	51.010	51.010
13	Royal Court	45.450	45.450	45.450	44.595	44.595	44.595
14	Ministry of Justice	51.200	51.200	51.200	53.072	53.072	53.072
15	/ Ministry of Finance- Income & Sales Tax Department	43.782	43.782	43.782	48.559	48.559	48.559

16	Ministry of Communication and Information	29.390	29.390	29.390	27.753	27.753	27.753
17	Ministry of Foreign Affairs	44.036	44.036	44.036	42.551	42.551	42.551
18	/ Ministry of Water &Irrigation-Jordan Valley Authority	37.525	37.145	37.145	40.662	39.445	39.445
19	Ministry of Higher Education	22.188	21.688	21.688	21.210	21.210	21.210
	Total Expenditure of 19 Ministries	5.705.136	5.206.355	5.111.355	5.627.702	5.126.799	5.077.244
20	Total Expenditure of Other Ministries	450.335	440.435	440.435	402.893	396.532	396.532
TOTAL EXPENDITURE in 2009		**6.155.471**	**5.646.790**	**5.551.790**	**6.030.595**	**5.523.331**	**5.473.776**
Total Current Expenditure		4.790.475	4.356.475	4.261.475	4.586.031	4.194.435	4.144.880
Total Capital Expenditure		1.364.996	1.290.315	1.290.315	1.444.565	1.328.896	1.328.896

Source: Data provided by GBD and GAD of MoF.

Table 2.4: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2010 (In Jordanian Dinars)

	Ministries	Estimated	( ) Estimated Primary Expenditure (- interest and loans)	( ) Estimated Primary Expenditure minus contingencies	Actual	( ) Actual Primary Expenditure (- interest and loans)	( ) Actual Primary Expenditure minus contingencies
1	Ministry of Finance	1.699.964	1.229.964	1.209.964	1.732.480	1.334.895	1.322.558
2	Ministry of Defense	983.000	983.000	983.000	988.772	988.772	988.772
3	Ministry of Education	542.845	542.845	542.845	590.748	590.748	590.748
4	Ministry of Health	415.111	415.111	415.111	441.080	441.080	441.080
5	Ministry of Interior-Public Security /	425.500	425.500	425.500	445.500	445.500	445.500
6	Ministry of Public Works &Housing	133.165	133.165	133.165	132.808	132.808	132.808
7	Ministry of Planning- National Planning Council /	102.311	37.981	37.981	121.6178	48.065	48.065
8	Royal Medical Services	138.500	138.500	138.500	138.500	138.500	138.500
9	Ministry of Social Development	101.846	101.479	101.479	106.456	106.236	106.236
10	Ministry of Interior/ Social Defense /	136.000	136.000	136.000	136.000	136.000	136.000
11	Ministry of Water and Irrigation	76.611	76.611	76.611	71.984	71.984	71.984
12	Ministry of Agriculture	50.114	48.217	48.217	46.472	44.995	44.995
13	Royal Court	37.154	37.154	37.154	36.813	36.813	36.813
14	Ministry of Justice	46.367	46.367	46.367	45.893	45.893	45.893

15	/ Ministry of Finance- Income & Sales Tax Department	44.066	44.066	44.066	61.498	61.498	61.498
16	Ministry of Communication and Information	14.343	14.343	14.343	14.064	14.064	14.064
17	Ministry of Foreign Affairs	40.001	40.001	40.001	38.844	38.844	38.844
18	/ Ministry of Water &Irrigation-Jordan Valley Authority	30.175	25.955	25.955	29.516	26.887	26.887
19	Ministry of Higher Education	20.370	20.370	20.370	19.665	19.665	19.665
	Total Expenditure of 19 Ministries	5.037.443	4.496.629	4.476.629	5.198.713	4.723.249	4.710.913
20	Total Expenditure of Other Ministries	422.749	417.349	417.349	506.197	509.349	502.349
TOTAL EXPENDITURE in 2010		**5.460.192**	**4.913.978**	**4.893.978**	**5.704.910**	**5.225.598**	**5.213.262**
Total Current Expenditure		4.499.478	4.029.478	4.009.478	4.743.492	4.345.906	4.333.570
Total Capital Expenditure		960.714	884.500	884.500	961.417	879.692	879.692

Source: Data provided by GBD and GAD of MoF.

Detailed calculations for PI-1 and PI-2

Table 2.5: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2008
(In Jordanian Dinars)

	Ministries	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation
1	Ministry of Finance	1.474.494	1.549.401	1.556.309	-6.908	6.908
2	Ministry of Defense	885.800	963.972	934.950	29.022	29.022
3	Ministry of Education	460.089	525.286	485.618	39.668	39.668
4	Ministry of Health	366.557	378.251	386.896	-8.645	8.645
5	Ministry of Interior-Public Security	342.000	394.384	360.976	33.408	33.408
6	Ministry of Public Works &Housing	183.418	184.433	193.595	-9.162	9.162
7	Ministry of Planning- National Planning Council	49.062	46.946	51.784	-4.838	4.838
8	Royal Medical Services	101.000	101.000	106.604	-5.604	5.604
9	Ministry of Social Development	87.446	86.113	92.298	-6.185	6.185
10	Ministry of Interior/ Social Defense	77.000	96.600	81.272	15.328	15.328
11	Ministry of Water and Irrigation	69.943	63.002	73.824	-10.822	10.822
12	Ministry of Agriculture	43.741	46.023	46.168	-145	145
13	Royal Court	41.980	41.453	44.309	-2.856	2.856
14	Ministry of Justice	40.883	41.652	43.151	-1.499	1.499
15	Ministry of Finance- Income & Sales Tax Department	36.761	37.298	38.801	-1.503	1.503
16	Ministry of Communication and Information	35.307	21.980	37.266	-15.286	15.286
17	Ministry of Foreign Affairs	33.797	33.389	35.672	-2.283	2.283
18	Ministry of Water &Irrigation-Jordan Valley Authority	28.952	28.160	30.558	-2.398	2.398
19	Ministry of Higher Education	27.186	24.626	28.694	-4.068	4.068
20	Total Expenditure of Other Ministries	269.812	249.562	284.783	-35.221	35.221
TOTAL EXPENDITURE in 2008		**4.655.228**	**4.913.531**	**4.913.531**		**234.850**
	Contingency	100.000	66.325			
	Total primary expenditure	4.755.228	4.979.856			
	Overall variance (PI-1)					**4,7%**
	Variance composition (PI-2)					**4,8%**
	Contingency share of budget					**1,4%**

Table 2.6: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2009 (In Jordanian Dinars)

	Ministries	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation
1	Ministry of Finance	1.659.156	1.534.361	1.635.841	-101.480	101.480
2	Ministry of Defense	998.000	1.014.209	983.976	30.233	30.233
3	Ministry of Education	548.485	558.990	540.778	18.212	18.212
4	Ministry of Health	448.882	494.363	442.574	51.789	51.789
5	Ministry of Interior-Public Security	385.000	390.872	379.590	11.282	11.282
6	Ministry of Public Works &Housing	244.622	248.519	241.185	7.334	7.334
7	Ministry of Planning- National Planning Council	43.753	48.631	43.138	5.493	5.493
8	Royal Medical Services	128.500	128.500	126.694	1.806	1.806
9	Ministry of Social Development	117.143	114.250	115.497	-1.247	1.247
10	Ministry of Interior/ Social Defense	129.000	130.877	127.187	3.690	3.690
11	Ministry of Water and Irrigation	86.095	85.477	84.885	592	592
12	Ministry of Agriculture	50.028	51.010	49.325	1.685	1.685
13	Royal Court	45.450	44.595	44.811	-216	216
14	Ministry of Justice	51.200	53.072	50.481	2.591	2.591
15	Ministry of Finance- Income & Sales Tax Department	43.782	48.559	43.167	5.392	5.392
16	Ministry of Communication and Information	29.390	27.753	28.977	-1.224	1.224
17	Ministry of Foreign Affairs	44.036	42.551	43.417	-866	866
18	Ministry of Water &Irrigation-Jordan Valley Authority	37.145	39.445	36.623	2.822	2.822
19	Ministry of Higher Education	21.688	21.210	21.383	-173	173
20	Total Expenditure of Other Ministries	440.435	396.532	434.246	-37.714	37.714
TOTAL EXPENDITURE in 2009		**5.551.790**	**5.473.776**	**5.473.776**		**285.842**
	Contingency	95.000	49.555			
	Total primary expenditure	5.646.790	5.523.331			
	Overall variance (PI-1)					**-2,2%**
	Variance composition (PI-2)					**5,2%**
	Contingency share of budget					**0,9%**

Table 2.7: Estimate and actual total expenditures, primary expenditures and primary expenditures without contingencies for 2010 (In Jordanian Dinars)

	Ministries	Budget	Actual	Adjusted budget	Deviation	Absolute Deviation
1	Ministry of Finance	1.209.964	1.322.558	1.288.902	33.656	33.656
2	Ministry of Defense	983.000	988.772	1.047.131	-58.359	58.359
3	Ministry of Education	542.845	590.748	578.260	12.488	12.488
4	Ministry of Health	415.111	441.080	442.193	-1.113	1.113
5	Ministry of Interior-Public Security	425.500	445.500	453.260	-7.760	7.760
6	Ministry of Public Works &Housing	133.165	132.808	141.853	-9.045	9.045
7	Ministry of Planning- National Planning Council	37.981	48.065	40.459	7.606	7.606
8	Royal Medical Services	138.500	138.500	147.536	-9.036	9.036
9	Ministry of Social Development	101.479	106.236	108.100	-1.863	1.863
10	Ministry of Interior/ Social Defense	136.000	136.000	144.873	-8.873	8.873
11	Ministry of Water and Irrigation	76.611	71.984	81.609	-9.625	9.625
12	Ministry of Agriculture	48.217	44.995	51.363	-6.368	6.368
13	Royal Court	37.154	36.813	39.578	-2.765	2.765
14	Ministry of Justice	46.367	45.893	49.392	-3.499	3.499
15	Ministry of Finance- Income & Sales Tax Department	44.066	61.498	46.941	14.557	14.557
16	Ministry of Communication and Information	14.343	14.064	15.279	-1.215	1.215
17	Ministry of Foreign Affairs	40.001	38.844	42.611	-3.766	3.766
18	Ministry of Water &Irrigation-Jordan Valley Authority	25.955	26.887	27.648	-761	761
19	Ministry of Higher Education	20.370	19.665	21.699	-2.034	2.034
20	Total Expenditure of Other Ministries	417.349	502.349	444.577	57.772	57.772
TOTAL EXPENDITURE in 2010		**4.893.978**	**5.240.259**	**5.213.262**		**252.160**
	Contingency	20.000	12.336			
	Total primary expenditure	4.913.978	5.225.598			
	Overall variance (PI-1)					**6,3%**
	Variance composition (PI-2)					**4,8%**
	Contingency share of budget					**0,3%**

Table 2.8. Data for PI-3: Originally Budgeted and Actual Domestic Revenue for 2008-2010
(In thousands of JD)

	2008		2009		2010	
	Originally Budgeted	Actual	Originally Budgeted	Actual	Originally Budgeted	Actual
Tax Revenues	2.964.000	2.751.234	3.257.414	2.879.991	3.125.459	2.985.973
Taxes on Income, Profit and Capital Gains	574.000	603.409	664.316	764.718	689.559	624.611
By Individuals	70.700	57.215	80.241	90.661	82.202	87.641
By Corporations	444.000	482.123	515.753	585.190	554.543	472.268
By Employees and Social Service Tax	59.300	64.071	68.322	88.867	52.814	64.702
Taxes on Property	135.000	103.560	120.206	81.745	77.000	77.955
Taxes on Goods and Services	1.817.000	1.671.602	2.069.845	1.682.508	2.050.200	1.987.267
Sales on Imported Goods	852.000	758.322	992.041	785.754	853.000	819.419
Sales Taxes on Domestic Goods	537.000	404.995	591.727	319.666	630.200	463.175
Sales Taxes on Services	281.000	192.670	245.530	293.417	245.000	400.467
Sales Taxes on the Commercial Sector	147.000	315.615	240.547	283.671	322.000	304.206
Taxes on International Trade and Transactions	359.000	306.990	307.465	290.299	290.000	285.633
Other Taxes	79.000	65.673	95.582	60.721	18.700	10.507
Non-Tax Revenues	1.314.720	1.617.252	1.525.510	1.307.910	1.569.626	1.275.031
Propery Income	298.500	279.211	334.945	330.714	399.743	275.105
Revenues from selling goods and services, of which:	656.000	656.278	759.601	611.173	662.653	593.957
Land Registration	221.000	216.127	249.550	143.743	162.000	135.087
Revenue Stamps	137.000	162.789	164.019	150.248	163.000	155.265
Other	360.220	681.763	430.964	366.023	507.230	405.969
Total Domestic Revenues	**4.278.720**	**4.368.486**	**4.782.924**	**4.187.901**	**4.695.085**	**4.261.004**
Ratio of Actual/Budget Revenues		**102,1%**		**87,6%**		**90,8%**

Source: MoF General Accounts Directorate

Table 2.9. Data for PI-9: Financial Regulations used by Government Units [183]

Serial	Code	Chapter	Type of system
1. AGAs			
1	8102	Water Authority	Government
2	8104	Aqaba Railway Corporation	Special
3	8105	Housing and Urban Development Corporation	Government
4	8107	Free Zones Corporation	Government
5	8109	Civil Service Consumer Corporation	Special
6	8110	Vocational Training Corporation	Government
7	8111	Ministry of Awqaf and Islamic Affairs	Government
8	8113	Civil Health Insurance Fund	Government
9	8114	Jordan Hejaz Railways	Government
10	8115	Postal Saving Fund	Government
11	8116	Jordan Academy of Arabic	Government
12	8117	National Institute for Training	Government
13	8118	Kidney Failure Fund	Government
14	8119	Ministry of Education/Education Tax	Government
15	8120	National Aid Fund	Government
16	8121	Jordan Investment Board	Special
17	8122	Development and Employment Fund	Special
18	8124	Jordan Institution for Standards and Meteorology	Special
19	8126	Telecommunication Regulatory Commission	Special
20	8127	Jordan Radio and Television Corporation	Special
21	8128	Jordan Co-operative Corporation	Government
22	8129	Petra Region Authority	Special
23	8131	Public Transport Regulatory Commission	Special
24	8132	Electricity Regulatory Commission	Special
25	8133	Jordan Atomic Energy Commission	Government
26	8134	Higher Council for Youth	Government
27	8135	Waqf Fund Development Corporation	Government
28	8136	Jordan Maritime Authority	Government
29	8138	National Fund for Sport and Youth Movement	Special
30	8139	Audiovisual Commission	Special
31	8140	National Information Technology Center	Special
32	8141	Jordan Food and Drug Administration	Government
33	8142	Insurance Commission	Special
34	8143	Jordan Securities Commission	Special
35	8144	Aqaba Economic Private Zone Authority	Special
36	8145	Jordan Agency for Investment Environment Development (JAED)	Government
37	8146	Jordan Enterprise Development Corporation	Government

[183] Some of the Government Units (AGAs) apply the government financial regulations whereas others (AGAs and PEs) apply only the provisions of their own law and regulations.

Serial	Code	Chapter	Type of system
38	8147	Coordinative Commission for Social Solidarity	Government
39	8148	Radiology and Atomic Activities Regulatory Commission	Government
40	8150	Anti-Corruption Commission	Government
41	8151	Civil Aviation Regulatory Commission	Government
42	8152	High Health Council	Government
43	8153	Iftaa Department	Government
44	8157	Amman Stock Exchange	Special
45	8158	Securities Depositary Center	Special
46	8159	Central Bank of Jordan	Special
47	8163	Higher Education Accreditation Commission	Government
48	8164	Development Zones Commission	Special
49	8165	The Jordan Museum	Government
50	8167	Foreign Stock Exchanges Trading Regulatory Board	Special
51	8168	Economic and Social Council	Special
52	8170	Prince Hamza Hospital	Government
2. Public Enterprises			
1	8154	Jordan Post Company	Special
2	8155	National Electric Power Corporation	Special
3	8156	Jordan State Company for Silos and Rations	Special
4	8160	Aqaba Development Company	Special
5	8161	Jordan Water Company (Miyahuna)	Special
6	8162	Aqaba Water Company	Special
7	8166	Samra Electric Power Generating Company	Special
8	8169	Jordanian Airports Company	Special
9	8171	Dead Sea Development Corporation	Special

Source: GBD

Table 2.10. Data for PI-9: Governments Units (AGAs & PEs) providing financial reports in 2010

Serial	Code	Chapter	Minimum Period
1. AGAs			
1	8102	Water Authority	Monthly
2	8104	Aqaba Railway Corporation	Monthly
3	8105	Housing and Urban Development Corporation	Quarterly
4	8107	Free Zones Corporation	Monthly
5	8109	Civil Service Consumer Corporation	Monthly
6	8110	Vocational Training Corporation	Monthly
7	8111	Ministry of Awqaf and Islamic Affairs	Monthly
8	8113	Civil Health Insurance Fund	Monthly
9	8114	Jordan Hejaz Railways	Monthly
10	8115	Postal Saving Fund	Quarterly
11	8116	Jordan Academy of Arabic	Monthly
12	8117	National Institute for Training	Quarterly
13	8118	Kidney Failure Fund[184]	Monthly
14	8119	Ministry of Education/Education Tax	Monthly
15	8120	National Aid Fund	Monthly
16	8121	Jordan Investment Board	Monthly
17	8122	Development and Employment Fund	Monthly
18	8124	Jordan Institution for Standards and Meteorology	Monthly
19	8126	Telecommunication Regulatory Commission	Quarterly
20	8127	Jordan Radio and Television Corporation	Monthly
21	8128	Jordan Co-operative Corporation	Monthly
22	8129	Petra Region Authority	Quarterly
23	8131	Public Transport Regulatory Commission	Monthly
24	8132	Electricity Regulatory Commission	Monthly
25	8133	Jordan Atomic Energy Commission	Monthly
26	8134	Higher Council for Youth	Monthly
27	8135	Waqf Fund Development Corporation	Monthly
28	8136	Jordan Maritime Authority	Monthly
29	8138	National Fund for Sport and Youth Movement	Monthly
30	8139	Audiovisual Commission	Monthly
31	8140	National Information Technology Center	Monthly
32	8141	Jordan Food and Drug Administration	Monthly
33	8142	Insurance Commission	Monthly
34	8143	Jordan Securities Commission	Annually
35	8144	Aqaba Economic Private Zone Authority	Quarterly
36	8145	Jordan Agency for Investment Environment Development (JAED)[185]	Annually

[184] Financial data appears in the financial reports of Ministry of Health.

Serial	Code	Chapter	Minimum Period
37	8146	Jordan Enterprise Development Corporation	Monthly
38	8147	Coordinative Commission for Social Solidarity	Monthly
39	8148	Radiology and Atomic Activities Regulatory Commission	Monthly
40	8150	Anti-Corruption Commission	Quarterly
41	8151	Civil Aviation Regulatory Commission	Monthly
42	8152	High Health Council	Monthly
43	8153	Iftaa Department	Monthly
44	8157	Amman Stock Exchange	Annually
45	8158	Securities Depositary Center	Quarterly
46	8159	Central Bank of Jordan	Annually
47	8163	Higher Education Accreditation Commission	Monthly
48	8164	Development Zones Commission	Monthly
49	8165	The Jordan Museum	Monthly
50	8167	Foreign Stock Exchanges Trading Regulatory Board	Monthly
51	8168	Economic and Social Council	Monthly
52	8170	Prince Hamza Hospital	Monthly
2. Public Enterprises			
1	8154	Jordan Post Company	Quarterly
2	8155	National Electric Power Corporation	Monthly
3	8156	Jordan State Company for Silos and Rations	Monthly
4	8160	Aqaba Development Company	Quarterly
5	8161	Jordan Water Company (Miyahuna)	Monthly
6	8162	Aqaba Water Company	Monthly
7	8166	Samra Electric Power Generating Company	Monthly
8	8169	Jordanian Airports Company	Monthly
9	8171	Dead Sea Development Corporation	Monthly

Source: GBD

[185] This commission has been terminated in 2011.

Table 2.11. Data for PI-15: Income Tax Arrears, Arrears in Dispute, Collectable Arrears and Tax Collection for 2008-2010 (In Jordanian Dinars)

Year	Stock of Gross Arrears as of 31/12 (1)	Arrears under Objection (2)	Arrears under Appeal (3)	Collectable Arrears (1-2-3)	Collected Arrears	Actual collection
2008	563.638.081	497.008	183.231.157	379.909.916		
2009	624.482.308	1.869.023	212.485.731	410.127.554	114.600.000	764.718.000
2010	666.893.853	18.375.539	254.093.421	394.424.893	84.300.000	624.611.000

Source: ISTD

Table 2.12. Data for PI-15: GST and SST Arrears, Arrears in Dispute, Collectable Arrears and Tax Collection for 2008-2010 (In Jordanian Dinars)

Year	Stock of Gross Arrears as of 31/12 (1)	Arrears under Objection (2)	Arrears under Appeal (3)	Collectable Arrears (1-2-3)	Collected Arrears	Actual collection
2008	89.195.557	-23.687	62.820.609	26.398.635		
2009	307.401.401	42.863.410	210.635.333	53.902.658	22.300.000	1.682.510.000
2010	457.182.115	66.359.094	272.111.327	118.711.694	20.200.000	1.987.269.000

Source: ISTD

Municipality of Greater Amman

Table 2.13. Data for PI-15: Property Tax Arrears for 2008-2010 (In thousands of Jordanian Dinars)

Year	Stock of Gross Arrears, year-end	Collectable Arrears	Collected Arrears	Tax collection
2008	92.496	2.008	23.279	45.633
2009	105.688	2.009	15.858	49.136
2010	128.515	2.010	18.188	49.141

Other Municipalities

Table 2.14. Data for PI-15: Property Tax Arrears for 2008-2010 (In thousands of Jordanian Dinars)

Year	Stock of Gross Arrears, year-end	Collectable Arrears	Collected Arrears	Tax collection
2008	42.781	2.008	6.312	15.004
2009	46.755	2.009	6.814	15.242
2010	51.233	2.010	5.797	14.031

Source: MoF Property Tax Office

Table 2.15. Data for PI-16, Dimension (iii): Summary of Appropriation Transfers: Fiscal Year 2009

Civil units and military expenditure summary for 2009					
	Budget provision				
Description	Budget estimate	Transfers	Net authorized provisions	Actual expenditure	Unused allocation
Salaries, wages and raise					
Classified staff	78,776,336	-1,929,874	76,846,462	76,309,061	537,395
Unclassified staff	135,699,573	-5,868,905	129,830,668	128,877,550	953,117
Contact employees	16,723,200	-321,475	16,401,725	15,513,679	888,047
Personal high cost of living raise	269,082,167	19,640,745	288,722,912	287,020,165	1,702,744
Family high cost of living raise	12,950,840	1,167,497	14,118,337	13,436,185	682,153
Basic raise	75,537,045	-2,864,027	72,673,018	72,108,997	564,021
Overtime raise	16,155,456	2,145,339	18,300,795	17,905,731	395,062
Addition raise	105,610,103	-979,734	104,630,369	104,208,119	422,251
Other bonuses	21,204,800	2,507,860	23,712,660	23,618,699	93,959
Transportation raise	6,703,400	-51,600	6,651,800	6,181,371	470,433
Transportation allowance	3,622,400	-157,580	3,464,820	3,272,674	192,147
Field raise	1,006,380	-110,523	895,857	789,679	106,178
Employees rewards	26,113,900	-641,912	25,471,988	24,358,549	1,113,441
Total	769,185,600	12,535,811	781,721,411	773,600,459	8,120,948
Social security contribution					
Social security	47,986,000	113,973	48,099,973	46,928,861	1,171,113
Total	47,986,000	113,973	48,099,973	46,928,861	1,171,113
Use of goods and services					
Rent	14,390,400	202,097	14,592,497	13,404,393	1,188,103
Telephone, fax, telefax and mail	8,895,050	26,128	8,921,178	8,241,434	679,741
Water	5,253,900	-221,008	5,032,892	4,377,948	654,939
Electricity	13,109,550	938,120	14,047,670	12,795,167	1,252,502
Fuel	20,626,670	-210,666	20,416,004	16,074,809	4,341,197
Maintenance of equipment and furniture	7,332,630	-86,424	7,246,206	6,151,030	1,095,170
Cars and machinery maintenance	4,190,800	46,816	4,237,616	3,780,270	457,346
Maintenance of buildings	1,369,850	-46,879	1,322,971	1,125,376	197,599
Stationary, stamps and other supplies	14,912,300	-18,919	14,893,381	13,199,338	1,694,037
Materials	54,757,950	-528,575	54,229,375	52,334,462	1,894,916
Cleaning	5,903,500	29,240	5,932,740	5,686,149	246,591
insurance	4,046,500	-581,517	3,464,983	3,163,727	301,255

Business trips	6,453,500	-1,320,366	5,133,134	4,895,959	237,185
Goods and other services expenses	120,095,700	62,584,193	182,679,893	179,847,914	2,831,987
Total	281,338,300	60,812,240	342,150,540	325,077,976	17,072,568
Foreign interests					
Foreign interests	104,000,000	0	104,000,000	88,344,900	15,655,100
Total	104,000,000	0	104,000,000	88,344,900	15,655,100
Local interests					
Local interests	330,600,000	0	330,600,000	303,850,713	26,749,287
Total	330,600,000	0	330,600,000	303,850,713	26,749,287
Subsidies for public institutions					
Subsidies for public non-financial institutions	122,289,000	-34,996,000	87,293,000	73,908,964	13,384,036
Total	122,289,000	-34,996,000	87,293,000	73,908,964	13,384,036
Non-financial private projects subsidies					
Non-financial private projects subsidies	5,000,000	-1,985,000	3,015,000	825,000	2,190,000
Total	5,000,000	-1,985,000	3,015,000	825,000	2,190,000
Goods subsidies					
Goods subsidies	280,000,000	-85,000,000	195,000,000	186,055,833	8,944,167
Total	280,000,000	-85,000,000	195,000,000	186,055,833	8,944,167
Subtotal Total	1,940,398,900	-48,518,976	1,891,879,924	1,798,592,706	93,287,219
Military Expenditures	1,620,500,000	25,877,925	1,646,377,935	1,645,493,385	884,550
Grand Total	3,560,898,900	-22,641,051	3,538,257,859	3,444,086,091	94,171,769

Source: MoF General Acccounts Directorate

Table 2.16. Data for Indicators related to Donor Practices Total Assistance in 2010

Donor	Total assistance in 2010		
	US$ million	Percentage	JD million[186]
1. USA	635	56%	450
2. Arab Fund for Economic and Social Development	107	10%	76
3. European Union	86	8%	61
4. Kuwaiti Fund for Arab Economic Development	52	5%	37
5. Saudi Fund for Development	51	5%	36
6. Canada	20	2%	14
7. Abu Dhabi Fund for development	19	2%	14
Sub-total aid (7 main donors)	970	88%	688
Other donors	132	12%	94
Total Aid (grants, loans, projects and DBS)	1.102	100%	**781**
Grants for DBS (in-budget)			430
Loans (in budget)			97
Grants for projects and programs (off-budget)			254
Projects and programs financed by donors (grants and loans)			351
Total expenditure 2010			5705
Part of aid in total expenditure		**14%**	
Part of DBS in total aid		**55%**	
Part of DBS in total expenditure		**8%**	
Part of projects and programs in total expenditure		**6%**	
Part of projects and programs in total aid		**45%**	
Part of loans in total project and program's aid		**28%**	
Part of grants in total project and program's aid		**72%**	
Part of grants in total expenditure		**12%**	
Part of grants in total aid		**88%**	

Source: Calculations from data provided by MOPIC (in gray) and DGA/MoF (in orange).

[186] 1 JD=1.415 US$

Table 2.17. Data for Indicators related to Donor Practices
Total Foreign Grants and Loans Transferred to the Treasury Account 2008-2010 (in million JD)

	Budgetary Grants	2008			2009			2010		
		Estimated	Actual	Deviation	Estimated	Actual	Deviation	Estimated	Actual	Deviation
1	European Union									
1,1	Poverty Alleviation through localDevelopment	7		-7		12	12		3	3
1,2	Sector Reform Facility Programme	15		-15					13	13
1,3	Kulluna Al-Urdon Project	10		-10		9	9			
1,4	Support to Education Reform	30		-30	16	14	-2	5	10	5
1,5	Support to Education Reform to respond increasing educational needs of displaced Iraqi People	15	17	2	12		-12	6	11	6
1,6	Support to the Public Finance Reform Programme	15	15	0	11		-11		19	19
1,7	Support to theTrade and Transport Facilitation Programme	10		-10	11		-11	5	15	10
1,8	Support to theEmployment and Technical and Vocational Programme				16		-16		7	7
1,9	Support to the public Financial Management Reform Progpramme							10		-10
1,1	Remaining Funds on the 1995 Structural Adjustment Propgramme								0	0
	Sub- total (1)	**100**	**32**	**-68**	**66**	**35**	**-31**	**26**	**78**	**52**
2	USAID									
2,1	Local Currency Programme	20	27	7	28	28	0	31	28	-3
2,2	Cash Transfer Regular	51	71	20	67	78	11	85	80	-5
2,3	Cash Transfer Additional		64	64	50	48	-2			
2,4	Buy Back of Debt		17	17						
	Sub- total (2)	**71**	**179**	**108**	**145**	**154**	**9**	**116**	**108**	**-8**
3	Japan/Increase Food Production (2KR)/Agriculture Projects									
3,1	Improvement of Agricultural Machinery for Farmer		0			1			0	
3,2	Introducing Water Harvesting Techniques in the Range-land areas		0			1			1	
3,3	Improvement of Grape Fruit Production		0			1			0	
3,4	Establishing a Central lab at Mafraq Regional Center								1	
	Sub- total (3)	**2**	**1**	**-1**	**11**	**3**	**-8**	**18**	**2**	**-16**
4	Others (Saudi Arabia…)									
	Sub- total (4)	**267**	**507**	**240**	**462**	**142**	**-320**	**170**	**214**	**43**
	Total (1+2+3+4)	**440**	**718**	**278**	**684**	**333**	**-351**	**330**	**402**	**72**
	Annual deviation in percentage of total forcast			**63%**			**-51%**			**22%**
	Budgetary Loans									
5	World Bank									
5,1	Policy Development Loan (PDL)					212	212			
	Sub- total (5)					**212**	**212**			
	Total (1+2+3+4+5)	**440**	**718**	**278**	**684**	**545**	**-139**	**330**	**402**	**72**
	Annual deviation in percentage of total forcast			**63%**			**-20%**			**22%**

Annex 3:

Sources of Information
by Performance Indicator

Table 3.1. Sources of Information by Performance Indicator

PI	Institutions	Documents
A. PFM RESULTS: I. Credibility of the Budget		
PI-1	GBD (MoF) and General Accounts Directorate (MoF)	▪ Financial By-Law No. 3, 1994 ▪ General Budget Laws 2008 and 2009 and Temporary General Budget Law 2010 ▪ Final Accounts 2008 and 2009 and provisory Final Accounts 2010 ▪ Supplementary Law No. 36 of 31/07/2008 and Supplementary Law No. 52 of 16/09/2008 ▪ Supplement No. 27 of 22/12/2009 ▪ Supplementary Law No. 6 of 2/03/2010 and Supplementary Law No. 39 of 5/10/2010 ▪ Income tax temporary Law No. 28 for the year 2009 ▪ Temporary amendment of the Sales tax Law No. 29 for the year 2009
PI-2	GBD (MOF) and General Accounts Directorate (MoF)	▪ Constitution of the Hashemite Kingdom of Jordan of 1952 ▪ Financial By-Law No. 3, 1994 ▪ General Budget Laws 2008 and 2009 and Temporary General Budget Law 2010 ▪ Final Accounts 2008 and 2009 and provisory Final Accounts 2010
PI-3	GBD (MoF) and General Accounts Directorate (MoF)	▪ General Budget Law for the Fiscal Year 2009 ▪ General Budget Law for the Fiscal Year 2010 ▪ MoF, "General Government Finance Bulletin", February 2011.
PI-4	Head of sectors at GBD (MoF), General Treasury Directorate (MoF), MOH, MOE, Chamber of Industry	▪ Financial By-law No. 3 of 1994 ▪ Application Instructions for Financial Affairs No. 1 of 1995 ▪ General Budget Law for 2010 ▪ Supplementary Laws of the last the Fiscal Years (mentioned in PI-1) ▪ IMF and World Bank report, "Public Financial Management Reforms", January 2011 ▪ Report on Commitment Control. MoF, October 2010
B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency		
PI-5	GBD (MoF) and General Accounts Directorate (MoF)	▪ Chart of Accounts ▪ General Budget Law for 2010 and 2011 (including the detailed volume) ▪ Financial Statements (or Final Accounts) for 2009 ▪ Preliminary Financial Statements as of December 31, 2010 ▪ MoF monthly General Government Finance Bulletin, January-December 2010 (Vol.11, No. 12 and Vol. 12 No. 1- No. 11) ▪ Monthly financial positions sent by line ministries to GBD (MoF) ▪ IMF and World Bank report, "Advancing the Public Financial Management Reforms Agenda", September 2009
PI-6	GBD (MoF) and National Assembly	▪ Draft General Budget Law for the Fiscal Year 2011 ▪ Draft Detailed Volume of the Budget Law for the Fiscal Year 2011 ▪ Budget Speech of MoF for Fiscal Year 2011 of December 29, 2010 and March 6, 2011 ▪ MoF monthly General Government Finance Bulletin, January 2011 (Vol. 12, No. 12) ▪ Budget Organic Law No. 58 for the year 2008 ▪ 2010 Article IV Consultation Staff Report of the IMF ▪ Financial Statements for the year ended December 31, 2009 ▪ Statistical Bulletins of the Central Bank, December 2010 ▪ previous Financial Statements and Statistical Bulletins of the Central Bank ▪ Central Bank of Jordan's website (www.cbj.gov.jo) ▪ GFS manual 2001

PI-7	GBD (MOF), General Accounts Directorate (MOF), General Revenue Directorate (MOF), General Treasury Directorate (MOF), MOPIC, MOH, MOE, MHESR, Social Security Corporation, AB, USAID, EU	▪ Constitution of the Hashemite Kingdom of Jordan of 1952 ▪ Financial By-law No. 3 for the year 1994 ▪ Surplus Law No. 30 for the year 2007 ▪ Universities Law for 2009 ▪ Audit Bureau's Law No. 28 of 1952 ▪ Temporary revised Income Law No. 28 of 2009 and by the temporary amendment of the Sales taxes Law No. 29 of 2009 ▪ General Budget Law for the Fiscal Year 2010 ▪ Budgets Law of the Government Units for the Fiscal Year 2010 ▪ MOF monthly General Government Finance Bulletin
PI-8	MOMA, CVDB, GBD (MOF), General Accounts Directorate (MOF), Economic Studies and Policies Department (MOF), MOPIC, Municipality of Ain Al Basha	▪ Constitution of the Hashemite Kingdom of Jordan of 1952 ▪ Law of Municipalities No. 14 of 2007 ▪ Financial by-Law Nº 77 of 2009 ▪ Temporary amendment of the Law No. 29 for Sales Tax ▪ Traffic By-law ▪ Supplementary Law No. 6 of 2/3/2010 ▪ General Budget Law for the Fiscal Year 2011 ▪ MoF monthly General Government Finance Bulletin of January 2007, December 2010 and March 2011 ▪ Municipal Financial Bulletin is, 2 June 2011 ▪ MoF's website
PI-9	GBD (MoF), MHESR, Social Security Corporation, MOMA, CVDB, Municipality of Ain Al Basha	▪ Financial By-law No. 3 of 1994 ▪ Surplus Law No. 30 of 2007 ▪ Audit Bureau's Law No. 28 of 1952 ▪ Budgets Law of the Government Units for the fiscal year 2010 ▪ Budgets Law of the Government Units for the Fiscal Year 2010 ▪ Monthly MoF General Government Finance Bulletin Vol.13, No.1, February 2011 (pages 28 to 36). ▪ Law of Municipalities No. 14 of 2007 ▪ Municipal Financial Bulletin 2007-2009. MOMA, June 2011
PI-10	GBD (MoF), General Accounts Directorate (MoF), AG, JPD (MOH), GSD (MoF), GTD (MPWH), MOH, MOE, National Assembly, Chamber of Industry	▪ GBD website (www.gbd.gov.jo) ▪ General Government Finance Bulletin of January 2011 (Vol.12, nº 12) ▪ financial By-law No. 3 of 1994 ▪ Audit Bureau's Law No. 28 of 1952 ▪ Draft General Budget Law for the Fiscal Year 2011 ▪ General Government Finance Bulletin of January 2011 (Vol.12, nº 12) ▪ Preliminary figures for budget execution posted in MoF website (www.MoF.gov.jo) ▪ Financial Statements for 2009 ▪ Supplies Act No. 32 for the year 1993 ▪ JPD's website (www.jpd.gov.jo) and GTD's website (www.gtd.gov.jo) ▪ Budget Brief for 2011 (draft version) ▪ Citizens budget for 2011 (draft version)
C. BUDGET CYCLE		
III. Policy-based budgeting		
PI-11	GBD, National Assembly, Ministry of Health, MOPIC	▪ The Constitution of the Hashemite Kingdom of Jordan ▪ The Organic Budget Law No. 58, 2008 ▪ The GBD Letter to MDAs requesting that they prepare draft budgets for 2011-2013 and submit them in end-June 2010, 27 May 2010 ▪ The Budget Circular issued in 2010 for the 2011 budget ▪ Prime Minister Decree 13/00/18062, 6 September 2009 ▪ IMF and World Bank, "Public Financial Management Reforms", January 2011. ▪ The Official Gazette

PI-12	MoF (Research Directorate, Public Debt Directorate), GBD, Ministry of Health, MOPIC	▪ The Organic Budget Law No. 58, 2008 ▪ General Budget Law for the Fiscal Year 2009 ▪ General Budget Law for the Fiscal Year 2010 ▪ The Budget Circular issued in 2010 for the 2011 budget ▪ IMF, "Jordan: 2010 Article IV Consultation-Staff Report", September 2010. ▪ IMF, "Jordan: 2009 Article IV Consultation-Staff Report", May 2009. ▪ IMF, "Jordan: 2008 Article IV Consultation-Staff Report", August 2008. ▪ IMF METAC, "Capital Budget Preparation and Medium Term Budget Planning", May 2010.
IV. Predictability and control in budgetary execution		
PI-13	ISTD (Directorates of Legal Affairs; Media and Communications; Customer Service; and Tax Compliance and Operational Management), Customs Department, MoF-Property Tax Project funded by UNDP, Chamber of Commerce, Chamber of Industry	▪ www.istd.gov.jo, www.customs.gov.jo, www.frp2.org ▪ Legislation: Income Tax Law No. 57 of 1985, temporary Income Tax Law No. 28 of December 2009, revised temporary Income Tax Law No. 29 of December 2009, amended temporary General Sales Tax Law No. 29, Customs Law No. 20 of 1998, Property Tax Law No. 11 of 1954, Various By-Laws and Regulations ▪ USAID, "Benchmarking the Tax System in Jordan", Fiscal Reform II Project, Jordan, February 2010. ▪ IMF, "Tax Policy Review: Restoring Revenue while Preserving Competitiveness", Fiscal Affairs Department, May 2010.
PI-14	ISTD (Directorates of Information Deductions, IT, Customer Service, Tax Compliance, Debt Management), Customs Department, Chamber of Commerce, Chamber of Industry	▪ www.istd.gov.jo, www.customs.gov.jo, www.frp2.org ▪ Legislation: Income Tax Law No. 57 of 1985, temporary Income Tax Law No. 28 of December 2009, revised temporary Income Tax Law No. 29 of December 2009, amended temporary General Sales Tax Law No. 29, Customs Law No. 20 of 1998, Various By-Laws and Regulations ▪ USAID, "Benchmarking the Tax System in Jordan", Fiscal Reform II Project, Jordan, February 2010. ▪ IMF, "Progress with Tax Administration Reform", Fiscal Affairs Department, February 2010.
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PI-16	MoF Public Treasury Directorate, MoF General Accounts Directorate, GBD, Ministry of Education - Finance and Accounts Directorate, Ministry of Health (Finance and Accounts Directorate and Budget Directorate)	▪ IMF and World Bank "Public Financial Management Reforms", Washington DC, January 2011. ▪ IMF METAC (Middle East Technical Assistance Center), "Treasury Single Account and Measures for Further Strengthening of Cash Management", June 2008
PI-17	MoF Public Treasury Directorate and MoF Public Debt Directorate	▪ Legislation: Law No. 26 of 2001, Public Debt Management Law ▪ MoF, "Public Debt Quarterly Bulletin No. 29", March 2011 ▪ MoF, "General Government Finance Bulletin", February 2011

PI-18	Ministry of Education Payroll Division, Ministry of Health Finance and Accounts Directorate	▪ Ministry of Education INFORMIX computer database system for managing: position control, personnel records, and payroll data
PI-19	Joint Procurement Department, General Supplies Department, General Tender Department, and Ministry of Education Procurement Division	▪ Joint Procurement Law of 2002 ▪ Supplies Act No. 32 0f 1993 ▪ Public Works By-law No. 91 of 1996 ▪ www.JPD.gov.jo ▪ www.GSD.gov.jo ▪ www.GTD.gov.jo ▪ Computer printouts of GBD commitment control registers that support procurement tenders
PI-20	MoF Control Inspectorate, Ministry of Education - Finance and Accounts Directorate, Audit Bureau, Ministry of Education - Internal Audit Directorate, GBD	▪ MoF Financial By-law No. 3 and Application Instructions for Financial Affairs ▪ Regulations No. 3 of 2011, Financial Control Regulations, pursuant to Article 114 of the Constitution ▪ Computer printouts of GBD commitment control registers ▪ MoF Control Inspectorate "Monthly Activity and Control Process Outputs Report Form ▪ MoF Control Inspectorate "Account Field Errors Table" ▪ MoF Control Inspectorate "Basic Information Form for the Use of Internal Control Departments within Ministries and Public Departments
PI-21	Ministry of Education - Internal Audit Directorate, Audit Bureau, GIZ	▪ Memorandum of Understanding (MOU) between the Ministry of Finance and the Audit Bureau, for the purpose of implementing the provisions of the Financial Control By-law No. 3 of 2011 ▪ Recommendations of the steering committee for the 1st quarterly plan in accordance with the MOU cited above
V. Accounting, recording and reporting		
PI-22	MoF Public Treasury Directorate	▪ Reports from Central Bank as to cash balances and TSA status ▪ GFMIS General Ledger within Treasury Directorate
PI-23	Finance and Accounts Directorates of the Ministries of Education and Health, MoF (Public Treasury and General Accounts Directorates)	▪ No evidence exists to support this indicator's requirements
PI-24	MoF General Accounts Directorate	▪ MoF, printouts of MDAs monthly financial statements submitted to the MoF General Accounts Directorate ▪ MoF, “General Government Finance Bulletin”, February 2011.
PI-25	MoF General Accounts Directorate	▪ MoF General Accounts Directorate, “Final Accounts of the General Budget for the Year 2009”, June 2010. ▪ USAID, “Further Public Finance Reforms; Treasury and Public Accounts Directorates of the Jordanian Ministry of Finance”, Ilona Castro. Jordan Fiscal Reform II. October 2010.
VI. Scrutiny and external audit		
PI-26	Audit Bureau	▪ The Law of the Audit Bureau No. 28 of 1952 ▪ Audit Bureau Strategic Plan 2011-2015 ▪ Audit Bureau Action Plan 2010-2014 ▪ Audit Bureau "Planning the Audit Process: Auditor Manual ▪ Audit Bureau "Scope of Work: Financial Summary" ▪ Audit Bureau "Performance Audit: Planning and Preliminary Survey" ▪ Audit Bureau "Action Plan of June 2011: Monitoring Education and Cultural Services" ▪ Computer printout of details of government institutions subject to external audit by AB

PI-27	Office of the Secretary General of the House of Representatives, Rapporteur of the Financial and Economic Committee of the House of Representatives	▪ The Constitution of the Hashemite Kingdom of Jordan ▪ The By-laws of the House of Representatives
PI-28	Audit Bureau, Office of the Secretary General of the House of Representatives, Rapporteur of the Financial and Economic Committee of the House of Representatives	▪ The Constitution of the Hashemite Kingdom of Jordan ▪ The By-laws of the House of Representatives
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D-1	General Debt Directorate (MoF), GBD (MoF), MOPIC, USAID, WB, EU, JICA	▪ Data collected from the General Debt Directorate (MoF), GBD (MoF) and MOPIC ▪ Data collected by donors (USAID and WB)
D-2	MOPIC, USAID, WB, EU, JICA	▪ Jordan Aid Information Management System ▪ Data collected from MOPIC ▪ Communication from donors (USAID, EU, JICA and WB) ▪
D-3	MOPIC, USAID, WB, EU, JICA	▪ Data collected from MOPIC ▪ Communication from donors (USAID, EU, JICA and WB)

Annex 4:

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Annex 5:

Terms of Reference

SPECIFIC TERMS OF REFERENCE

for the repeat Public Financial Management assessment following PEFA (public expenditure and financial accountability) methodology

FWC BENEFICIARIES 2009 - LOT nr 11:
Title: Macro economy, Statistics, Public finance management
EuropeAid/127054/C/SER/multi

1. BACKGROUND

Jordan's economy enjoyed a high growth rate, with above average development outcomes within its income group for almost a decade up to 2008. The economy showed strong performance, inflation remained low and foreign direct investment inflows were steady.

The recent global economic downturn had a significant impact on Jordan's economy and growth slowed in 2009. GDP growth fell from around 8 per cent in 2008 to around 3 per cent in 2009. The slowdown created several challenges for Jordan and economic activity is still recovering to pre-crisis levels. The slowdown affected the budget deficit significantly which increased to 8.8% of GDP including grant aid and 12.5% excluding grant aid, by beginning of 2010.

The Government of Jordan responded to the economic slowdown with effective fiscal consolidation measures and maintains its stringent fiscal policy to address the budget deficit. Results are apparent as the deficit is decreasing and the Government's target to reduce the budget deficit by at least one percent each year until it reaches 3 percent was achieved; at the end of 2010 the budget deficit was decreased to 5.5 percent of GDP.

Public debt (both external and domestic) is estimated to be 55.4 per cent of the forecast 2010 GDP while inflation has been rising in 2010 reaching 5 per cent compared with a very low inflation during the same period last year (0.92 per cent). Rising wheat and oil prices still remain potential sources of budgetary and inflationary pressure as Jordan is vulnerable to international price fluctuation.

Jordan is on the right path to achieve 4 per cent GDP growth in 2010, as some sectors begin to recover from the slowdown, and the further progress is expected in 2011. Maintaining a good fiscal position and remain focused on guarding against fiscal and external vulnerabilities is highly important to enhance Jordan's situation in the coming years.

PFM Reform Programmes

Jordan has an integrated and well functioning Public Financial Management (PFM) system that has been strengthened over the last years through the ongoing reform process. In the area of PFM, several achievements were supported through budget support and other modalities.

PFM reforms are integrated in the overall national development policy outlined in the National Agenda (2006-2016), as well as in a specific national PFM reform strategy. The implementation of the National Agenda as regards the reform of PFM is a key element and notable progress in its implementations is confirmed.

PFM reforms are thus in conformity with national objectives expressed in the National Agenda. Current reforms undertaken in Jordan are enhancing the financial and economic stability in order to improve the public finance performance, financial discipline, citizens' standard of living, strengthen the business environment and increase economic growth.

The current strategy "Overarching Financial Management Reform for Jordan's Public Financial Management 2010-2013" responds to key challenges; it follows from two previous PFM reform strategies first formulated in 2004. The strategy concentrates on:

1. **Secure long term aggregated fiscal discipline** by maintaining a competitive tax regime and ensuring ministries meet their budgets and strategic plan targets, thereby reducing the deficit and reduce the overall debt below 60 per cent of GDP ratio.
2. **Foster policy based budgeting** to improve the strategic allocation of resources and in that way be able to commit funds for new initiatives.
3. **Enhance the role of the private sector as the main driving force of sustainable economic growth** by increasing private sector participation and streamline bureaucratic procedures in order to make it easier and more attractive for business to locate and invest in Jordan. PFM initiatives include:
    - The preparation of new transparent and efficient tax laws, which simplify exciting requirements and make it easier for business to operate.
    - The review of legislation that regulate the real estate sector.
    - The full adoption of private public partnership as the mean of building and operating future public projects.
4. **Give due consideration to citizens' concerns** by ensuring high quality public services are provided.

Recently the Government endorsed Jordan's "Executive Development Programme 2011-2013" which set the development goals for 24 sectors. The Executive Development Programme reflects the National Agenda's objective of stimulating economic growth and increasing welfare of Jordanians by reducing poverty and creating jobs.

So far the combination of political will, leadership, Government funding, and donor technical and financial support has been sufficient to propel the reform effort to a large measure of success.

Main Findings of the Latest PFM Assessments

- The **PEFA 2007 assessment** gave a positive assessment of Jordan's performance noting that Jordan made notable progress in public financial management during the last years in terms of planning, controlling, monitoring and securing greater transparency of its fiscal policies, budget implementation and debt management.

- The International Monetary Fund and the World Bank's **Advancing the Public Financial Management Reform Agenda report** of 2009 also concluded positive on Jordan's PFM performance. The report found that Jordan was highly committed to the PFM reforms and that considerable progress had been made in achieving its PFM goals.

- The **IMF article IV** consultations of 2010 confirmed Jordan's commitment and progress in advancing reforms and gave a positive assessment of the Government's macroeconomic stability policy.

The IMF article IV consultations of 2010 recommend the following priorities to overcome fiscal vulnerabilities:

- Remove remaining tax exemptions on commodities.
- Improve the efficiency of current spending and ongoing prioritisation of capital spending.
- Continued moderation of growth in public sector wage bill.
- Improve the business environment for the private sector to raise productivity and support Jordan's external competitiveness.
- Liberalisation of the water and energy sectors.
- Civil service reforms.
- Strengthen tax administration.
- Reform of public sector management by improving the medium term framework for budget formation and implementation, implement a Government Financial Management Information System (GFMIS) in all ministries and improve cash management.
- Enhance public-private partnerships (PPP) to reduce infrastructure bottlenecks.
- Clear policy for the debt reduction and debt management is critical due to Jordan's large stock of public debt.

Main Donors

PFM reform efforts have attracted significant donor support from the IMF, World Bank, USAID, GiZ and the UN.

IMF is involved in supporting a macro-fiscal unit as well as on treasury and cash management issues. The World Bank has been supporting a variety of public sector reform initiatives such as a joint expenditure review with the Government, assist development capacities for macro-fiscal modelling in the Ministry of Finance, and support the introduction of a Medium Term Expenditure Framework (MTEF) and policy driven budget process. USAID is supporting Jordan through its Fiscal Reform II Project, the main elements are budget reforms including result oriented budgeting and the implementation of a Government Financial Management Information System (GFMIS). GiZ has had a long term involvement in the PFM reform area in Jordan focusing primarily on budget issues, currently GiZ provide advice on performance management and internal audit. UNDP has been involved in a nine year programme with the Ministry of Finance on property tax and is involved in strengthening of Internal Control. EU provides budget support for PFM reform to support sustainable economic growth and fiscal consolidation, as well as a number of Sector Budget Support (education, E-TVET and transportation).

2. DESCRIPTION OF THE ASSIGNMENT

2.1 Global Objective

The overall objective of this assessment is to support Jordan’s public financial management reform strategy to achieve long-term fiscal sustainability.

2.2 The Rationale for Carrying out a PEFA Assessment

The PEFA approach is one of the elements of a strengthened approach to supporting Public Financial Management (PFM) reforms. It is designed to measure PFM performance of countries across a wide range of development over time.

- In the short-term, the PEFA assessment will be used to provide a clear picture of specific changes in performance since the initial assessment so as to: (i) facilitate and update the dialogue on PFM between Government and donors and within Government and donors; (ii) help donors build new general budget support (GBS) programmes.
- In the medium-term, the PEFA assessment may feed the reflection on: (i) the preparation or revision of a PFM reform strategy (and related action plan).

It can also be argued that a positive PEFA review could send a good signal to the market.

2.3 Specific Objectives of the Assessment Mission

The objective of the assessment mission is to draft a comprehensive[187] "Public Financial Management – Performance Report" (PFM-PR) prepared according to the PEFA methodology (see point 5 below), so as to provide an analysis of the overall performance of the PFM systems of Jordan as well as to follow up on progress against the PEFA indicators from the previous assessment that will permit the measuring over time of changes in performance. This means that the same entities as those covered in the 2007 exercise are to be assessed.

The key intention of the framework is to provide a clear picture of specific changes in performance since the initial assessment, for Jordan in 2007. Thus the main purpose of the assessment is to track performance since the previous assessment. A satisfactory repeat assessment is one that verifies the basis on which the earlier scores was assigned and identifies any indicators for which inadequate information was available for this verification. The assessment would have to consider any obvious mistakes in the use of evidence for the previous scores in order to be able to compare like with like.

Specific Objectives of the assignment are to:

1. Update the overview of PFM performance in accordance with the PEFA Performance Measurement Framework.
2. Establish and explain the level of improvement in performance based on the PEFA indicators scores by comparison to the results found during the previous evaluation.
3. Assessments of the results of the PEFA review i.e. performance change in relation to the project activities and possible effects on the score attained.
4. Recognition should be taken of possible reasons that could have contributed to the change in scores such as the following:
    - Changes in definitions.
    - Improved availability of or access to information.
    - Different information sampling and aggregation.
    - Different approach to professional judgements.
    - Scoring methodology inaccuracies in previous assessment such as the use of "D" scoring when insufficient information was available to assign a score.
5. The consultants in the report should ensure that:
    - All factors that impact a change in rating indicator-by-indicator are explained.
    - The performance change is identified.
    - Any reader can track change from the previous assessment.

[187] This PFM Performance Report is composed of the detailed analysis of the 31 indicators of the « PFM Performance Measurement Framework » and of the performance report itself which summarises this analysis of the indicators and includes other elements relevant for the assessment.

2.3. Requested Services and Required Outputs

Specific tasks in the preparation of the PFM-Performance Report

In order to meet the objective of the assessment mission the following tasks shall be carried out:

- Documentation: Before the mission to Jordan the experts will receive, from the Delegation of the European Union to Jordan most of the basic documentation that they deem necessary to prepare the mission – during the "Preparation phase" 2 working days (at their place of origin) per expert are foreseen to review reports and prepare the mission. Then for the "Preparation Phase" an additional 3 working days per expert are foreseen in Jordan to collect necessary additional information/reports.
  The experts will specify the time-span they deem necessary, in agreement with the Delegation of the European Union, between the date of reception of this basic documentation and the actual start of the mission on the spot. The Delegation of the European Union will particularly follow up this issue with the national authorities so as to minimise the risk of disrupting the mission which could be entailed by an important delay in providing this basic documentation.

- Work-plan: The experts shall prepare a work plan and updated roadmap for the execution of the mission to be submitted to the national authorities and the involved donors on arrival at mission start. The work plan will describe the main steps of the mission, notably specifying the list of the interlocutors to meet, the tentatively scheduled meetings and the list of required information not yet collected and to be provided by the relevant parties. The work-plan may foresee a mid-term meeting gathering all the stakeholders so as to report on the work's progress and possible difficulties faced. A final debriefing session will be planned.

- Training Workshop: During the mission in Jordan, a 2 or 3 days information/training workshop gathering all the stakeholders and enabling the latter to understand the challenges and the modalities of the PEFA assessment shall be organised at the beginning of the mission, the exact dates are to be defined with the Government. This workshop will be run by the experts, its organisation and financing will be financed by the current contract. The pedagogical material used by the experts will be that worked out by the PEFA Secretariat and posted on its website. This workshop will comprise: (i) a general session with all the stakeholders aiming at providing a general understanding of what a PEFA assessment is about; (ii) a technical session with the national authorities (Government and external control body) to explain the indicators.

Methodology

- Document of Reference: the experts, in close coordination with Government services involved, will undertake the required analysis while rigorously following the structure, the methodology and the guidelines (annexes 1 § 2) of the document adopted by the PEFA Steering Committee entitled " Public Financial Management – Performance Measurement Framework". In addition, "Good Practice when Undertaking a Repeat Assessment – Guidance for Assessment Planners and Assessors" is useful to ensure a good quality of the assessment. These documents can be found on the website www.pefa.org. The original version of the documents is in English.

- Differences in Methodology: If the particular situation of the country requires the addition of specific indicators and/or, for some indicators, to diverge from the prescribed methodology, this shall be duly justified by the experts and require the agreement, during the mission, of the lead donor. In any case, only a very limited number of additional indicators would be acceptable. In this case, as well as for any possible proposed difference in methodology, the experts will ask for the written opinion of the PEFA Secretariat.

- Interpretation: Any question on the interpretation of the guidelines, which the experts cannot resolve with the available documentation, should be addressed to the PEFA Secretariat.

- Supporting Information: In the report, the experts will justify the scoring and describe, in an annex, for each indicator, the analytical work which has been carried out mentioning the sources of information and documentation used. In the assessment it is important the summary provides a brief overview of changes in performance ratings since the earlier report in 2007, and a table with both sets of ratings. The reason for changes in scores between the two assessments should be outlined, indicator by indicator. And a detailed overview of progress between the two assessments should be included as an Annex. The narrative report should specify what has changed and by how much. Furthermore, for each indicator, the experts will mention any possible difficulties encountered during the assessment, the approach used to overcome these difficulties, and, as appropriate, the additional investigative work judged necessary to complete the analysis carried out.

2.4 Stakeholders: Donors, National Authorities and Non State Actors

- The European Commission (i) makes the first contacts with the Government and officially informs them of the timetable and ToR of the PEFA assessment; (ii) finances the PFM assessment and recruits the experts iii) responsible with the Government for the organisation and the follow-up of the mission; (iv) checks the quality of the report in consultation with the other donors involved, the PEFA Secretariat, and the Government; (v) consolidates the comments of donors and the PEFA Secretariat and sends them to the experts and the Government; (vi) disseminates the draft and final report. Within the European Union Delegation to Jordan, the task manager is Kaluwa Vergamota.

- The other Donors Involved: The EC will fund the PEFA assessment, donors have been informed of the upcoming PEFA assessment and the consultants undertaking the PEFA assessment should be ready to participate in a briefing session with the donors at the end of the mission and also to meet the main donors involved in PFM in Jordan to collect information during their mission.

- The Government: (i) will indicate the names of the officials (Ministry of Finance) who will be the interlocutors of the experts and of the donors during the assessment; (ii) will indicate whether a service of the administration will accompany the experts during the mission; (iii) will comment on the draft and final reports and send its comments to the experts and the lead donor.

- Other State Structures with an interest in the PFM assessment: Ministry of Planning and International Cooperation, Income and Sales Tax Directorate (ISTD), General Budget Department (GBD), Audit Bureau (AB), the Customs Department, The Department of Land and Surveys, the General Supply Department, the free Zone Corporation, Council of Ministers and Parliament.

- Non State Actors: The experts should also consult with non state actors to add perspective, in areas such as tax and procurement.

3. EXPERTISE REQUIRED

3.1 Composition and Professional Profile of the Team

The team will be composed of three experts, a Senior Expert who will also be the team leader (37 working days), and two other experts, one Senior (37 working days) and the other of Junior (37 working days).

3.2 Profile and Expertise Required

Each expert should possess the following minimum general qualifications:
Education:

(i) Certified university degree, in finance, economics, computer science or other relevant subject, at master equivalent or above;

Experience:

(ii) Certified relevant professional experience of at least 10 years for Senior experts, and at least 5 years for Junior expert.

(iii) Knowledge of, and experience in, public financial management is required.

(iv) The Team Leader will have at least 8 years of experience in analysis and/or audit of PFM in developing countries. In addition, it is mandatory that the team leader will have experience in conducting PEFA assessments.

(v) At least one expert with good prior knowledge of the specific budget and PFM situation in Jordan would be an asset.

(vi) A high degree of experience in drafting reports, rapidly and concisely.

(vii) Relevant professional experience in the Southern and Eastern Mediterranean region will be considered an advantage.

Language skills:

(viii) Excellent written and spoken English. One expert with a fluent knowledge of Arabic will be considered an advantage;

Other skills:

(ix) A full range of computer skills; in this connection, the experts will be expected to be travelling with their laptops, and must be easily contactable by email while on mission.

The cumulated experience of the experts should ensure that the team is able to cover the analysis of all the different areas of the PFM-Performance Report.

NB. The offer must provide a summary table of which areas of expertise are covered by each expert, so as to ensure that the three experts are capable of covering all areas (31 indicators) of the PEFA assessment.

4. LOCATION AND DURATION

4.1 Starting Period

The experts shall begin the preparatory phase before the mission to Jordan as soon as possible following the signature of the contract. The exact start date of the mission to Jordan will be agreed with the Delegation of the European Union to Jordan in consultation with the Government of Jordan.

It is expected that the experts should be able to start the mission at the latest 4 weeks after the signature of the contract. Indicatively the start date should be foreseen from the second week of May 2011.

4.2 Foreseen Finishing Period or Duration

Refer to Annexe 2 to the current Terms of Reference for the planned breakdown of the working days of the experts per phase.

4.3 Locations of Assignment and Calendar

- Annexe 1 to the current Terms of Reference provides a table with the tentative dates and key steps in preparing the Public Finance Management – Performance Report (PFM-PR).

- Annexe 2 to the current Terms of Reference provides a breakdown of the working days of the experts as planned per phase. The mission in Jordan will include the information/training workshop, and will have a maximum indicative duration of 6 weeks (25 working days). Please refer to details per phase in annexe 2.

5. REPORTING

Reporting requirements are set out below:

- In view of the final session of debriefing at the end of the mission, the experts will provide the Government and the European Commission (lead donor) with an *aide mémoire* (10 pages maximum, excluding annexes), in soft and 2 hard copies, indicating the main findings and reflections which will be developed in the draft report. This *aide mémoire* will be complemented by the detailed analysis of the 31 indicators of the Public Financial Management – Performance Measurement Framework (PFM-PMF).
- Within one week after the end of the mission in Jordan, the experts will send to the Government and the lead donor a draft PFM-Performance Report, in 2 copies, based on Annexes 1 and 2 of the above-mentioned PEFA document.
- Within 20 days following the reception of the draft report, the stakeholders (donors, Government) will send their comments to the experts.
- Within 15 days after the reception of the comments, the experts will submit the final report. The latter will be sent in soft and 2 hard copies to the Government and the lead donor. It will contain, in an annex, the observations of the Government on the points where the latter disagrees with the findings of the experts.

- The report will be written in English.
- The final report will, as it was done with the 2007 PEFA assessment, in the interest of transparency be public accessible, once approved.

6. ADMINISTRATIVE INFORMATION

6.1 Additional Summary Table to be submitted with the Offer

The offer must provide a summary table of which areas of expertise are covered by each expert, so as to ensure that the three experts are capable of covering all areas (31 indicators) of the PEFA assessment.

6.2 Other Authorised Items to Foresee Under 'Reimbursable'

The financial offer must also foresee:
- A budget for two workshops of 2-3 days for approximately 40 persons (including all costs: rent of venue, necessary equipment, printing documents, refreshments, simultaneous interpretation services English/Arabic are required).
- A budget for an interpreter English/Arabic to accompany the experts during the various workshops/meetings (if needed).
- A budget for translation of documents from Arabic to English.
- One return flight per expert from the place or origin to Amman, Jordan.

Annex 1: Road Map for the preparation and execution of the mission

Tasks	Responsible	Calendar
Validation of the ToR	**EU Delegation**	**15/12/2010**
- ToR sent to PEFA Secretariat for Comments. - EU Delegation Approval of the ToR	**EU Delegation**	**15/11/2010** **22/12/2010**
- Information and consultation with donors	**EU Delegation**	**15/12/2010-05/01/2011**
- Send ToR to the Government MoF for approval.	**EU Delegation**	**02/02/2011**
- MoF approval of ToR and establish preferred date for start of mission	**Ministry of Finance**	**10/03/2011**
Launch of the Framework Contract (Services contract)	**EU Delegation**	**28/03/2011**
Signature of services contract for recruitment of the experts	**EU Delegation**	**28/04/2011**
Agreeing the start date of the mission to Jordan. Dates agreed taking into account other donor missions and the budget calendar of the Government.	**EU Delegation / Ministry of Finance**	**30/04/2011**
Preparation before mission - Collection of documentation and request for additional information. - Preparation and organisation of the PEFA workshop	**Experts**	**05/2011**
Work of the experts - Mission on the spot: PEFA workshop. - Mission on the spot: analysis of documentation and interviews with administration. Drafting of the aide mémoire. - Write and send draft report. - Write and send the final report. - Debriefing	**Experts**	**- Date of beginning: exact date to be agreed with the EU Delegation, indicatively this could be on the second week of May 2011** **- Date of end of work in Jordan 7/2011**

Validation of the reports	**Donors, Government, Secretariat of PEFA**	**07/2011**
- To check the quality of the draft report - To draft and send comments to the experts. - Approval of the final report	The comments of the donors and of the PEFA Secretariat will be consolidated by the lead donor.	**07-08/2011**

** The Secretariat of PEFA will be asked to check the quality of the draft report and of the final report.

Annex 2: Breakdown of working days of experts per phase

Phase	Number of working lays per expert	Task to be undertaken by the experts
Preparation phase	2 days at place of recruitment, and 3 days in Jordan	Collect all basic documents from lead donor, EU Delegation to Jordan.
		In case additional information is needed contact Government through the EU Delegation to Jordan.
		Specify time-span necessary between the date of reception of the basic documents and the actual start of the mission.
		Prepare work plan to be submitted at mission start.
		Organise workshop for all stakeholders.
Mission in Joran	1 day	Briefing of Government and lead donors.
	20 days	Submit to the national authorities and involved donors a work plan describing the main steps of the mission, specify list of the interlocutors to meet, tentative schedule for meetings and list of required information not yet collected.
		Two to three days information/training workshop for all stakeholders.
		Analysis in cooperation with government services.
		Mid-term meeting gathering all stakeholders to report on work progress (if appropriate).
	1 day	Final debriefing at the end of the mission where the experts will provide the government and lead donor with an aide memoire.
Concluding stage after mission in Jordan	5 days	Draft of final report. Within one week after end of mission the experts will send to the Government and lead donor a draft PFM- Performance report.
		Within 20 days following the reception of the draft report, the stakeholders (donors, Government) will send back their comment to the experts.
	5 days	Within 15 days after the reception of the comments, the experts will write the final report and send it to the Government and lead donor.
Total number of working days	**37 days**	