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Jordan

Public Expenditure Review and Rationalization: Issues and Reform Options

Shamsuddin M. Tareq, Hui Jin, Emmanouil Kitsios, and Pokar Khemani

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ACRONYMS

CHIP	Civil Health Insurance Fund
CIP	Civil Insurance Program
DRG	Diagnosis-Related Group
FAD	Fiscal Affairs Department
FRPFM	Fiscal Reform and Public Financial Management
GBD	General Budget Department
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
ISTD	Income and Sales Tax Department
JD	Jordanian Dinar
JPD	Joint Procurement Department
METAC	Middle East Technical Assistance Center
MIP	Military Insurance Program
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MTEF	Medium Term Expenditure Framework
NAF	National Aid Fund
NEPCO	National Electric Power Company
OECD	Organization for Economic Co-operation and Development
OOP	Out-of-pocket payments
PFM	Public Financial Management
PISA	Program for International Student Assessment
PO	Purchase Order
RMS	Royal Medical Service
SG	Secretary General
UH	University Hospital
UNHCR	United Nations High Commission for Refugees
UNWRA	United Nations Relief and Works Agency for Palestine Refugees
USAID	United States Agency for International Development
WAJ	Water Authority of Jordan

PREFACE

At the request of the Minister of Finance, a technical assistance mission visited Amman during February 20–March 5, 2017. The purpose of the mission was to review public expenditure in the areas of education, health, social assistance, and transfers to government units and to develop a menu of options to enhance spending efficiency and contribute towards the government's fiscal consolidation efforts. The mission met with ministers and their staff from various government ministries and public bodies, including the Ministry of Finance, the Ministry of Education, the Ministry of Health, the High Health Council, Department of Statistics, the National Aid Fund, the Water Authority of Jordan, the National Electric and Power Company, the Health Insurance Fund, and the Income and Sales Tax Department. The mission would like to thank the authorities for their excellent collaboration and gracious hospitality. Dr. Abdelhakim Shibli and his staff—Ms. Fadwa al Draini and Eiyad Omish—for providing advice, coordination and facilitating the work of the mission. We are also very grateful to staff from the World Bank and USAID who kindly shared with us their work and provided inputs based on their ongoing work on expenditure reforms. The mission is grateful to METAC for financing the participation of the FAD expert.

EXECUTIVE SUMMARY

Jordan faces a difficult economic and socio-political situation. Real GDP growth has been below potential with high and rising unemployment and a persistently high current account deficit. Spillovers from regional conflicts have put additional strain on macroeconomic balances. To address these challenges, Jordan began implementing a macroeconomic stabilization program supported by the Fund in 2012. Notwithstanding the fiscal effort, however, public finances remain under stress with the public debt increasing to over 95 percent of GDP. Lowering the trajectory of public debt will require sustained fiscal adjustment over the medium-term encompassing both revenue as well as expenditure measures.

Against this background, this report reviews public spending in selected areas and proposes a menu of reform options. The report analyzes public spending in the areas of education, social spending, transfers to government units, and health, including the issue of health spending arrears. Based on the analysis, the report presents a menu of reform options to enhance spending efficiency and contribute towards the government's fiscal consolidation efforts. To the extent possible, the report also estimates the possible fiscal impact of the proposed reforms. Table 1 summarizes these reform proposals and their estimated fiscal impact. The following presents a summary of the main findings and recommendations.

Education

Jordan's overall public education spending is not high by international standards but there is room to improve outcomes by addressing spending efficiencies. Outcome indicators are lagging behind comparator countries and the student-teacher ratio is low. There is also quite a bit of regional disparity in education outcomes and distribution of education resources. Wages for teachers are almost twice the per capita GDP and have risen fast in recent years. On the other hand, non-wage recurrent spending appears to be underprovided. The government has already taken some steps to address these issues. Some schools with low enrollment are being merged and double-shifts have been introduced in regions with overcrowded schools. The latter approach has enabled the government to address the issues arising out of the sudden influx of Syrian refugees. Spending efficiency can be enhanced by continuing the practice of closing schools with low enrollment, increasing the number of schools with double-shifts and only partially replacing retiring teachers. Given the high teachers' salaries, consideration could be given to containing the growth of salaries, for instance by linking average wage increases to inflation, with a ceiling.

Social assistance

Budget allocation for social assistance is low compared to regional and peer countries. As a result, a large segment of the poor population remains outside the government's safety net. While some direct subsidies remain, Jordan has been moving more towards cash transfers for

social assistance. The mission welcomes this trend given that such transfers can maintain or improve recipient's wellbeing. However, the mission's analysis finds that there is room to improve the targeting of some programs to enhance their effectiveness. For example, recasting the eligibility for cash transfers substituted for bread subsidy could generate savings of 0.2 percent of GDP.

Transfers to government units

There are 57 government units which are wholly owned by the government and are eligible to receive transfers from the central budget while also remitting their surplus. They are a diverse group with some performing purely government functions, some look like and function as non-financial public entities and some are financial institutions. Large number of such entities can make fiscal management challenging and costly. There is also considerable overlap and duplication of roles and functions with other government entities. The Ministry of Public Sector development is reviewing the role and function of these units to design an appropriate restructuring plan. In addition to enhancing efficiency, such restructuring could also generate some fiscal savings which will depend on the number of units merged, privatized or abolished.

Health

Jordan's health spending is high compared to regional and peer countries and health outcomes are also better. Nevertheless, efficiency analysis indicates there is still much room for improvement. Health financing is extremely complex and sometimes not very transparent. The complex financing arrangements, low relative efficiency and expanding mandates have resulted in spending arrears. Furthermore, in the mission's analysis, the budget allocations for health are not sufficient to cover all the cost and are likely to lead to new arrears. Addressing this issue will require measures both on the policy side as well as in public financial management (PFM). On the policy side, there is a need both to control costs through tightening exemptions and increasing oversight. The authorities could also consider enhancing revenues of the health insurance fund through adjusting insurance premium, raising the "affordable price" charged for medical services, increasing co-payments for medicines and introducing measures to increase occupancy rates at public hospitals. Weaknesses in the financial administration of the health insurance fund need to be addressed through audit of claims, rolling out GFMIS to the insurance fund at the earliest, strengthening expenditure control, and regular reporting of uninsured claims along with stronger oversight by the Ministries of Finance and Health. Deficiencies in the PFM systems need to be addressed by strengthening the commitment control system along with measures to enhance the credibility and realism of the budget, improving budget execution and cash management, and establishing a proper framework for in-year monitoring and reporting of arrears. The government should aim at zero accumulation of new health arrears.

Table 1. Proposed Expenditure Reform Options: 2018–2021

(Net fiscal savings in percent of GDP)

	2018	2019	2020	2021
Education	**0.08**	**0.24**	**0.36**	**0.48**
Link average wage increase to inflation, with a ceiling of 3%	0.03	0.14	0.21	0.28
Partially replace retired teachers to increase student-teacher ratio	0.05	0.10	0.15	0.20
Social Assistance	**0.02**	**0.08**	**0.14**	**0.21**
Target cash transfers substituting bread subsidies to the bottom four deciles	0.02	0.08	0.14	0.21
Health	**0.09**	**0.37**	**0.61**	**0.65**
Mandatory 3 percent of income as subscription fees for all Jordanians	0.05	0.20	0.22	0.24
Increase "affordable price" and copayments of insured on medicine and treatment	0.03	0.10	0.25	0.20
Reduce all MOH referrals by 10% every year until reaching 80% occupancy ratio	0.01	0.07	0.14	0.21
Total	**0.19**	**0.69**	**1.11**	**1.34**

Source: IMF Staff estimates.

I. INTRODUCTION

A. Background

1. Jordan has embarked on an ambitious program of development underpinned by the government's Vision 2025 plan. This plan focuses on (i) sustaining macroeconomic stability through reducing fiscal needs and increasing reserves; and (ii) enhancing the conditions for inclusive growth. Consistent with this ten-year framework, the authorities have designed a comprehensive medium-term economic program that is being supported by the Fund under the Extended Fund Facility. A key objective of the program is to reduce public debt through gradual fiscal consolidation while protecting the poor. Significant progress has been made under the program although the economy continues to face difficult challenges.

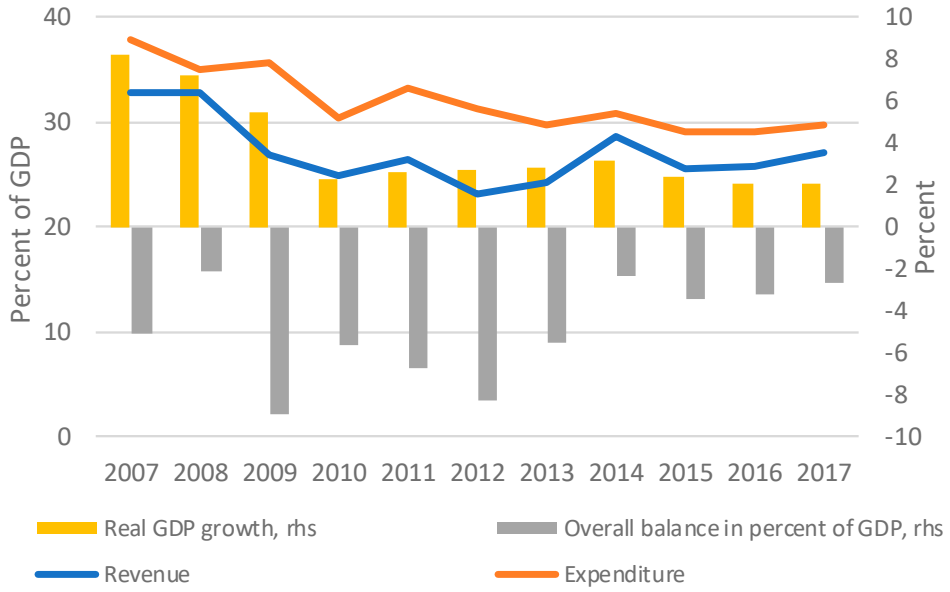
2. The fiscal objectives under the medium-term program target an annual adjustment of about 1.5 percent of GDP. Measures on the revenue side will have to be complemented with expenditure reforms aimed at improving spending efficiency while also meeting distributional considerations and long-term development objectives. In this context, the authorities aim to streamline non-priority spending, prioritize social and capital expenditures and gradually clear the arrears while accommodating the continued spending pressures from Syrian refugees.

3. This report examines specific categories of Jordan's government expenditures from the perspective of ensuring that they remain sustainable over time. The report covers expenditures in health, education, social assistance and transfers to government entities. It also discusses the evolution of health arrears, given the authorities' commitment to clear these by 2019.

B. Evolution of fiscal deficit and expenditures

4. Jordan has made sustained efforts at fiscal consolidation in recent years. The fiscal deficit remained elevated during 2009–12 (average of 7.4 percent of GDP) reflecting government's efforts to mitigate the impact of the global crisis, cyclical weakening in domestic revenues and heightened regional political tensions. Thereafter, the authorities embarked on a medium-term macroeconomic stabilization program supported by the Fund with fiscal consolidation as a key objective. As a result of these efforts, the fiscal deficit declined to an average of 3.4 percent of GDP during 2013–17. The composition of the adjustment was tilted to the expenditure side which contributed three-quarters of the adjustment effort.

Figure 1. Main Macroeconomic and Fiscal Indicators, 2007–2017



Source: Jordanian authorities and IMF Staff calculation.
Note: Data for 2017 is estimated.

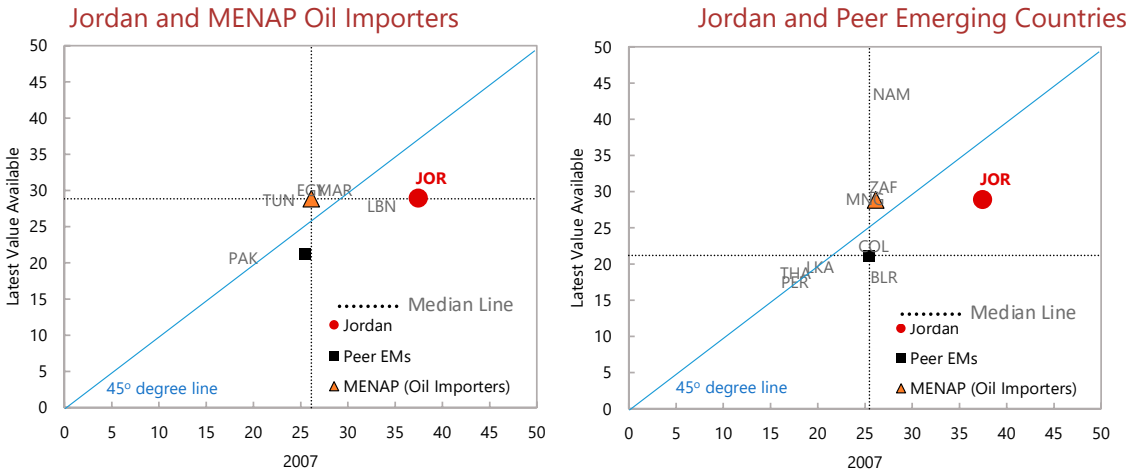
5. Central government spending in Jordan is high relative to regional countries[1] as well as countries with similar per capita GDP (peer group). Spending in 2007 was high compared to both regional and peer group of countries. In the ensuing period, spending contracted by about 8.5 percent of GDP, narrowing Jordan's gap with the regional median. However, spending remains higher than the median of the peer group —pointing to potential efficiency gains from reallocating spending across and within sectors.

6. Current and capital spending are at par with the regional median, but remain higher than the median of the peer group. Despite the post-2007 significant contraction in current spending, by 2016 it was still higher by 0.5 percent of GDP relative to the median of the regional group (Figure 2). Compared to the peer group, however, current spending was significantly higher (by about 7.8 percent of GDP; Figure 3). On the other hand, capital spending is almost at par with the regional group (lower by about 0.3 percent of GDP).

[1] For this report, the regional group is defined as oil-importing countries in the Middle East and North Africa (MENA) region. The "peer group" is defined as countries with similar GDP per capita in Purchasing Power Parity (PPP) terms.

Figure 2. Total Central Government Expenditure

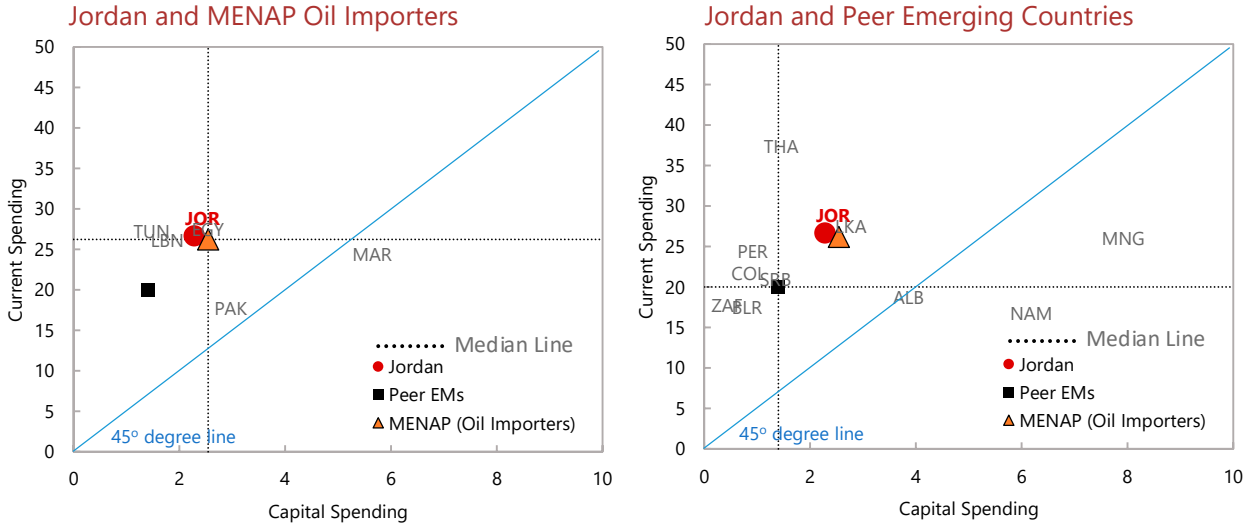
(percent of GDP)



Sources: Government Finance Statistics database, Jordanian authorities, and IMF Staff calculation.
Note: Latest value available for Jordan is 2016.

Figure 3. Central Government: Current and Capital Spending

(percent of GDP)

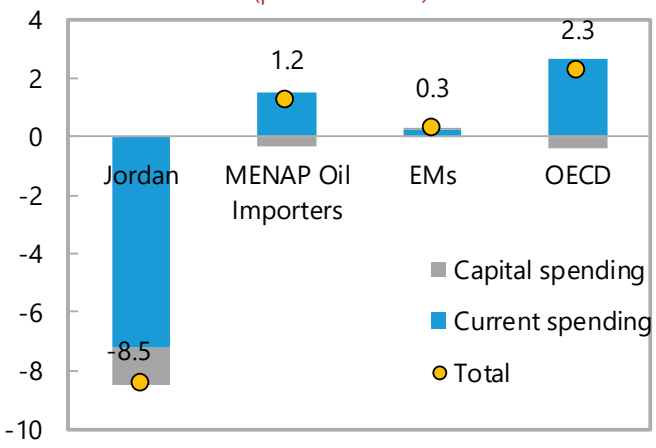


Sources: Government Finance Statistics database, Jordanian authorities, and IMF Staff calculation.

7. The reduction in capital and current spending over the past decade was more pronounced in Jordan relative to peers. Capital expenditure—defined in this report as the acquisition of non-financial assets—decreased by 1.3 percent of GDP; the reduction in the median of regional group was 0.3 percent of GDP while the peer group recorded a moderate increase. Jordan's current spending contracted by about 7.2 percent of GDP, while the median for both the regional group and the peer group increased by about 1.5 and 0.2 percent of GDP, respectively. The reduction in Jordan's current expenditure is mainly due to a reduction in expenditure on other current transfers by 8 percentage points of GDP (Figure 4).

Figure 4. Change in Central Government Expenditure, 2007–2016

(percent of GDP)



Sources: Government Finance Statistics database, Jordanian authorities, and IMF Staff calculation.

8. This report analyzes expenditure issues in selected areas and proposes reform measures to enhance spending efficiency and contribute towards the government's fiscal consolidation efforts. The report focuses on four expenditure categories—education spending, health spending, social assistance and transfers to government entities. The report also covers the issue of health spending arrears to identify the causes of arrears—both from the policy as well as public financial management perspectives—and proposes steps that the government can take to contain them.

9. The remainder of the report is structured as follows: Section II discusses education spending followed by social assistance in Section III. Transfers to government entities are discussed in Section IV. Section V deals with the issue of health spending; and Section VI discusses the evolution of health spending arrears, their causes, and possible remedies.

II. EDUCATION

A. Background

10. Both public and private sectors play significant roles in delivery of education services in Jordan. The government provides free mandatory education from Grade 1 to Grade 10 (basic education, which is equivalent to primary and lower-secondary education in many other countries), as well as academic and vocational secondary education (upper-secondary education in other countries). There were 3,683 public schools with enrollment accounting for two-thirds of all 1.9 million non-tertiary students in the 2015/16 school year. Private schools play a larger role at the pre-primary level with about 89 percent of the enrollment. Public schools have a greater share of enrollment at basic (68 percent) and secondary levels (83 percent). Vocational enrollment is almost entirely delivered by public institutions (94 percent). There are 10 public universities, 17 private universities, 51 community colleges, and a World Islamic Sciences and

Education University. Public universities also play a significant role in tertiary education with 71 percent of total enrollment.

11. There is significant variation of educational resources across regions. For example, Amman has the highest share (about 60 percent) of private schools among all governorates, while 80 percent of schools in Mafraq are public. The central region has the most crowded schools, compared to those in the north or the south. Standard exam pass rates also vary significantly across regions.

12. Integrating Syrian refugee students has challenged the public education system. The Jordanian government offers free basic education to these students. About 130,000 Syrian students attend public schools, accounting for 12 percent of total students. Another 15,000 Syrian students attend private schools. The large increase in enrollment in a short period resulted in crowded public schools in some parts of the country.

13. Interestingly, the surge in enrollment has contributed to improving public education efficiency indicators. The government responded to the challenge by opening new schools and introducing double-shifts in some schools. While additional contractual teachers were also hired, the student-teacher ratios in public schools and student-MOE employee ratio increased compared to 2010 (Table 2). For example, student-teacher ratio increased from 14.7 in 2010 to 17.4 in 2014, and stabilized at 15.8 thereafter.

Table 2. Selected Indicators on Public Education

	2010	2011	2012	2013	2014	2015	2016
Number of non-tertiary public school students	1,135,011	1,168,087	1,168,087	1,180,015	1,391,392	1,274,823	1,273,748
Number of teachers	76,957	75,277	76,513	78,990	79,812	80,502	80,645
Number of MOE total employees	101,230	103,890	104,949	107,663	107,839	107,811	107,892
Student-teacher ratio	14.7	15.5	15.3	14.9	17.4	15.8	15.8
Student-MOE employee ratio	11.2	11.2	11.1	11.0	12.9	11.8	11.8
Total compensation cost (JD millions)	505	583	673	742	761	763	777
Average compensation per MOE employee (JD)	4,992	5,616	6,412	6,889	7,060	7,076	7,198
Average salary/GDP per capita	1.63	1.71	1.86	1.89	1.85	1.81	1.83

Source: Jordanian authorities and IMF Staff calculation.

14. Wage bill constitutes a high share of government education spending with fast growth in recent years. During 2010-16, about 80 percent of current education spending was devoted to the wage bill. Salaries increased from 2.5 percent of GDP in 2010 to 2.9 percent in 2013 due to an across-the-board, one-time increase in allowances introduced that year (Table 3). Thereafter, salaries have averaged about 2.7 percent of GDP.

Table 3. Government Education Expenditure

(in percent of GDP)

	2010	2011	2012	2013	2014	2015	2016
Total Expenditure	**3.3**	**3.7**	**3.7**	**3.9**	**3.9**	**3.8**	**3.7**
Current Expenditure	**3.0**	**3.3**	**3.5**	**3.6**	**3.5**	**3.3**	**3.3**
Salaries, Wages and Allowances	2.5	2.7	2.9	2.9	2.8	2.7	2.6
Social Security Contributions	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Use of Goods and Services	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subsidies to Other Public Entities	0.0	0.2	0.2	0.2	0.2	0.2	0.3
Other Current Expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capital Expenditure	**0.3**	**0.4**	**0.2**	**0.2**	**0.4**	**0.5**	**0.4**
Fixed Assets and Land	0.1	0.2	0.1	0.1	0.2	0.3	0.3
Capital Transfers to Other Public Entities	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Other Capital Expenditure	0.1	0.1	0.1	0.1	0.2	0.1	0.1

Source: Jordanian authorities and IMF Staff calculation.

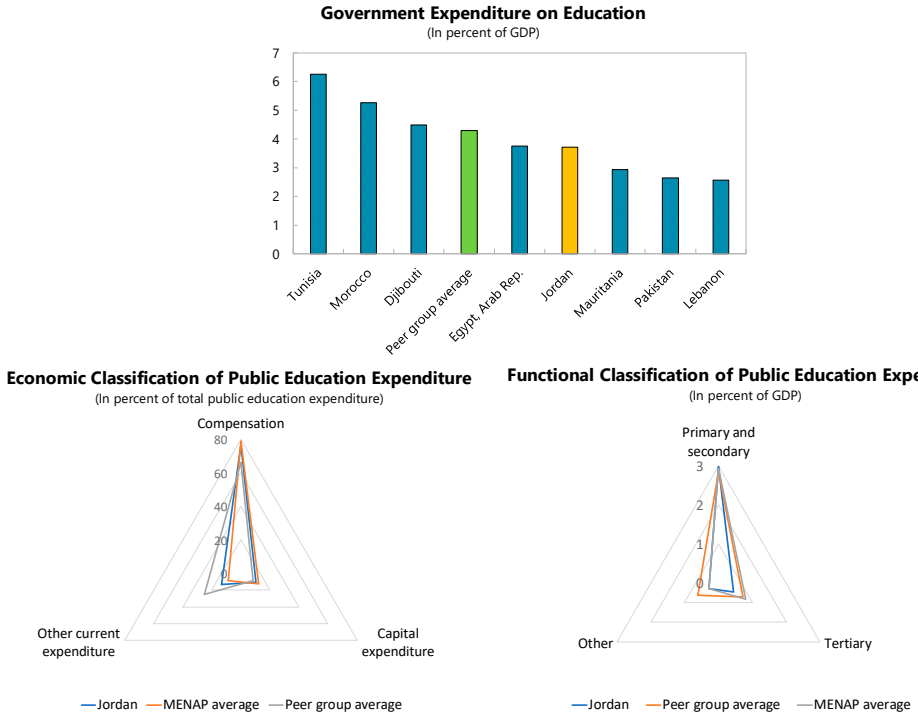
B. Issues

15. Jordan's overall public education expenditure is not high by international comparison (Figure 5). At 3.7 percent of GDP in 2016, Jordan's public education expenditure is below most regional countries and the peer group average. Compensation and capital expenditure are in line with regional countries and peers, but non-compensatory current expenditure is low compared to peer group average. This may indicate insufficient budget allocation for maintenance. Moreover, functional classification of expenditure even indicates some room to further expand public tertiary education (Figure 5).

16. Enrollment in pre-primary education is low (Figure 6). At 30 percent, Jordan's pre-primary enrollment is notably lower than most regional countries and the peer group average. Tertiary enrollment outperforms comparators, while that in secondary education is in line with them.

17. Despite the recent improvements, student-teacher ratios are still relatively low, indicating room for enhancing efficiency (Figure 7). The ratio is particularly low for primary and upper secondary education. It is higher than the peer group average for both lower-secondary and tertiary education. As the public-sector accounts for the majority of students in basic, upper secondary and tertiary education, student-teacher ratios in these segments are largely driven by public schools. At the pre-primary level, the ratio is also low but not for public schools, suggesting that the private sector is the source of inefficiency.

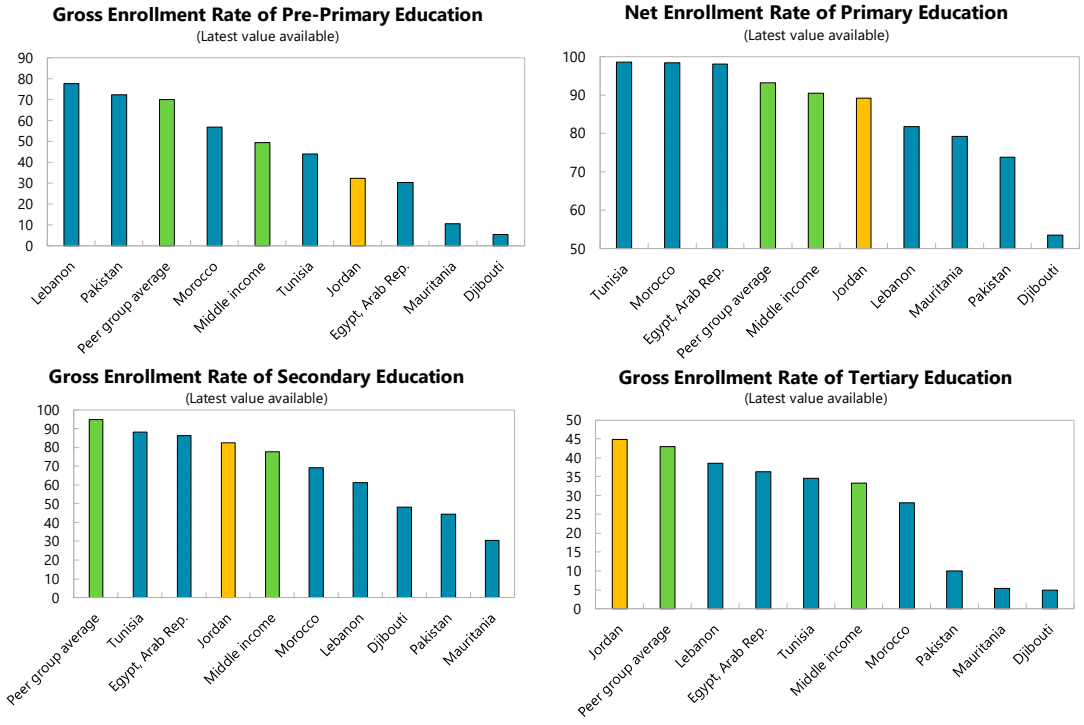
Figure 5. Government Education Expenditure



Sources: World Bank, Jordanian authorities, and IMF Staff calculation.
Note: Jordan data are as of 2016, other countries data are the latest available.

Figure 6. School Enrollment

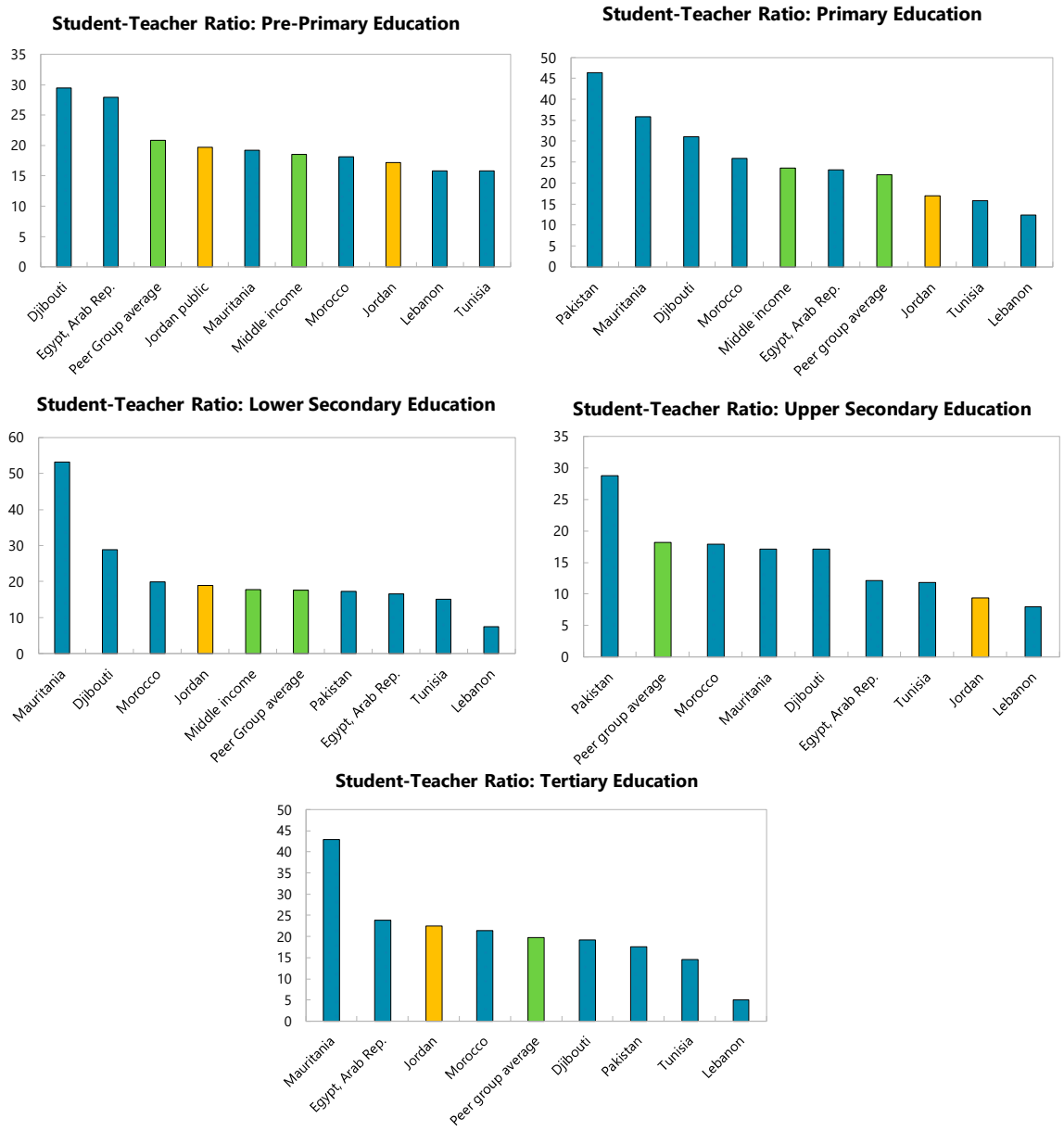
(in percent)



Source: World Bank, and IMF Staff calculation.

Figure 7. Student-Teacher Ratio

(in percent)



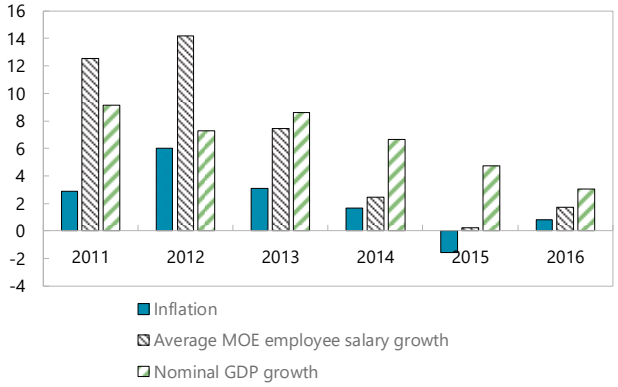
Source: World Bank, and IMF Staff calculation.

18. The growth of teachers' compensation has been fast in recent years. The overall compensation of MOE employees, most of which are teachers, includes salaries, allowances, and social security contributions. Their average overall compensation has risen much faster than per capita GDP, from 1.63 times of per capital GDP in 2010 to 1.89 in 2013, and has stayed above 1.80 thereafter (Table 2). The compensation growth has also been much faster than inflation in recent years, and faster than nominal GDP growth in 2011 and 2012 (Figure 8). This has crowded

out other priority current expenditure such as maintenance. Moreover, teachers' salaries are based on initial qualifications and progression is based on seniority, rather than performance.

Figure 8. Average MOE Employee Salary versus Nominal GDP and Inflation

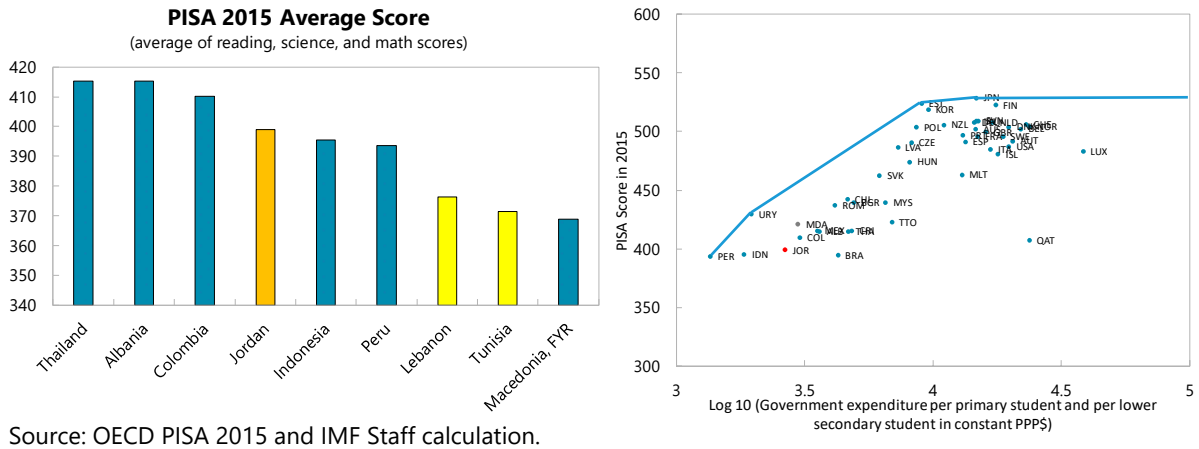
(year-on-year growth rate in percent)



Source: Jordanian authorities and IMF Staff calculation.

19. Education outcome indicators are lagging behind those of comparator countries, pointing to spending inefficiencies. Although Jordan outperformed regional countries (Lebanon and Tunisia) in the 2015 PISA test, it ranks only around the middle level among peer countries with similar per capita income (Figure 9, left). The efficiency of a country's government education expenditure can be measured, with the output being the PISA score and the input being the average expenditure per primary and lower secondary student in purchasing-power-parity terms. With these indicators, Jordan is positioned quite far from the efficiency frontier given its expenditure level (Figure 9, right).

Figure 9. PISA Score and Spending Efficiency in Education



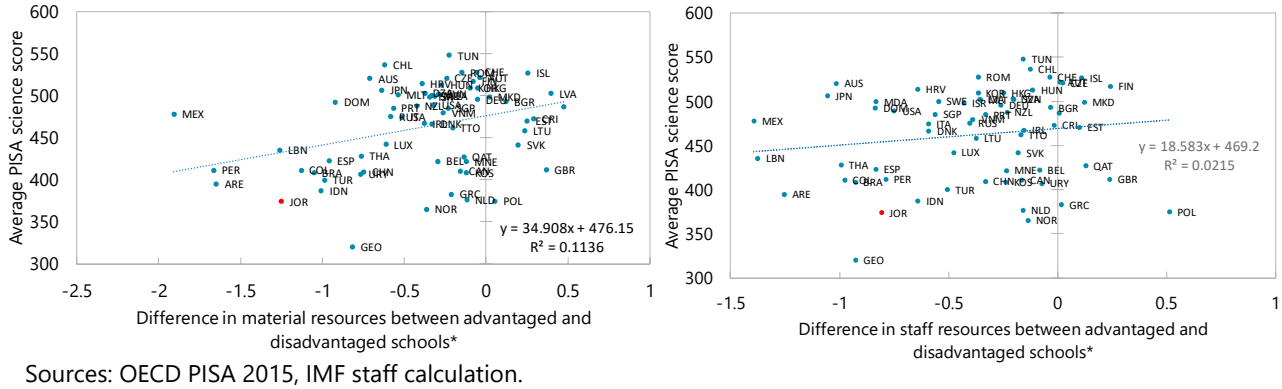
Source: OECD PISA 2015 and IMF Staff calculation.

20. Equity of the education system is another issue. The OECD 2015 PISA project conducted an analysis on the impact of social-economic status on education. A student's socio-economic status is estimated by an index derived from his/her family background including

parents' education and occupation, and proxies for material wealth such as the number of books and other educational resources available in the home. Socio-economically advantaged schools are those where the average social-economic status of students is high. Material and staff resources in each school were also assessed. According to the PISA data, the gap in material and staff resources between socio-economically advantaged schools and disadvantaged schools is relatively wide in Jordan, which partly explained the students' relatively low PISA science score (Figure 10). Of course, much of the gap in resources may have reflected the difference between public and private schools in Jordan, and private schools are generally perceived of higher quality with better resources. Nevertheless, this disparity is affecting overall learning outcomes and therefore needs to be addressed.

Figure 10. PISA Score and Equity

Difference in material resources between advantaged and disadvantaged schools and average PISA science score



Sources: OECD PISA 2015, IMF staff calculation.

Notes: * negative values mean disadvantaged schools have fewer resources.

21. The government is taking measures to improve efficiency. Some small schools in remote areas have been consolidated into larger ones while providing cash transfers to students to cover their costs of transportation to the new schools. However, this led to some drop outs. Accordingly, the government is now conditioning cash transfers on school attendance and considering purchasing school transportation services from private companies. The government is also starting to provide schools with greater autonomy in their maintenance budget on a pilot basis.

22. The government is also taking steps to expand school coverage to address enrollment issues in some areas. More schools are being constructed in overcrowded areas under public-private partnerships (PPPs). The government plans to increase the enrollment rate of 5 years old from the current 60 percent to 80 percent in three years and to 100 percent by 2025. Towards this end, additional classrooms will be added to existing public schools. The government is encouraging private entities and NGOs to provide pre-primary education with certified teachers.

C. Reform Options

23. The authorities' success in accommodating an over 10 percent inflow of students without a significant increase in the teaching staff is commendable. These gains should be preserved and consolidated. As the overall public education expenditure in Jordan is not very high, the focus would be to improve efficiency.

24. Steadily increase the student-teacher ratio to the level of peer countries. Student-teacher ratios could be increased by increasing class sizes where they are low and not replacing all the retiring teachers. This will generate savings of about 0.2 percent of GDP in 3-4 years.[2]

25. Continue the practice of clustering schools with low student population. Clustering allows sharing of resources and thereby enhancing efficiency. The government has already consolidated some schools in targeted areas. Operationalizing the newly rolled-out school geographic information system would facilitate this further. A main focus would be upper secondary education, especially vocational secondary education, where the student-teacher ratio is particularly low. A more active approach to consolidate upper secondary schools could be pursued by speeding up the process of identifying inefficient schools and implementing consolidation plans accordingly.

26. Given the tight fiscal situation, the government should pursue cautiously the ambitious plan of expanding pre-primary education. As the student-teacher ratio in public pre-primary education is generally in line with regional and peer countries, the scope to enlarge the class size with more students is limited. Moreover, the tight fiscal situation indicates little room to increase the number of classes and schools in this segment. Therefore, the authorities should rely more on the private sector to achieve this goal.

27. Reform the salary structure for teachers to motivate performance and rein in the salary growth rate. Salaries should be more closely linked to outcomes (e.g. test scores) to enhance the quality of teaching and move the country closer to the efficiency frontier. Also, teachers' salary could be indexed to inflation, with a cap of 3 percent, which will result in savings of about 0.1 percent of GDP each year.

28. Develop an action plan to address regional variations in education outcomes. The main drivers of variation in education access and quality outcomes across governorates need to be studied, and a multi-year plan designed to strategically address educational needs in lagging schools or regions. The government has recently developed a three-year education sector plan to address the issue of Syrian refugees. A similar approach may be considered for this issue also.

[2] See "Jordan: Toward Sustainable Expenditure," FAD TA report, 2010. The analysis was based on the 2010 budget which assumes that 2,500 new teachers for basic education will be hired for the academic year 2010/11. The average cost of teachers, teaching materials, and support staff is JD 1,000 per month which multiplied by 12 months amounts to 0.2 percent of GDP.

III. SOCIAL ASSISTANCE

A. Background

29. There are two types of safety net programs in Jordan—food subsidies and social assistance programs. Social assistance programs provide cash transfers and social care services to the poor, disabled and other vulnerable groups. These programs are administered by the Ministry of Social Development and the National Aid Fund. Direct subsidies are provided for three food items—bread, barley, and bran—through a program administered by the Minister of Finance.

Subsidies

30. Direct subsidies have been reduced by half since 2013 (Table 4). At end-2017, food subsidies amounted to just 0.5 percent of GDP (JD 130 million). Subsidies for bread have traditionally comprised 80-90 percent of all food subsidies.[3]

Table 4. Food Subsidies

	2013	2014	2015	2016	2017
Food Subsidies (in percent of GDP)	**1.1**	**0.9**	**0.7**	**0.5**	**0.5**
Total amount (in millions of Jordanian dinars)	**260.2**	**218.4**	**195.4**	**131.3**	**130.4**
of which:					
Bread	182.9	168.2	155.0	115.9	110.3
Barley	72.2	46.1	30.2	5.3	5.6
Bran	5.1	4.0	10.2	10.2	14.5

Source: Jordanian authorities and IMF Staff calculation.
Note: Data for 2017 is estimated.

31. Starting in 2018 the bread subsidy was substituted with a direct cash transfer. Families with annual household income of JD 12,000 or individuals with JD 6,000 are eligible for monthly transfers of JD 27 per person. For beneficiaries of the NAF (about 340,000) the per capita cash transfers is slightly higher—JD 33 per person—to be distributed through the NAF. Children of Jordanian women married to non-Jordanians and Gaza Strip residents are also eligible to receive JD 27 per month if they meet the same conditions applied to Jordanians. The 2018 budget allocated JD 171 million for such cash transfers.

32. Eligibility for this cash transfer is checked through the database of the Income and Sales Tax Department (ISTD). Income information provided by individuals is checked against the department's database. For government employees, NAF beneficiaries and military personnel, this information is provided by the respective agencies and cross checked by the ISTD.

[3] Subsidies also remain in electricity and water in the sense that the first tranches consumed ("social" or 'lifeline' tranches) are subsidized. These utility subsidies go beyond those reflected in billing, because charges do not cover capital costs.

Private individuals apply through a web site. The cash transfer is made directly to the beneficiary bank account; those without bank accounts are paid through two designated banks. The government estimates that this program would benefit about 6.2 million people—about 80 percent of Jordanians. At the time of the mission, some 230,000 families had registered for these transfers.

Social Assistance Programs

33. Social assistance spending has gradually declined to 0.7 percent of GDP in 2017 from 1.3 percent in 2013 (Table 5). Health and medical assistance for the poor provided through the Ministry of Health is a major item under this spending category. Programs under the Ministry of Social Development and the National Aid Fund and social aid provided by various agencies make up the remainder. In the past, fuel subsidy compensation was also a part of social assistance spending; however, since 2015, these have been eliminated.

Table 5. Social Assistance

	2013	2014	2015	2016	2017
Social Assistance (in percent of GDP)	**1.3**	**1.4**	**1.0**	**1.0**	**0.7**
Total amount (in millions of Jordanian dinars)	**311.5**	**356.7**	**279.2**	**263.5**	**212.8**
of which:					
Medical Treatments	100.0	154.4	155.0	145.1	100.0
Ministry of Social Development	0.0	0.0	89.5	89.7	91.5
Fuel Subsidy Compensation	193.4	176.6	0.0	0.0	0.0
Other Aid	18.1	25.6	34.7	28.7	21.3

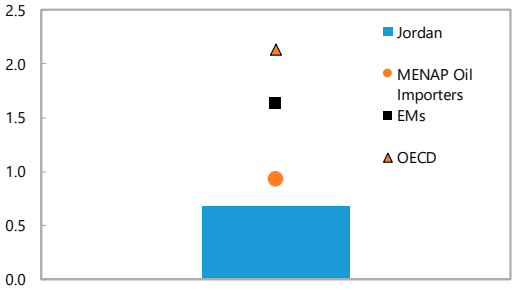
Source: Jordanian authorities and IMF Staff calculation.

Note: The recurrent cash subsidy was recorded as transfers to the National Aid Fund prior to 2015, and as social assistance spending under the Ministry of Social Development since 2015. Data for 2017 is estimated.

34. Social assistance spending is lower than in comparator countries. Using an international measure of social safety net, Jordan ranks somewhere close to the middle of the countries surveyed. Among the regional group, social assistance in Jordan is lower by 0.3 percent of GDP, while the average peer country allocates at least double the amount of assistance in percent of GDP.[4]

Figure 11. Social Assistance

(in percent of GDP, latest value available)



Source: ASPIRE Database, Jordanian authorities, and IMF Staff calculation.

[4] This may no longer be the case in 2018, when the cash transfer that replaces the bread subsidy is accounted for.

35. The NAF is the main instrument for social safety net. Most social assistance programs in Jordan (excluding those related to health) are cash transfers, the bulk of which are administered by NAF. The Fund's assistance covers about half a million individuals (about 8 percent of Jordanian nationals) in about 100,000 households. About 63 percent of the beneficiaries are elderly, disabled and orphans—people who are not in the labor force. NAF uses a combination of both means testing and categorical targeting and beneficiaries must meet both criteria. The NAF has established an information exchange platform with 26 government agencies to facilitate means testing. Beneficiaries are evaluated annually to recertify their eligibility.

36. NAF cash assistance is distributed through four main programs (Table 6). Recurring cash assistance covers 92,000 families and provides monthly transfers of JD 50 per month per person up to a maximum of JD 200 per household. This program constitutes 70 percent of all cash transfers. The cash transfer is also conditional on enrolling children into public schools, receiving vaccination and being a family free of violence. Among the beneficiaries of the recurring transfers, the extremely poor are provided with additional transfers on a quarterly basis of up to JD 90 per family. The Fund also provides emergency cash transfers to cope with catastrophic events such as death of the income earner or natural disasters (maximum of JD 350 per family) and physical rehabilitation cash transfers to individuals with special needs (JD 600 once every 5 years). In addition to these, the Fund has also introduced a scheme to pay for six months of vocational training for children of beneficiary households.

B. Issues

37. Cash transfers substituted for bread subsidy are poorly targeted. While the removal of direct subsidies is generally welcome, any such policy change should take into account the impact on the poor and be well-designed to compensate those in need through targeted cash transfers. In principle, cash transfer can enable households to achieve as much or greater utility than a subsidy because the beneficiary can choose to use the cash in a way that is most useful. However, in the mission's opinion, the income threshold is too high, which limits the generosity of the benefit to those in the lower deciles.

38. Coverage of NAF cash transfers remains low. The mission's analysis indicates that NAF assistance covers slightly less than 30 percent of the poorest decile. In response to concerns about leakage to higher income groups, NAF had reviewed and tightened its targeting mechanism a few years ago. Our analysis shows that now about 60 percent of all transfers accrue to the poorest decile (see Appendix I for details). Notwithstanding this improvement, however, there remains scope to further reduce leakage to the non-poor and re-direct savings to expand the coverage of the poorest group.

Table 6. National Aid Fund Programs

Program	Beneficiaries	Amount, 2017 (in thousands of Jordanian dinars)
1. Recurrent Cash Aid Frequent financial aid targeting 9 groups (orphans, widowed, permanently disabled, elderly, divorced, personal status, persons with special needs, woman without breadwinner and adopted kids). Monthly payments of JD 50 per individual to a ceiling of JD 200 per household.	Households: 79,376 Individuals: 239,880	80,676
2. Temporary Cash Aid Provisional financial aid targeting 6 groups (prisoners, temporary disability, ex-prisoners, absentees, missing people, insolvent and human cases). Monthly payments of JD 50 per individual to a ceiling of JD 200 per household.	Households: 13,001 Individuals: 62,372	13,046
3. Physical Rehabilitation Aid Financial aid to buy medical aids and equipment not covered by health insurance providers. Ceiling of JD 600 a year, once per five years.	Households: 723	255
4. Emergency Cash Aid Financial aid to poor families facing emergencies (e.g., death of bread-earner). One-time cash payment up to JD 350.	Households: 4,343	935
5. Vocational Training Aid Vocational training and employment promotion program for the children of beneficiary households in coordination with vocational training institutions.	Households: 5,180	91

Source: Jordanian authorities and IMF Staff calculation.

C. Reform options

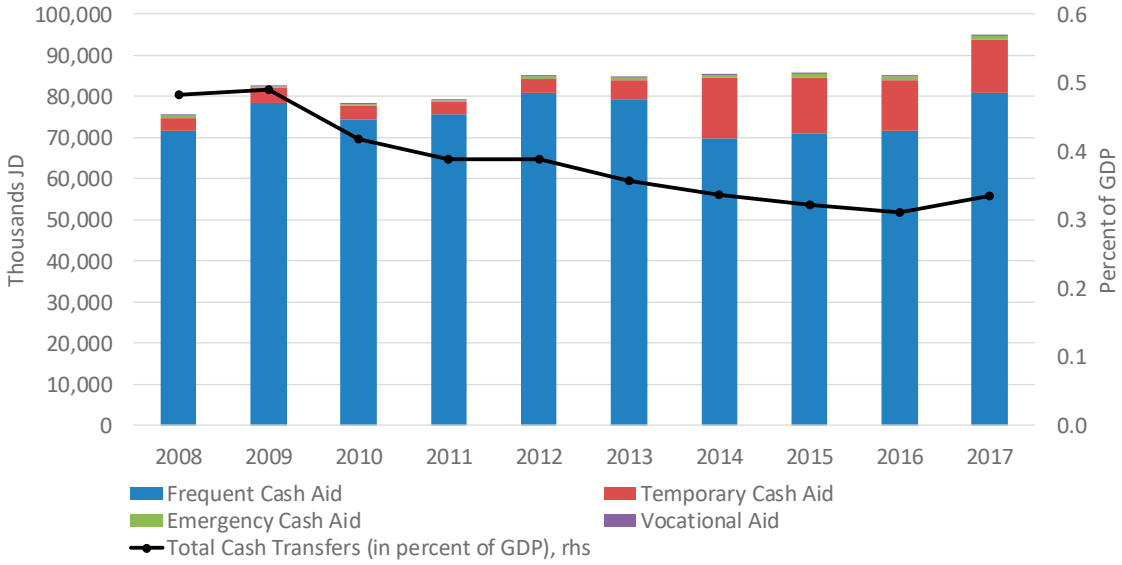
39. Maintain and strengthen the NAF. The NAF continues to be the appropriate locus for well-functioning poverty alleviation instrument in Jordan. The main issue seems to be that it does not reach enough of the poor. Therefore, there seems to be little scope for savings other than by efficiency gains.

40. Review the income criteria for bread-related cash transfers. As noted above, the current design of the transfer could result in substantial leakage to the non-poor. The income threshold can be lowered to target this assistance better to the poorer groups. For example, targeting the assistance to the lowest four per capita decile groups will result in savings of 0.2 percent of GDP (see Appendix I for details).

41. Tighten the eligibility requirements for obtaining NAF benefits. The current design of the NAF programs excludes the working poor. This fundamental premise of whether unemployment should be the primary criterion of eligibility could be reconsidered. The aim would be to improve the targeting and extend its reach within the current resource envelope. Some additional costs of any broadening of coverage could be offset by strengthening disincentives for abuse.

Figure 12. National Aid Fund: Cash Aid

(thousands of Jordanian dinars)



Source: Jordanian authorities and IMF Staff calculation.

IV. TRANSFERS TO GOVERNMENT UNITS

A. Background

42. There are 57 government units which are essentially agencies fully owned by the government but with independent budgets approved by the Parliament.[5] The number of such agencies has grown over-time and had reached 62 at one point. Subsequently, a Cabinet decision merged 5 units with related ministries reducing their number. Previously called "own-budget agencies" they were retitled under a 2008 law which also required them to transfer their budget surplus to the government. These units also receive current and capital transfers from the central budget to cover their deficits.

43. Government units account for a significant share of economic activity. The overall deficit of these 57 units declined gradually to 0.4 percent of GDP in 2017 from about 5 percent in 2013 (Table 7). The decline was mainly due to increase in revenues by about 2.5 percent of GDP in 2015, largely reflecting the improvement in net-revenues reported by NEPCO after its transition from expensive fuel to gas for electricity generation. Total expenditures of these units have remained in the range of 6-7 percent of GDP during 2013-17 indicating that the

[5] This section excludes transfers to public corporations that are not part of the government units budget process (such as universities, among others) or lower levels of government (such as municipalities).

government's control over resources is substantially higher than that suggested by central government budget numbers alone.

44. Government units receive substantial budgetary transfers.[6] During 2010-13, these transfers ranged from JD200-JD250 million annually (about 1-1.5 percent of GDP). Subsequently, these transfers dropped to about JD 170 million annually on average (slightly less than 1 percent of GDP). The decline partially reflects some reclassification of earlier transfers to other chapters in the central budget. For example, starting in 2015 much of the transfers to the National Aid Fund have been reclassified as part of the social assistance spending in the central government budget rather than as transfers to government units.

45. Some government units perform quasi-fiscal operations. The major units in this regard are the Water Authority of Jordan (WAJ), the National Electric Power Company (NEPCO) and the Civil Health Insurance Fund (CHIF). The WAJ operates at costs above the current water tariffs with the losses covered by transfers from the central government budget. The Civil Health Insurance Fund settles medical claims for insured citizens as well as pays medical bills on behalf of government for non-insured Jordanians. Transfers for non-insured have been inadequate to cover all the payments resulting in pile up of substantial arrears. Furthermore, transfers from central budget to the CHIF for clearing these arrears come from different budget lines and ministries making it difficult to get a full view of these transactions. These transfers are also not recorded in the budget of the CHIF as revenues, nor are the payments shown as expenditures.

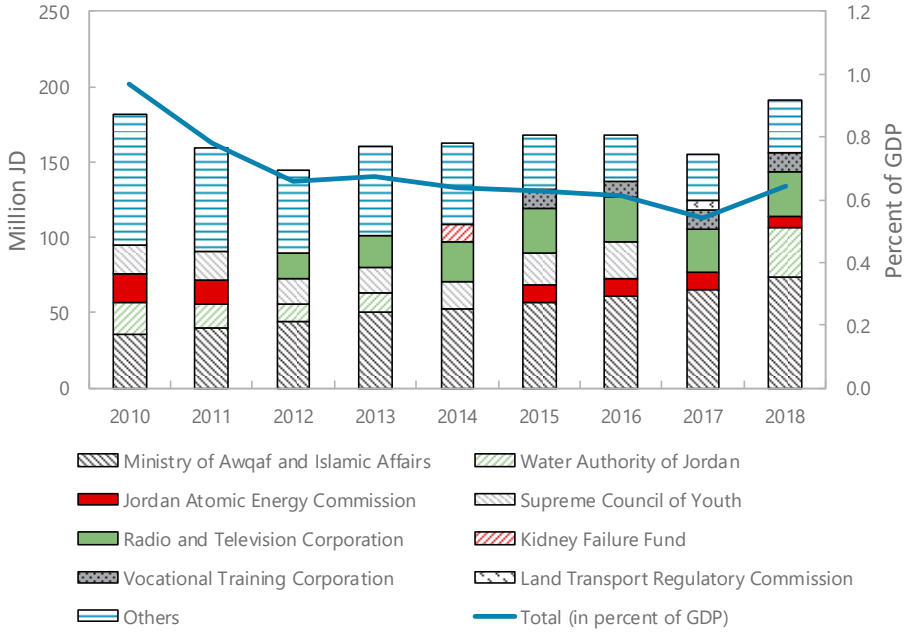
Table 7. Consolidated Budget of the Government Units

(in JD)	2013	2014	2015	2016	2017	2018
Total Revenues	**506,865,912**	**617,381,035**	**1,364,506,822**	**1,642,156,142**	**1,523,021,000**	**1,663,914,000**
Total Current Expenditures	**1,163,367,742**	**1,096,970,646**	**1,027,857,208**	**1,079,912,121**	**1,081,156,921**	**1,168,659,000**
Capital Expenditures	**548,410,838**	**566,865,029**	**574,886,652**	**580,177,689**	**556,184,000**	**643,577,000**
Internal financing	146,410,517	81,960,412	45,124,339	411,705,027	399,854,000	447,256,000
Government support	57,578,551	50,798,420	80,729,490	43,768,287	28,285,000	63,236,000
External loans	289,210,310	386,617,486	399,366,434	68,638,526	78,480,000	78,060,000
Grants	55,211,460	47,488,711	49,666,389	56,065,849	49,565,000	55,025,000
Total expenditures	**1,711,778,580**	**1,663,835,675**	**1,602,743,860**	**1,660,089,810**	**1,637,340,921**	**1,812,236,000**
Overall Deficit	**1,204,912,668**	**1,046,454,640**	**238,237,038**	**17,933,668**	**114,319,921**	**148,322,000**
(in percent of GDP)						
Total Revenues	**2.1**	**2.4**	**5.1**	**6.0**	**5.4**	**5.6**
Total Current Expenditures	**4.9**	**4.3**	**3.9**	**3.9**	**3.8**	**3.9**
Capital Expenditures	**2.3**	**2.2**	**2.2**	**2.1**	**2.0**	**2.2**
Internal financing	0.6	0.3	0.2	1.5	1.4	1.5
Government support	0.2	0.2	0.3	0.2	0.1	0.2
External loans	1.2	1.5	1.5	0.3	0.3	0.3
Grants	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditures	**7.2**	**6.5**	**6.0**	**6.0**	**5.8**	**6.1**
Overall Balance	**5.1**	**4.1**	**0.9**	**0.1**	**0.4**	**0.5**

Source: Jordanian authorities and IMF Staff calculation.
Note: Data for 2017 are estimates and those for 2018 are budget data.

[6] In addition to transfers, NEPCO and WAJ received about JD 3.2 billion during 2013-14 in cash advances reported below the line.

Figure 13. Central Government Transfers to Government Units



Source: Jordanian authorities and IMF Staff calculation.
Note: Data exclude transfers to NAF. Data as of 2017 and 2018, refer to estimates.

B. Issues

46. These government units represent a diverse group. They are defined as any public body, institution, authority or financial/administrative independent establishment, with their budgets included in the government units' budgets. Some of these units have the characteristic of purely government entities, some look like and function as non-financial enterprises while some others are financial institutions. Their only common characteristic is that they are fully owned by the government.

47. Large number of government units can make fiscal management challenging and costly. Country experiences have shown that in some circumstances, proliferation of such units can result in inefficiencies, and loss of fiscal control. This typically leads to:

- *Many institutions with overlapping or related responsibilities.* For example, , investment promotion, youth services, housing, social programs, and religious activities are each managed by three or four different agencies. This usually results in high overhead costs and wastage of limited public resources;
- *A reduction in budget discipline.* If the regular budget procedures and checks and balances implied by them are not consistently applied to these units, this could compromise transparency, result in a loss of control over spending, and could potentially create significant contingent liabilities; and
- *Reduced credibility to meet deficit and debt targets.* Unless rigorous reporting and oversight mechanism are in place and effective, the government may suddenly face a

realization of contingent liabilities, forcing it to intervene in ways that generate deviations from the deficit and debt targets.

C. Reform options

48. In the short-term, initial savings from reclassifying some of these government units as budgetary institutions are expected to be modest; more substantial savings and efficiency gains would require structural reforms.

49. Review the functions and rationale of existing units and merge institutions with duplicative/overlapping functions.

- The mission understands that the Ministry of Public Sector Development is already looking into this issue with a view to making recommendations on restructuring these units i.e. abolition, merger and continuance. The Ministry should examine whether the question of autonomy from the budget is essential for the units to carry out their activities efficiently. If their operations do not require autonomy they could be merged into an appropriate government department and included in the budget. The Ministry could also consider which units have similar or overlapping roles and responsibilities and decide if merging these into one unit would save costs and enhance efficiency. For example, the National Aid Fund is engaged in social assistance programs similar to those administered by the Ministry of Social Development and the Zakat Fund. Similarly, there are overlaps between the role of the High Health Council, which is responsible for developing a health strategy and regulating the health sector, and that fits well with the policy role of the Ministry of Health. There are several units looking after transportation issues which could be merged into the Ministry of Transportation.
- The comprehensive review of government units could benefit from a recent USAID study on the classification of government units. The study identified 29 of the 57 units as belonging to the central government[7] and recommended merging 13 units with the relevant central government ministries as they perform functions of the central government.[8] The study further recommends integrating 14 units into the central government budgets by creating 11 new chapters in the ministries while two units could remain as separate units as required by the constitution. The remaining 28 units, according to the study, could be considered for privatization.
- Merging units with the relevant ministries, as discussed earlier and recommended by the USAID study, will lead to some savings by reducing overhead costs and the number of

[7] "*Integrating Government Units into the Government of Jordan General Budge*t", Study undertaken by the Fiscal Reform and Public Financial Management (FRPFM) Activity, USAID, February 2018,

[8] The study further recommends merging 5 units into two new chapters under existing ministries, integrating 9 units as new chapters in the ministries while keeping the remaining two as government units as required by the constitution.

employees. The exact savings will depend not only on the number of units merged, abolished or privatized but also on other strategic decisions, such as staffing.

50. Review the tariff structure of administered prices to reduce transfers and make government units economically viable. As noted above, some of the government units perform quasi-fiscal functions and may suffer losses due to government policies. For example, revenues of the CHIF do not cover the cost of medical services provided to the uninsured and needs substantial transfers from the central budget. The Water Authority of Jordan supplies water at tariffs that cover only half the costs of supplying water. The need for transfers could be reduced by gradually raising tariffs to cost-recovery levels while better targeting the subsidies to the poor. This, however, requires further study. It would be useful to conduct a review of selected units that provide services at government determined tariffs and revise them at regular intervals. A high-level committee could be set up for this purpose.[9]

51. Assess contingent liabilities and fiscal risks emanating from these government units. Some of the government units like NEPCO and WAJ pose fiscal risks and impact public finances. It is important for the government to understand and assess these risks, where possible quantify their impact on government revenue, expenditures and the deficit on an annual basis and include them in a Fiscal Risks Statement presented to parliament.

52. Strengthen oversight of government units by Ministry of Finance. This can be achieved by creating a dedicated monitoring unit or strengthening an existing one with the necessary resources and legal powers to allow it to carry out the functions effectively. This unit could focus initially on the largest entities and those that are likely to impact the budget most. The monitoring process should lead to the identification of measures to restore financial sustainability of troubled entities and minimize their reliance on budget transfers or debt takeovers in the short term. Moreover, the Ministry of Finance could also play an important role in approving investment projects of the units. New investment initiatives should be subject to careful feasibility studies to ensure that they provide reasonable returns and value-for-money.

V. HEALTH

A. Background

53. Both public and private sectors are active in providing health care services in Jordan. Public sector medical providers account for over half of total medical staff and hospital beds in the country (Table 8). The largest public provider is the Ministry of Health (MOH) through primary care medical centers and MOH hospitals. The second largest public provider is the Royal Medical Service (RMS) which treats mainly military personnel. There are two university hospitals

[9] In some cases, the government may introduce a pricing mechanism that automatically adjusts the tariffs periodically reflecting changes in costs (as has been done for electricity pricing).

(UHs) and four other semi-public hospitals, such as King Hussein Cancer Center. MOH facilities regularly refer patients to RMS and the six semi-public hospitals, when treatment is not available in MOH facilities. Private hospitals, which are usually perceived to be of better quality, also compete with the public providers. In general, the quality of medical service in Jordan is considered high in the Middle East region, and Jordan is a popular destination for medical tourism.

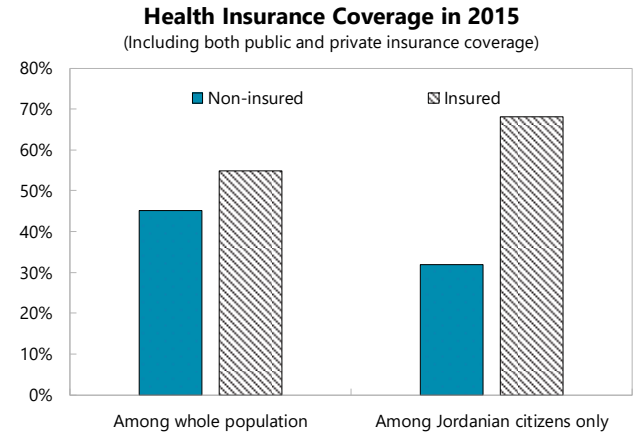
Table 8. Medical Service Providers

	Ministry of Health	Royal Medical Service	University Hospitals	Private Providers	NGOs and others
Physicians	4798	1822	1329	5737	141
% of total	34.7	13.2	9.6	41.5	1.0
Nurses	11426	6584	1551	5934	291
% of total	44.3	25.5	6.0	23.0	1.1
Hospital beds	5177	2917	1141	4496	0
% of total	37.7	21.2	8.3	32.7	0.0

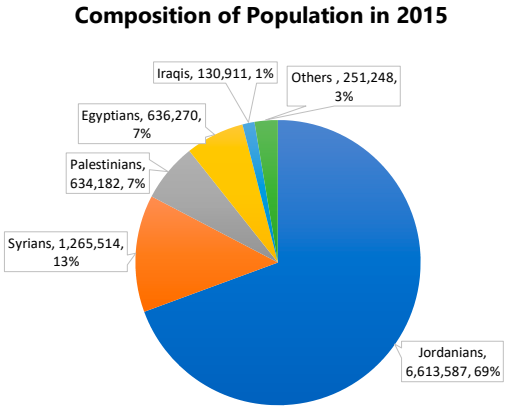
Source: MOH Annual Statistical Book 2016.

54. The health insurance system is fragmented. The Civil Insurance Program (CIP), operated by the Civil Health Insurance Fund (CHIF) and supervised by the MOH, is the largest insurance fund, covering all civil servants and their dependents. The premium is a fixed 3 percent of salary, with a cap of JD 30 per month. Those insured by the Fund are treated in MOH facilities almost for free, with token copayments for medical treatment and pharmaceuticals. Before 2018, Jordanian citizens over 60 years old could voluntarily participate in the CIP, paying an annual subscription of JD 72 per person, with a subsidy of JD 78 by the MOF. Since January 2018, all Jordanian citizens over 60 years old or below 6 years old are automatically insured by the CHIF. The budget pays JD 150 insurance premium for each over 60 years old. The Military Insurance Program (MIP), which has a similar financial arrangement as the CIP, insures military personnel and their dependents. There are two insurance funds set up by the two university hospitals, covering university employees and dependents. Other organizations, including private firms, may have employer-based group arrangements with the CIP/MIP/UH insurance funds to access MOH/RMS/UH facilities at agreed prices. There are also private commercial insurance and coverage provided by United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNWRA). About 8-10 percent of population has multiple insurances, for example as a person can be a CIP principal member and a MIP dependent member at the same time. The official census conducted in 2015 found that 68.1 percent of Jordanian citizens and 54.9 percent of the whole population were covered by insurance, of which CHIF and MIP accounted for 80 percent (Figure 14).

Figure 14. Insurance Coverage



Source: Population & Housing Census, DOS, 2015



Sources: Jordanian authorities and IMF Staff calculation.

55. MOH facilities also offer services for uninsured Jordanian citizens at discounted prices. An uninsured Jordanian citizen is charged an "affordable price" at MOH facilities, which has been frozen since 1990s and is currently about 20 percent of the full cost (or "unified price"). Some uninsured are provided exemptions, which have resulted in health arrears discussed below. Non-Jordanian citizens (e.g. Egyptians and Iraqis) are charged the "unified price."

56. Public health expenditure accounts for the majority of total health expenditure (Table 9). In the past decade or so, total expenditure on health averaged around 8.4 percent of GDP; public expenditure was about 5.5 percent of GDP. Within public expenditure, pharmaceutical spending was about 1 percent of GDP.

Table 9. Health Expenditure
(in percent of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Health Expenditure	**8.4**	**8.9**	**9.5**	**8.2**	**7.7**	**7.6**	**7.9**	**8.2**	**8.4**
Public expenditure	**4.9**	**5.4**	**6.6**	**5.6**	**5.2**	**5.0**	**5.2**	**5.4**	**5.5**
Public expenditure on pharmaceutical	0.9	1.2	1.3	1.1	0.9	0.9	1.0	1.2	1.0
Public expenditure on non-pharmaceutical	3.9	4.2	5.2	4.5	4.2	4.1	4.2	4.2	4.5
Private expenditure	**3.5**	**3.5**	**2.9**	**2.6**	**2.6**	**2.6**	**2.7**	**2.9**	**3.0**
Private expenditure on pharmaceutical	1.9	2.0	1.3	1.2	1.1	1.1	1.1	1.2	1.2
Private expenditure on non-pharmaceutical	1.6	1.5	1.6	1.4	1.4	1.5	1.6	1.7	1.8
Total Pharmaceutical expenditure	**2.8**	**3.2**	**2.7**	**2.3**	**2.1**	**2.0**	**2.1**	**2.3**	**2.2**
Non-Pharmaceutical expenditure	**5.5**	**5.7**	**6.9**	**5.9**	**5.6**	**5.6**	**5.8**	**5.9**	**6.3**
Memo: out of pocket expenditure							*2.3*	*2.2*	*2.3*

Source: High Health Council.

57. The public health system displayed resilience in dealing with the large inflow of Syrian refugees. Although medical resources per capita have declined as a result of the influx of refugees, most disease indicators are still improving (Table 10). Up to 2013, Syrian refugees registered with the UNHCR had free access to MOH facilities. During 2014-16, Syrian refugees treated at MOH facilities were required to pay the token copayments similar to insured Jordanians. In 2017, they were charged "affordable price", similar to uninsured Jordanian. Starting

in 2018, they are required to pay 80 percent of the "unified price", closer to the price charged to other foreigners.

Table 10. Incidence of Selected Diseases
(per 100,000 population)

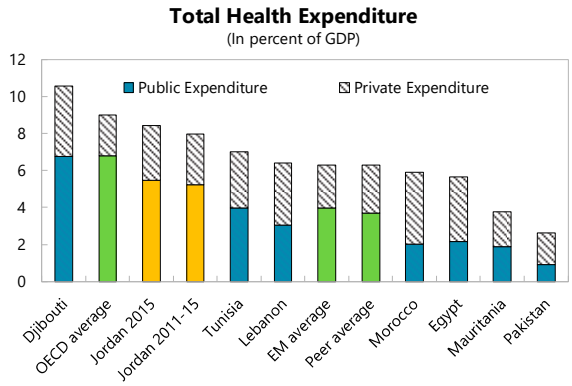
	Diarrhea	Pulmonary TB	Brucellosis	Typhoid	Hepatitis A	Hepatitis B	Meningococcal Meningitis
2010	2467.4	3.1	3.9	0.3	6.8	0.3	0.4
2016	822.3	3.0	4.5	0.1	2.6	0.0	0.0
	Non Meningococcal Meningitis	**Measles**	**German Measles**	**Animal Bite**	**Leishmaniasis**	**Mumps**	**Bloody Diarrhea**
2010	13.6	1.4	3.3	51.0	6.2	3.5	33.2
2016	1.4	0.4	0.2	53.3	2.9	1.7	1.4

Source: MOH Annual Statistical Report 2016.

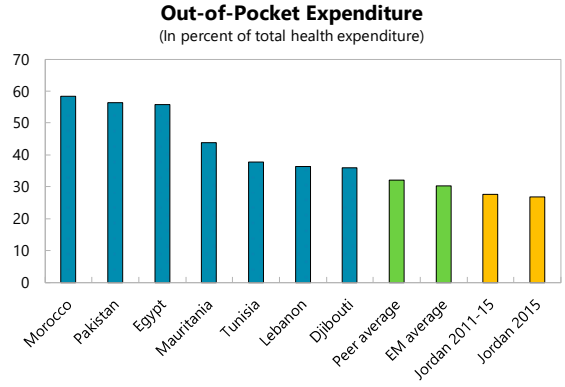
B. Issues

58. Total and public health expenditures in Jordan are high, although out-of-pocket payments are low (Figure 15). Jordan's total expenditure and public expenditure in the health sector are both higher than most regional countries and peer averages, and are close to the averages of OECD countries most of which have universal coverages. The proportion of out-of-pocket (OOP) payments is low[10], partly due to the heavy subsidies provided by the government for uninsured Jordanians through the "affordable price".

Figure 15. Health Expenditure



Sources: WHO, OECD, Jordanian authorities, and IMF staff calculation.
Note: The OECD average excludes the U.S.

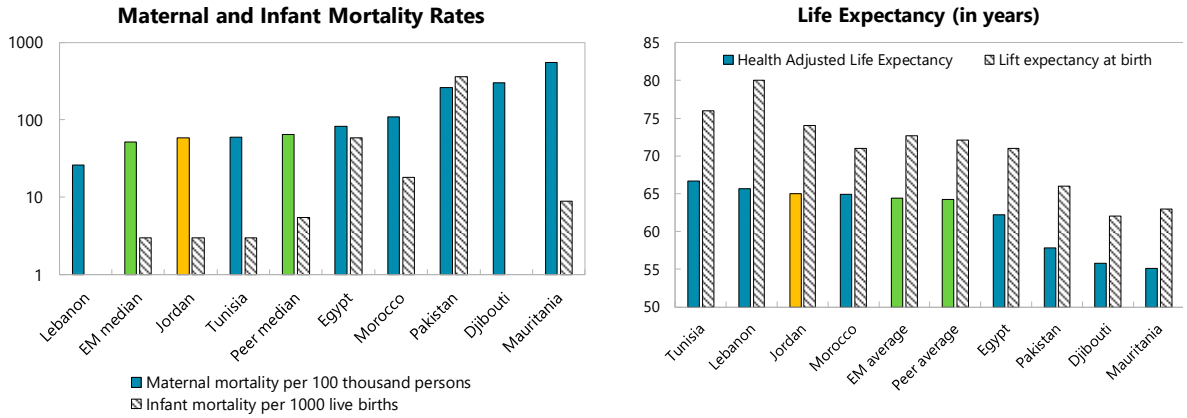


Sources: WHO, Jordanian authorities, IMF staff calculation.

[10] While there might be some scope to increase the efficiency of spending by imposing copayments, a high share of out-of-pocket payments is not necessarily a desirable feature in a health care system. The authorities need to balance the pros and cons of the policy instrument.

59. Health outcomes are good. Together with Tunisia and Lebanon, Jordan's health outcomes are ranked the best among regional countries, and are also better than peer countries' averages (Figure 16).

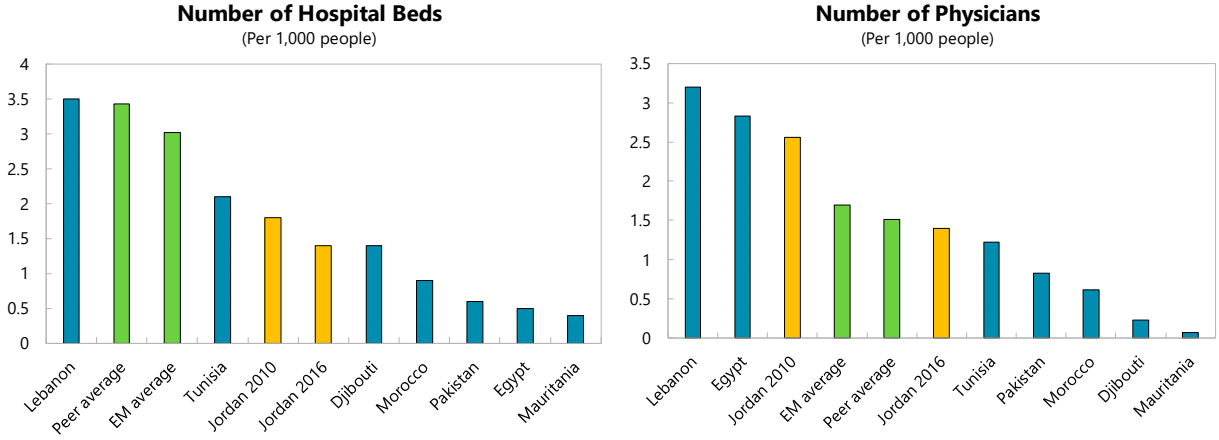
Figure 16. Health Outcomes



Source: WHO.

60. The medical staff and material resources appear to be adequate. With the inflows of Syrian refugees, the per capita availability of medical resource has declined (Figure 17). The numbers of hospital beds and physicians per 1,000 population are both below peer averages and ranked around the middle of regional countries. On the one hand, this suggests improvement of efficiency; on the other hand, there are concerns whether the quality of service has been compromised with such a dramatic change. Nonetheless, these indicators of medical resources appear to be adequate overall.

Figure 17. Indicators of Medical Resource Availability

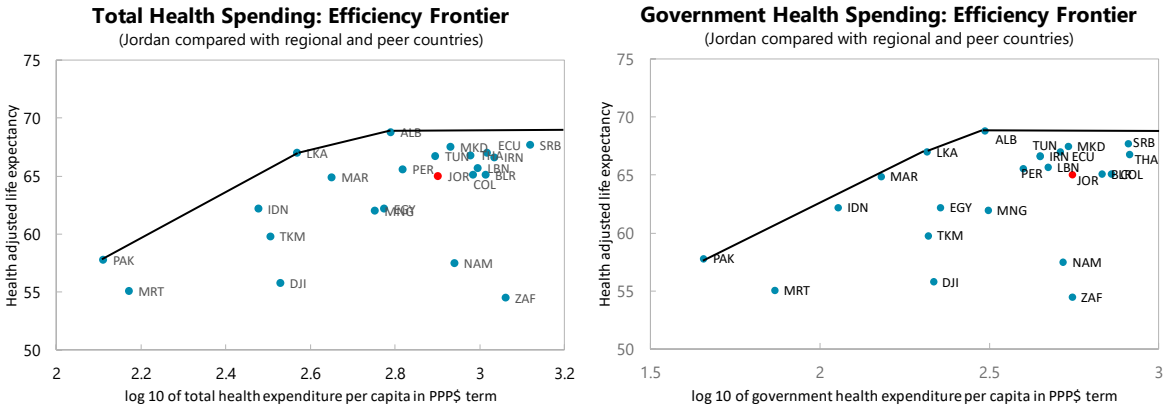


Source: World Bank, Jordanian authorities, and IMF Staff calculation.

61. Efficiency of heath spending appears to be low. Figure 18 shows that Jordan lies below the spending efficiency frontier. In total spending it is less efficient than Tunisia; and government spending is less efficient than that in Tunisia and Lebanon. Some peer middle-

income countries, such as Albania, have achieved much better outcomes with much less expenditure than Jordan.

Figure 18. Health Spending Efficiency



Source: WHO and IMF Staff calculation.

62. Low premiums and copayments encourage higher demand and contribute to inefficiency. The premium of 3 percent of only one civil servant's salary can cover 7-8 people on average, which is quite low compared to the actual costs. And the government pays the premium for over-60 years-old patients, which makes the premium free for the old population. Copayment by the insured is zero for medicines below JD 10 and 10 percent for those above; copayment for treatment in MOH facilities is less than JD 3 on average. Uninsured patients are charged the "affordable price" which has not been changed since 1990. The low contributions, copayments and charges not only fall far short of covering the total costs, but also encourage excessive usage and waste of medical resources.

63. Supply-side factors also cause inefficiency. There are significant overlaps and thus opportunities for abuse or arbitrage across different insurance schemes, due to a fragmented system. Medical and financing records are largely paper-based, which is difficult to monitor and supervise timely. The overall treatment payment structure is based on fee for service, instead of a modern Diagnosis-Related Group (DRG) approach.

64. Moreover, the efficiency of MOH facilities is relatively low compared to those of RMS (Table 11). Although they are similar comprehensive public medical service providers, MOH facilities lag behind RMS facilities in most efficiency indicators, with lower numbers of admissions, surgeries, deliveries, and outpatient visits per physician as well as much lower occupancy rate. Another inefficiency indicator is that the MOH facilities have spent a lower proportion of its budget on primary care.

Table 11. Comparison of MOH/CIP and RMS/MIP

	MOH/CIP	RMS/MIP
Health Personnel		
Physicians	4,476	1,611
Nurses	10,743	5,773
Dentists	761	288
Pharmacist	484	243
Total health personnel	16,464	7,915
Efficiency Indicators		
No. of nurses per physician	2.4	3.6
No. of admissions per physician	77.7	116.9
No. of surgeries per physician	19.5	58.7
No. of outpatient visits per physician	733.2	2329.9
No. of deliveries per physician	16.6	20.0
Death rate (%)	1.8	2.9
Occupancy rate (%)	68.0	83.0
Average length of inpatient stay	3.2	3.9
Expenditure Composition by Function		
Primary Care (%)	17	20
Curative Care (%)	77	64
Administration, training, and others (%)	6	16

Source: Jordan National Health Accounts 2013.

65. The MOH and CHIF have a unique financial arrangement. MOH hospitals do not have their own budgets, and the MOH pays all their costs (salaries, medicine costs, maintenance etc.). These amount to JD 421 million in 2013 (Table 12). The CHIF has a separate budget. On the revenue side, it not only collects subscription fees (i.e. premium) and copayments from the insured people, but also OOP payments of the uninsured patients treated at MOH facilities. These regular revenues add up to JD 131 million in 2013. Sometimes, the CHIF may receive ad hoc cash transfers from the MOF/budget to repay past arrears (JD 127 million in 2013). On CHIF's expenditure side, when an insured patient is treated in MOH facilities, CHIF pays nothing; when an insured patient is referred to RMS or other providers, CHIF pays these providers based on agreed prices (e.g. JD 50 million paid to RMS in 2013). To incentivize MOH doctors to treat uninsured patients, the CHIF channels 90 percent of OOP revenue collected from the uninsured on medical treatment back to MOH as bonus to all the medical and administrative staff (JD 58 million in 2013).

66. Much of the low efficiency of MOH/CIP arises from the incentives built in the financial arrangement. First, all expenses of MOH facilities are paid through the budget. There is, therefore, no incentive to economize. Second, without own budgets, there is little autonomy and accountability of hospital managers on efficiency management. Third, referral controls are apparently weak, as MOH facilities keep referring patients to RMS and other hospitals despite their own low occupancy rate. Fourth, wages and bonuses are based on seniority instead of actual workload and performance.

Table 12. Flow of Funds of Health System in 2013

(in JD millions)

		Health Financing Entities									
		Ministry of Health	Civil Insurance Program	Royal Medical Service	Military Insurance Program	University Hospitals	Other public entities	Households	Other Private Sector	UNRWA / Abroad	Total
Source of Funds											
Source transferred from	MOF (Budget)	399	127	189			24				740
	Other public entities	4	19		34	88	110				255
	Households		112		40	19	16	423	45		654
	Other private sector	0	0		4	4	103		133		244
	UNRWA/Abroad	17	1	8		7	0		26	15	74
	Total	**421**	**259**	**196**	**78**	**117**	**254**	**423**	**205**	**15**	**1,967**
Use of Funds											
Spent on facilities of	MOH	421	58		9						487
	RMS		50	196	68						314
	UH		76			117	9		2		205
	Other public entities		57				142				199
	Private		15				18	423	203		659
	UNRWA/Abroad		1	0	1		1			14	17
	Total	**421**	**257**	**196**	**78**	**117**	**170**	**423**	**205**	**14**	**1,881**

Source: Jordan National Health Accounts 2013.

67. There is anecdotal evidence of misuse of the exemption program. The exemption program was originally intended to support poor uninsured patients who cannot afford to pay their bills, but it has been misused due to a lack of controls over eligibility and costs. The mission was informed that some civil servants temporarily drop out of the CHIF to obtain exemption before re-instating membership later. People with private insurances also use this program.

68. As a result, bulk of health arrears generated relate to exemptions provided. The JD 432 million health sector arrears as of end-2017 comprise JD 365 million for medical treatment recorded by the CHIF, JD 21.5 million for the kidney treatment fund, and JD 45.5 million for the arrears on drugs handled by the Joint Procurement Department[11] (Chapter VI). Medical costs of this program have escalated well above the budgeted amount in recent years and become the main source of health arrears. The JD 365 million of CHIF medical treatment arrears are of two types (Table 13): (i) arrears on payments to non-MOH facilities[12] which totaled JD 257 million at end-2017; and (ii) arrears arising out of treatment at MOH facilities where they are charged the "affordable price" (JD 108 million), which is supposed to be paid by the MOF on behalf of the exempted uninsured patients. The latter does not represent actual expenditures as expenses of the MOH facilities are fully covered by the budget. This amount, which is paid by the budget, is mostly used to pay bonuses to MOH staff. During the meetings, it was agreed that this JD 108 million will be written off. For 2018, the budget has made provisions for paying bonus as per existing practice until the policy is reviewed for 2019.

[11] There could be Joint Procurement Department drug arrears not yet audited and vetted, which could lead to more arrears later.

[12] These are CHIF arrears to non-MOH hospitals, which include private hospitals, Royal Medical Service (RMS), and semi-public hospitals. RMS/MIP has a separate government budget, and semi-public hospitals have autonomous budgets.

Table 13. Exempted Uninsured Patients: Accounts Payables and Receivables

(in JD millions)

Accounts Payable of CIP					
Accounts payable to providers for uninsured exempted	To be paid by CHIF to:	Stock of accounts payable at end-2016	(+) Medical claims submitted in 2017	(-) Medical claims paid by the CIP in 2017	Stock of Accounts Payable at end-2017
	Jordan University Hospital	8	18	12	14
	King Founder Hospital	16	31	20	27
	AL Husain Center for Cancer	77	97	73	101
	Prince Hamza Hospital	15	25	12	29
	National Center for Diabetes	1	2	1	1
	Royal medical services	64	57	35	85
	Total	181	228	152	257
Accounts Receivable of CIP					
Accounts receivable from MOF/MOH for uninsured patients	To be paid by MOF/MOH to	Stock of accounts receivable at end-2016	(+) Affordable prices charged for uninsured exempted patients in 2017	(-) Cash received from MOF/MOH in 2017	Stock of Accounts Receivable at end-2017
	CIP	91	32	15	108

Source: CHIF.

69. The authorities have committed to reducing health arrears and instituted new procedures to meet this objective. First, the budget has allocated JD 23 million to cover the premiums for all over-60-year-old patients.[13] Second, starting in 2018, only the Royal Court is allowed to grant exemptions which will be valid for 6 months for regular disease and up to 1 year for chronic illness, like cancer. Exempted patients are eligible for treatment at designated MOH hospitals only before any potential referrals. The mission was informed that the exemptions will also have a maximum allowed expense that cannot be exceeded without prior approval, and the Royal Court will maintain a record of all such commitments to ensure that exemptions remain within the allocated budget.

70. However, the mission estimates that these measures may not be sufficient to prevent new arrears. The mission estimates that JD 174 million will be needed in 2018 to cover these costs against a budget allocation of only JD 123 million, including JD 100 million for Royal Court exemptions and JD 23 million for subscription fees of the over 60 years old (please see Appendix II for details of the calculations). Therefore, there is a projected shortfall of about JD 50 million in 2018, which will result in new arrears without additional budget allocation.

C. Reform Options

71. Introduce a mandatory health premium for all. All Jordanians should be required to enroll in the CHIF by paying a premium equal to 3 percent of income, similar to current premium for civil servants. At the same time, the monthly cap of JD 30 should be removed. As in most

[13] Total population of over 60 years old is about 405,000, which implies total premium of JD 60 million. However, as some of the over 60 years old have been covered by the CIP and MIP, the MOH estimated that only JD 23 million JD is needed with the policy change.

other countries, collection of this universally mandatory 3 percent premium requires a strengthening of revenue administration, which includes withholding of wages from the formal sector and auditing of income in the informal sector. In the case of Jordan, the health premium could be collected by the tax administration (i.e. Income and Sales Tax Department) on top of personal income tax or by the social security fund (i.e. public pension fund) on top of pension contribution. This will remove incentives for people to remain uninsured. The exemption program could then be phased out, or become much smaller to subsidize only the poorest 20 percent families. According to the CHIF, this will raise revenue of around JD 60 million a year, or 0.2 percent of GDP.

72. Revise the "affordable price" and copayments. The "affordable price" was set in the 1990s and has not been revised since. The government should consider gradually raising this price closer to the "unified price". At the same time, the copayment for medicines and treatments for the insured could be increased and depend on income to discourage excessive usage.[14] These measures could generate additional revenue of 0.2 percent of GDP in 3-4 years.

73. Increase occupancy rates at MOH hospitals. MOH referrals to other facilities should be reduced by 10 percent each year, until its occupancy rate is raised to 80 percent. This requires target set for each MOH hospital and accountability of the hospital manager. At the same time, hospitals should be given more budget autonomy, so that doctors' compensation is linked to their actual performance, e.g. workload and quality of service. This involves a fundamental reform on the wage bill structure of the MOH system. Given that the current CHIF referral cost of insured and uninsured is around JD 250 million a year, these measures will generate savings of around 0.1 percent of GDP per year.

74. Undertake structural reforms to modernize Jordan's public health system. All medical and related financing records should be computerized to allow for timely monitoring and regulation. All public-sector insurances (CHIF and MIP, UH insurance funds) should be consolidated into a larger pool with the removal of overlaps. The gatekeeping role of primary care should be further strengthened, and a DRG-based payment system should be introduced to largely replace the current fee-for-service scheme in major expenditure areas.

VI. ARREARS IN THE HEALTH SECTOR

A. Background

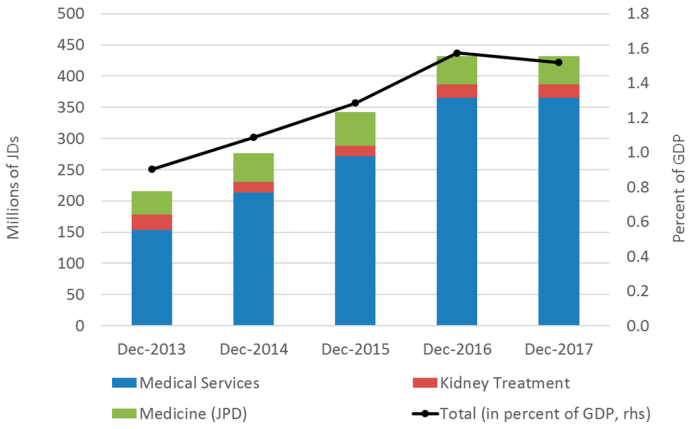
75. The persistent accumulation of government expenditure arrears in the health sector (MOH and CHIF) has been a major challenge for the last several years. The accumulation of expenditure arrears tends to have a negative effect on the domestic economy, impact the credibility of the medium-term fiscal framework and pose potential risks to fiscal performance.

[14] Poor and vulnerable individuals could be protected through social assistance programs.

The suppliers tend to demand higher prices if they perceive delays in the payment of their invoices and this pushes up program costs and puts additional burden on the government budget.

76. The size of arrears in the health sector has increased considerably over the last few years. The total stock of arrears has increased by about 100 percent during 2013-17. These arrears arise from three main sources: medical treatment (CHIF); kidney treatment (Kidney Treatment Fund) and procurement of medicines (Joint Procurement Department-JPD of MOH). The maximum increase (138 percent) has been in the stock of arrears for medical services delivered which arise out of claims for uninsured citizens with CHIF (see Figure 19).

Figure 19. Arrears in the Health Sector



Sources: Ministry of Finance and Ministry of Health.
Note: Arrears in health sector are primarily for uninsured citizens.

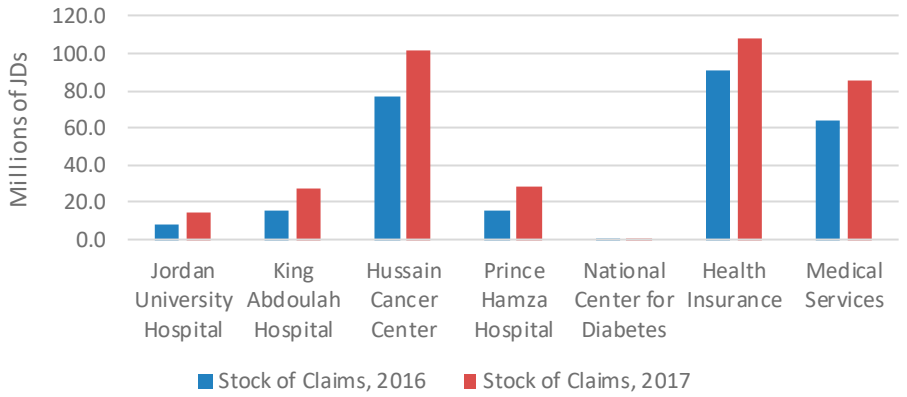
77. Most of the arrears in the health sector emanate from the medical claims for uninsured citizens.[15] Since these claims relate to uninsured patients, they are not obligations of CHIF per se; but CHIF is tasked with the responsibility for checking these and paying them off financed by transfers from the central budget. However, these transfers have not kept pace with the increasing demand on payments resulting in accumulation of arrears. Broad details of medical claims for uninsured citizens are shown below in Figure 20.

78. CHIF arrears have also resulted in circular debt amongst six medical institutions (semi-public), MOH and JPD. In addition to MOH hospitals, JPD also procures medicines and drugs on behalf of six medical institutions and payments are directly made by these institutions to JPD. However, these six institutions have not been able to pay some of the bills to JPD, because they are not receiving payments from CHIF (under fee arrangements) for the health

[15] As explained earlier, the authorities have recently taken some policy measures and instituted new procedures to control the medical claims and arrears for uninsured patients. Some of the PFM reform measures recommended below, restructuring and roll-out of GFMIS to CHIF would facilitate the process of controlling arrears for uninsured patients.

services provided to insured/uninsured patients. Figure 20 shows the amounts payable by CHIF to these institutions at end-December 2017. On the other hand, the bills payable by these institutions to JPD total to JD 48 million at end-December 2017.

Figure 20. Arrears by Providers



Source: Central Health Insurance Fund (Finance Department)
Note: As regards claims for health insurance (JD 108 million) it may be pointed out that these represent claims payable by MOH to public hospitals for uninsured patients; however whatever fees are received by hospitals get remitted to CHIF. These represent accounts receivable for CHIF, and accounts payable for MOH/MOF.

79. It is important to analyze the reasons behind accumulation of arrears. Arrears can arise due to both inadequate resource allocations and ineffective expenditure controls. Policy issues have been discussed in the previous chapter. This chapter deals with the PFM issues related to arrears. A number of previous IMF TA missions have looked into the issue of arrears, including health sector arrears.[16] This is a follow-up work building on the earlier work of the November 2013 mission.[17]

B. Issues

80. A broad review of the arrears in CHIF and the Ministry of Health have revealed several weaknesses in PFM. These are discussed below:

- **Weak financial administration in CHIF.** There are several budgetary and financial management issues in the CHIF operations which are contributing to the accumulation of arrears. CHIF, managing financial operations of more than JD 300 million, does not have any automated system for processing claims, payments and accounting and all records are kept manually in registers and ledgers. Budgetary allocations for uninsured citizens are highly

[16] There have been a number of FAD/METAC TA missions to MOF on Public Financial Management (PFM) in 2010, 2011, 2012, 2013 and 2015. A more focused mission was conducted in September 2013 by METAC to review the growing stock of arrears with a follow-up mission in November 2013 which reviewed and assessed accumulation of arrears in the health sector and made several recommendations to address the identified issues.

[17] METAC PFM TA Report: Jordan: Report on Arrears in Health Sector by Jacques Charaoui and Farooq Khan.

unrealistic.[18] Budget Summary of CHIF includes revenues and expenditures for insured citizens only. The transfers made by MOH and MOF for uninsured citizens and related expenditures are not included in the budget summary and there is no statement/summary prepared and submitted to the MOH and MOF for transactions related to uninsured citizens. Furthermore, weak oversight of CHIF puts its financial administration at risk, susceptible to incurring arrears. Issues with CHIF financial administration are discussed in detail in Appendix III.

- **Underfunding of MOH for procurement of medicines and other services.** The budget allocation for JPD has consistently fallen short of their expenses resulting in arrears. Issues relating to overall budget performance of the MOH, including procurement of medicines and supplies by JPD are discussed in detail in Appendix III.

- **Inadequate commitment controls.** Controlling commitments is essential for controlling expenditures and preventing arrears. However, in CHIF, there is no commitment control system; controls are mainly applied at the time of processing invoices for medical claims and making payments; and not at the initial stages of commitments i.e. incurring obligations for those claims. The GFMIS is yet to be rolled out to CHIF. In JPD, the commitments for procurements are not processed on GFMIS due to the systems' inability to record multi-year commitments. Also, the CHIF and JPD do not maintain commitment registers to record and control commitments and report on outstanding commitments and arrears.

- **Inadequate cash management that is not integrated with commitment controls.** Capacity to produce reliable cash projections and rolling quarterly/monthly cash plans is limited. The general financial transfers (quarterly budget releases) are based on annual budget appropriations and not guided by the cash projections and availability of cash. Furthermore, the general financial transfers used for commitments are not fully backed by cash transfers and cash releases and arrears have been accumulating because sufficient liquidity is not available to pay invoices when they fall due. According to the Treasury, the overall budget remains unfunded to the extent of 3-4% in a year.[19] Most of the underfunding of the budget is due to liquidity constraints and limited coordination between GBD and the Treasury.

- **No well-established system for regular recording and reporting of payment arrears.** There is no system requiring the ministries and entities to report on outstanding

[18] For example, the medical claims for uninsured citizens totaled to JD 260.5 million during 2017, while the approved budget allocation was JD 100 million and the amount of bills paid totaled to JD 167.1 million (which included payments for JD 101 million allocated in the budget to clear legacy arrears), resulting in continuous increase in the stock of arrears in the health sector.

[19] The budget outturn data for the Ministry of Health reflect a shortfall of 6-7% in the cash releases compared to annual approved budgets and general orders.

commitments and unpaid bills/arrears on a monthly/quarterly basis. As a result, limited information exists on the accumulated stock of expenditure arrears in health sector. In addition to arrears in health sector, the MOF has identified significant amount of arrears in utilities (electricity, fuel and water) – these have been estimated at 1.4% of GDP and most of them relate to the defense sector. In 2013 an attempt was made to measure the stock of arrears in major ministries and departments; however, this work was not completed.[20] There are no estimates of expenditure arrears for other sectors.

- **Issues with GFMIS.** As stated in previous FAD/METAC PFM TA reports (2010, 2011, 2013 and 2015) the GFMIS has several issues including (i) cancellation of unpaid bills (for which goods and services have been delivered) at the end of year; these need to be carried forward in an automated manner; (ii) no mechanism to facilitate intra-year consolidation of financial data (included in monthly financial statements) across central government entities and generate intra-year consolidated reports on budget outturns, outstanding commitments, unpaid bills and arrears; and (iii) the system does not facilitate recording and tracking of multi-year commitments – the 2015 FAD TA report recommended maintenance of a commitment register on the system.

- **Gaps in the PFM legal framework and regulations.** The financial regulations are inadequate and not sufficiently strong to control the accumulation of expenditure arrears in the central government. There is still a need for explicit definitions in financial regulations of what is meant by a commitment, an unpaid invoice and an arrear. This lack of clarity allows for different interpretations and consequently different basis in measuring the stock of arrears.

C. Reform Options

81. The government is committed to clear the stock of health arrears by fiscal year 2019 and aim at zero accumulation of new arrears. The following measures would assist the government in this regard.

Strengthening Financial Administration at CHIF

82. The current administrative structures and financial procedures at CHIF need to be strengthened. Reform measures should include.

- *Automate the systems and processes* - as a start, GFMIS should be rolled out to CHIF at the earliest; arrangements should be made to get the system fully functional starting with 2019

[20] An attempt was made by the MOF in 2013 by circulating to all major budget agencies a format for reporting the stock of expenditure arrears as at the end of 2012. The reports received, while indicating a significant build-up of arrears, had serious inconsistencies and required further work to get reliable results. It appears that the work regarding stock taking of arrears was not pursued and the MOF does not have a reliable data on the current stock of arrears.

fiscal year; in addition, CHIF may require automated application for health management including health data and record of medical claims for insured and uninsured citizens.

- *Maintain separate and full records for insured and uninsured citizens,* produce a Budget Summary of CHIF for uninsured citizens and monitor its implementation.

- *Strengthen mechanisms and processes for budgetary controls, internal audit, periodic reporting and monitoring of arrears* by (i) developing monthly reporting of outstanding medical claims (insured and uninsured citizens); (ii) quarterly review of budget allocations and taking corrective actions to minimize build-up of new arrears; (iii) developing comprehensive internal audit guidelines on checking and verification of medical claims; (iv) verification of end-December 2017 outstanding medical claims and reconciliation of outstanding balances with respective hospitals and medical institutions.

Strengthen Commitment Controls

83. To prevent accumulation of arrears, there is a need to control the creation of commitments. Commitment controls would aim at managing the initial incurrence of obligations, rather than the subsequent cash payments alone, to avoid the accumulation of unaffordable liabilities and unpaid bills. The following steps should be taken.

- The GFMIS business processes needs to be reviewed to ensure that all commitments are recorded and pre-approved by the system before the incurrence of commitments/obligations in any form, such as issuing a purchase order or signing a contract for supplies, maintenance, construction, acquisitions, etc. The system should approve a commitment in the quarterly general financial order subject to the availability of adequate funds, and upon approval, the GFMIS should issue an approval order with a unique purchase/contract number.

- The GFMIS generated order should be a prerequisite for the authorizing officer to sign and issue a purchase order or a contract. This initiative should be widely publicized in the business community as explained below under Procurement.

- The system should not process an invoice for purchase of goods and services and payments under a contract unless it is based on the commitment recorded earlier on the system to ensure that all transactions are recorded on the GFMIS at the time of commitment i.e. placing an order for goods and services and signing a contract.

- All multi-year contracts entered by any budget entity should require prior approval of the MOF (GBD and Treasury). Multi-year commitment limits should form part of medium-term expenditure framework and issued as part of the budget documents and approved by parliament from 2019 onwards. Multi-year contracts should be registered, monitored and controlled through the system – this has been discussed under the GFMIS section.

- Until the roll-out of GFMIS, the CHIF should maintain a commitment register to record all commitments, payments and arrears.

- Commitment records should be maintained by the Royal Court Finance Committee on GFMIS to control all commitments approved by the Court for exempting uninsured patients from payments and track their claims and payments.

Enhance the credibility and realism of the budget

84. The effectiveness of commitment controls requires enhancing the realism of the medium-term expenditure framework and annual budget estimates. The following guiding principles and actions by the MOF (Macro-fiscal, and General Budget Department) in the budget formulation process will assist in enhancing the realism of budget estimates.[21]

- Build a credible medium-term expenditure framework (MTEF) that increases the predictability of resources in the medium term and prevent the introduction of new, or the scaling up of, projects and programs without consideration of the medium-term fiscal capacity to finance them;

- Provide budget beneficiaries and entities with greater medium-term certainty about their resources. This is especially critical for complex, multi-year commitments;

- Check that budget estimates are framed adequately through analysis of the historic behavior of each category of expenditure, with a focus on those items (like utilities) prone to arrears;

- Ensure that budget appropriations for longer term supply contracts (such as medicine procurement in the MOH) or for capital projects across government are not lower than what has already been committed through commitment letters issued by the General Budget Department.

- Ensure that outstanding commitments and payment arrears for recurrent budget and multi-year investment projects are included in the budget and outer-year forecasts.

Strengthen cash-flow planning and integrate with commitment controls

85. The Treasury should apply the following guiding principles in the process of framing financial transfers and cash releases.

- The annual and rolling quarterly cash plans should guide the budget execution process including allocation of budget to budget entities by quarterly general orders (expenditure limits) and monthly financial transfers. The quarterly general financial orders should be

[21] The mission has not specifically reviewed the budget process; however there are issues which undermine the credibility of MTEF and annual budget estimates, and these guiding principles should assist in improving the realism in budget estimates.

guided by the quarterly cash plans. The GBD and the Treasury have agreed to work together in determining the amounts to be included in the quarterly general financial orders.

- The quarterly general orders should be fully funded by monthly cash ceilings and cash releases for that quarter; any shortfall in monthly cash releases in a quarter should be covered in the following quarters. The quarterly general orders are the basis of commitments, and if these are not fully funded by cash releases payment arrears are inevitable.

- With the strengthening of cash planning process, Treasury should plan to move from monthly financial plans to quarterly financial plans to enable budget entities to plan their commitments and expenditures over a longer time frame; however quarterly financial plans should be regulated by the rolling quarterly cash plans.

Strengthen the procurement process

86. There is a need to review the current procurement regulation and process to ensure that the required budget appropriations and financing are available for the current year and future years before a procurement can start. The following measures could be considered.

- All purchases should be processed on GFMIS and the system generated 'Purchase Order' (PO) should be the basis for procuring any type of supplies and services.

- This requirement should be widely publicized in the business community and notified through public notices/advertisements in local newspapers, and government websites to ensure that suppliers of goods and services are fully aware of the requirement to have system generated purchase order number for a government contract or supply order to be considered as typically valid. The GFMIS could also be used to inform all vendors registered on the system about this requirement. The public notice should clearly state that any supplier supplying goods and services without GFMIS generated PO would do so at his own risk and the government would not be liable for payments for such supplies. To ensure their effectiveness, these public notices should be repeatedly advertised/notified periodically.

- This measure would restrain central budget entities from procuring goods and services outside the GFMIS and strengthen expenditure controls, including preventing arrears.[22]

87. Establish a proper reporting framework for monitoring arrears and liabilities. The following steps are recommended:

- The MOF (Treasury) should institute a mechanism for monitoring outstanding commitments and payment arrears by requiring central budget entities to submit a monthly report, analyzing arrears by their nature and by the period overdue. A suggested template for a monthly expenditure report is provided in Appendix IV. The format of monthly financial

[22] The mission was given to understand that some of the central budget entities do not follow the standard procedure of GFMIS PO for obtaining goods and services.

statement could be redesigned with the help of template to include details and analysis of arrears.

- The Treasury should consolidate arrears data and compile quarterly reports on outstanding commitments, payment arrears, and liabilities. The quarterly reports should be submitted to the Minister of Finance and Prime Minister for monitoring and controlling the accumulation of new arrears and taking remedial measures.

- Until the GFMIS is enhanced to report on arrears, this report can be produced manually using excel spreadsheets.

88. Undertake stocktaking, and verification of health arrears. The MOF and MOH have planned to clear health arrears and necessary provisions have been made in the budget for 2018 and 2019. It is important to validate and verify these arrears before these are paid. The current stock of arrears has not been validated and audited in any manner. The commonly followed approach in other countries before the clearance of arrears is outlined in Appendix V. The MOF should conduct such an exercise in the process of clearing health arrears. It would be useful to extend this exercise to the whole of central government to get a baseline arrears position and this will facilitate establishing an arrears database and updating it regularly with the help of quarterly arrears reporting mechanism as explained above.

Enhance the GFMIS

89. The functionality and business processes of GFMIS needs to be further reformed to implement recommendations made in earlier FAD/METAC TA Reports on Commitment Controls and Arrears – these are reiterated below for expeditious implementation.

- Reform the practice of cancelling unpaid invoices at the end of the year. Under the current business processes, the central budget agencies delete the invoices if there is no cash ceiling/release to cover them, notwithstanding the fact that they are part of outstanding government liabilities. As recommended in earlier TA reports, these unpaid invoices should be automatically carried forward and would become a first charge on the subsequent year's budget. The mission was informed that outstanding commitments at the end of the year are automatically carried forward to the following year; if so, the same process could be applied to the unpaid invoices at the end of the year.

- Maintain an automated commitment register on GFMIS. The 2015 FAD TA Report recommended that the GFMIS should provide an automated commitment register within the purchase order and/or project management modules. This register should record and report (i) multi-year commitments related to projects or other operational supplies (like medicines by JPD) and contracts covering more than one financial year; (ii) outstanding commitments and accounts payable (including arrears) brought forward from previous years; and (iii) annual ongoing employee salaries and allowances, utility and running operational expenses.

Development of an automated commitment register on GFMIS should facilitate controlling all commitments and obligations including multi-year commitments and preventing accumulation of arrears. To assist the authorities in designing a commitment register on GFMIS, a template is suggested in Appendix VI.

- Introduce a mechanism to facilitate regular consolidation of financial data and reporting of arrears. The GFMIS should be configured to facilitate regular consolidation of financial data (included in monthly financial statements) across central government and generate a consolidated report on budget outturns, outstanding commitments, unpaid bills and arrears; and establish a database on arrears to provide regular reporting on existing and new unpaid vouchers as a basis for determining the level of arrears.

90. In a joint meeting with Director Treasury, Accounts and GFMIS, the mission discussed the above improvements for enhancements and reconfiguration of GFMIS. It was agreed that the Director GFMIS would discuss with his IT team and plan for necessary enhancements to the system. The mission also met the IT team, explained these reforms, clarified their concerns, and it was agreed that further work would be done on enhancements and reconfiguration of the GFMIS would be completed by end-2018.

Strengthen the PFM legal and regulatory framework

91. The MOF should review the current PFM legal and regulatory framework (budget and treasury laws, financial Regulations, decrees, etc.) and make necessary amendments to support the implementation of reform measures listed above. The main amendments should include:

- **Prescribing a system for controlling all types of commitments and accumulation of payment arrears.** The legal framework would provide operational details of a well-developed commitment control system and make the head of a budget entity responsible for maintaining an effective, efficient and transparent system of financial management including expenditure and commitment controls.

- **Prescribing a reporting framework for monitoring outstanding commitments, arrears, liabilities, etc.** The legal framework would define commitments, arrears, liabilities, reporting formats and frequency of various reports.

- **Enhancing the legal provisions to strengthen liquidity planning** including framing cash projections, preparation of cash flow plans, quarterly/monthly general financial orders guided by cash projections and funding commitments.

- **Enforcing compliance with PFM laws and regulations;** penalties could be widened to comply with commitment controls and timely submission of prescribed reports.

92. An implementation plan for prevention of arrears is presented in Table 14.

Table 14. Prevention of Arrears: Reform Measures and an Implementation Plan

Implementation Plan - Key Activities		Indicative Timeline	Responsible Agencies
	Strategy for Arrears Prevention		
1	Finalize the Strategy for Arrears Prevention and Clearance with a time-bound implementation plan with clear deliverables (Important—Urgent)	End September 2018	Ministry of Finance SG and senior management
2	Submit to Prime Minister Strategy for Arrears Prevention and Clearance for consideration and approval (Important—Urgent)	End-September 2018	Minister of Finance and senior management
	Reform Measures		
1	Review, Restructure and Strengthen Financial Administration at CHIF, roll-out GFMIS and run system starting with FY 2019 (Very important—Most urgent)	April – December 2018	MOF, MOH, CHIF
2	Strengthen Commitment Controls (Important)	April- December 2018	Ministry of Finance SG and senior management
3	Enhance the credibility and realism of budget estimates (Important)	April – December 2018	Ministry of Finance-GDB, Finance, Treasury
4	Strengthen cash-flow planning and integrate it with budget execution – quarterly general financial orders, monthly financial releases and cash releases (Very important—Urgent)	April -December 2018	Ministry of Finance GBD and Treasury
5	Strengthen Procurement Regulations and Process (Important—Urgent)	April-September 2018	Ministry of Finance-SG and senior management
6	Establish a proper reporting framework on Expenditure Arrears (Important—Urgent)	April-September 2018	Ministry of Finance SG and senior management
7	Undertake Stocktaking, Validation and Verification of health arrears- Establish an Arrears Unit in the Treasury, applying the experience of health sector and extend this exercise to the whole of government (Important)	June 2018-March 2019	Ministry of Finance SG and senior management
8	Enhance the GFMIS (Important-Urgent)	April-December 2018	Ministry of Finance SG and senior management
9	Strengthen PFM Legal and Regulatory Framework (Important)	July-June 2019	Ministry of Finance SG and senior management

Appendix I. Coverage and Targeting Accuracy of Cash Transfers

This section estimates the targeting accuracy and coverage of (i) NAF's cash assistance programs, and (ii) the 2018 proposed cash transfer program to substitute for bread subsidies. We use the 2013 Household Expenditure and Income Survey that contains detailed data on household income as well as data on direct transfers from the National Aid Fund and other governmental and non-governmental institutions.

We compute distribution deciles based on the "net market income" that is generated by subtracting direct government transfers from disposable income. Disposable income is proxied using the household income reported in the survey that includes earnings from the NAF program as well as from other government institutions. As a robustness check, we also compute deciles based on the consumption approach that equates household total expenditure with "disposable income" to address the potential underreporting of income in household survey data.

NAF's cash assistance programs cover about 28 percent of the population belonging to the first decile, that receive 57 percent of the benefits following the income approach. The consumption approach corroborates these results. These results suggest that NAF can improve upon its coverage and targeting accuracy of its cash transfer programs.

Appendix Table 1. Coverage and Targeting Accuracy of NAF's Cash Assistance

Deciles	Coverage: Population share of the decile receiving benefits (in percent)		Targeting accuracy: Share of benefits reaching the decile (in percent)	
	Income Approach	Consumption Approach	Income Approach	Consumption Approach
D1 (poorest)	28.1	25.3	57.4	44.3
D2	7.0	9.3	9.7	13.5
D3	7.3	7.3	8.0	11.2
D4	5.2	5.6	7.3	7.1
D5	4.7	5.1	4.7	7.2
D6	3.4	3.0	4.2	4.3
D7	3.3	3.1	4.0	4.7
D8	1.7	2.1	1.9	4.3
D9	1.2	0.8	1.9	1.8
D10 (richest)	0.9	1.3	0.8	1.6
Total			100.0	100.0

Source: Household Expenditure and Income Survey 2013, and IMF Staff calculation.

Appendix Table 2. Expenditures and Beneficiaries of National Aid Fund, 2008–2017

Programs	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Cash Transfers										
Amount (in thousands of JD)	75,307	82,618	78,268	79,248	85,161	84,887	85,582	85,639	84,940	95,002
Amount (in percent of GDP)	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Programs										
1. Frequent Cash Aid										
Number of households	72,751	75,788	73,430	78,444	79,639	71,217	74,929	74,555	77,219	79,376
Number of individuals	199,569	202,961	192,279	206,929	208,824	181,620	230,363	202,850	231,325	239,880
Amount (in thousands of JD)	71,433	78,448	74,408	75,609	80,884	79,115	69,704	71,021	71,571	80,676
Amount (in percent of GDP)	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
2. Temporary Cash Aid										
Number of households	7,338	7,308	6,958	7,526	7,702	16,950	14,498	14,324	12,433	13,001
Number of individuals	8,127	8,194	7,861	8,651	9,580	77,721	71,211	59,330	59,392	62,372
Amount (in thousands of JD)	3,340	3,486	3,232	2,932	3,380	4,732	14,930	13,568	12,279	13,046
Amount (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0
3. Rehabilitation Aid										
Number of households	441	565	485	552	657	497	528	497	571	723
Amount (in thousands of JD)	132	168	138	182	222	164	166	152	176	255
Amount (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Emergency Cash Aid										
Number of households	2,822	2,960	3,155	3,152	3,333	3,469	2,887	3,939	3,721	4,343
Amount (in thousands of JD)	350	364	387	386	519	679	579	788	805	935
Amount (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Instant Cash Help										
Number of households	1,482	4,443	3,439	4,315	6,439	7,986	7,928	6,027	6,080	5,180
Amount (in thousands of JD)	50	151	103	139	156	196	203	110	110	91
Amount (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Jordanian authorities and IMF Staff calculation.
Note: Data as of 2017, refer to estimates.

To evaluate the coverage and targeting accuracy of the 2018 cash transfer program, we deflate the nominal eligibility criteria to convert them into survey year 2013 equivalent values. We also distinguish between single-member households, as their annual income eligibility criterion is set at JD 6,000—half of the corresponding one for households with more than one individuals. The household size also matters in evaluating the targeting accuracy of the measure since the cash subsidy per capita is JD 26.4, while households that are NAF beneficiaries will receive JD 33 per capita.

The proposed cash transfer program has a broad population coverage with a large share of households belonging to the higher income deciles also benefitting from it. As a result, households belonging to the bottom four deciles are estimated to receive only 64 percent of the 2018 budget allocation of JD 171 million on this program, despite that at least 94 percent of

them are eligible. The bottom decile households are expected to receive 18.4 percent of the transfers, which suggests that there is substantial leakage of benefits to the non-poor. We estimate that 0.2 percent of GDP could be saved by targeting the measure to the bottom four deciles, thus creating fiscal space for better targeted cash transfer programs.

Appendix Table 3. Coverage and Targeting Accuracy of the 2018 Cash Assistance Program (to Replace the Bread Subsidy)

Deciles	Coverage: Population share of the decile receiving benefits (in percent)		Targeting accuracy: Share of benefits reaching the decile (in percent)	
Deciles	**Income Approach**	**Consumption Approach**	**Income Approach**	**Consumption Approach**
D1 (poorest)	99.7	99.3	18.4	15.1
D2	99.8	94.3	16.5	14.5
D3	99.2	95.0	15.3	14.4
D4	94.6	90.4	14.0	13.6
D5	85.7	83.4	11.6	12.7
D6	71.5	65.7	9.1	9.7
D7	51.2	52.7	6.4	8.0
D8	42.2	36.3	4.7	5.5
D9	27.2	29.8	2.8	4.4
D10 (richest)	14.8	14.0	1.2	2.1
Total			100.0	100.0

Source: Household Expenditure and Income Survey 2013, and IMF staff calculation.

Appendix II. Estimation for Impact of January 2018 Policy Change in Health

Appendix Table 4. Estimated Impact of January 2018 Policy Change on CIP Consolidated Income Statement for 60+ Years Old and Exempted Uninsured Patients

(in JD millions and accrual based)

	2017			2018		
	Below 60 Exempted Uninsured	Above 60 Exempted Uninsured	Total	Below 60 Exempted Uninsured	Above 60 Insured	Total
Total CIP Revenue from MOF/MOH	**20**	**12**	**32**	**20**	**23**	**43**
Affordable Price Charge 1/	20	12	32	20	0	20
Insurance Subscription 2/	0	0	0	0	23	23
CIP Expenditure referrals to other providers	**93**	**136**	**228**	**55**	**98**	**154**
Jordan University Hospital	9	9	18	0	0	0
King Founder Hospital	15	15	31	0	0	0
King Hussein Cancer Center	27	70	97	27	70	97
Prince Hamza Hospital	12	12	25	0	0	0
National Center for Diabetes	1	1	2	0	0	0
Royal Medical Service	28	28	57	28	28	57
Total government expenditure				**75**	**98**	**174**
Total budget allocation so far				**100**	**23**	**123**
Shortfall in 2018						**51**

Source: Jordanian authorities and IMF Staff calculation.

Notes: 1/ Bonus to be paid to MOH staff for uninsured patients.

2/ Insurance subscription will be used to pay CIP expenditure on other providers and are thus not final government expenditure.

Appendix III. Institutions Accumulating Health Arrears

Civil Health Insurance Fund

Civil Health Insurance Fund (CHIF) forms an integral part of public health service delivery in Jordan. It is called Civil Health Insurance Directorate with operating budget provided by the Ministry.[23] It has a separate office for financial management which is headed by a Finance Director. Most of the books and accounting records for medical claims are maintained and checked in a manual mode. MOF plans to introduce GFMIS in 2019.

Budgetary and Financial Management Issues

There are several budgetary and financial management issues in the CHIF operations which are contributing to accumulation of arrears. These issues are discussed below.

Budgetary allocations for uninsured citizens are highly unrealistic. MOH has an annual budget allocation of JD 100 million (FY 2018) to be provided to CHIF to meet its claims for uninsured citizens. However, there are no controls in CHIF, medical institutions, and RMS to ensure that such ceiling or annual budget allocation is not exceeded. The CHIF is primarily a central agency to receive all medical claims from hospitals and other institutions for insured and uninsured citizens, check them, get funding from the MOH and make payments. The budgetary contributions for uninsured patients is far below their medical claims. For example, the medical claims for uninsured citizens totaled to JD 260.5 million during 2017, while the approved budget allocation was JD 100 million and the bills paid totaled to JD 167.1 million. As a result, the stock of arrears at the end of 2017 increased by JD 94 million. Despite high level of medical claims for uninsured citizens, the 2018 budget allocation has been kept at JD 100 million. In the current situation, the arrears in the health sector will continue to rise.

Budget Summary of CHIF includes revenues and expenditures for insured citizens only. The transfers made by MOH and MOF for uninsured citizens and related expenditures are not included in the budget summary and there is no statement/summary prepared and submitted to the MOH and MOF providing estimates of transfers and expenditures for uninsured citizens. The mission could not get a report on the CHIF's receipts and payments for uninsured citizens for 2017 and previous years. It appears that CHIF is not maintaining separate records for insured and uninsured receipts and expenditures. According to CHIF the report on arrears in health sector includes only the arrears for uninsured patients; however, the report might be including some outstanding claims for insured patients as the record keeping is purely manual and there is no reconciliation and verification of outstanding claims.

[23] Regulation no. 83 of 2004 (updated) prescribes rules governing the CHIF.

Lack of automation of financial and accounting records: The mission was surprised to learn that the CHIF does not have any automated system for processing claims, payments and accounting and all records are kept manually in registers and ledgers. Automated accounting system is critical to ensure timely and accurate recording and reporting of its financial transactions and monitoring of arrears.

Weak oversight of CHIF puts its financial administration at risk susceptible to incurring arrears. The current governance and oversight arrangements are limited and lacking in several ways:

- Sound financial management at CHIF – proper structures and procedures are not in place to ensure budgetary and expenditure controls, accuracy and timeliness of maintaining claims records, sound internal controls and audit.
- Review of medical claims – the present arrangements of subjecting medical claims to review and internal audit on a sample basis are basic and needs review and strengthening.
- Limited oversight by the MOH and MOF – the overall reporting by CHIF to MOH and MOF on its financial operations needs to improve. The current focus is to send a monthly report on outstanding claims to secure necessary cash releases to make payments.

Ministry of Health (Procurement of Medicines)

The Ministry of health (MOH) is responsible for providing health care services through its public hospitals and medical centers. There has been accumulation of arrears by the Ministry for last several years as shown in the table below on budget outturn for 2014-17.

Ministry of Health Budget Outturns, 2014-2017
(in millions of Jordanian dinars)

	2014	2015	2016	2017
Total Budget	650.4	641.6	651.9	581.0
Total Budget General Order	650.4	641.6	**651.9**	**581.0**
Financial Transfer	647.8	634.9	636.8	576.1
Total Cash Released During the Year	612.7	615.2	609.7	554.0
Total Payment	612.7	615.2	609.7	554.0
Unpaid Bills	85.0	85.0	90.2	93.0

Source: Ministry of Health.

As could be seen from the table the total amount of end-year unpaid bills has increased from JD 85 million at end-2014 to JD 93 million at end-2017. The broad details of accumulated bills at end-2017 were (i) procurement of medicines (JD 51 million); (ii) Kidney Treatment bills (JD 21.5 million); (iii) utility bills etc. (JD 9 million), (iv) Hospital Catering, cleaning etc. (JD 7 million) and (v) other misc. bills (JD 5 million).

Expenditures on Medicines, Vaccines, etc. constitute a large part of health expenditure. The Joint Procurement Department of the MOH is responsible for procuring medicines. The procurement process usually starts four to six months prior to the beginning of fiscal year based on the commitment letter issued by the Ministry of Finance (GBD) to the MOH providing the commitment limit for the overall procurement of medicines, vaccines, etc. under Program #4620.

Appendix Table 5. Budget Appropriations vis-à-vis GBD Commitment Letter (JD millions)

Description	Year	Amount as per GBD letter of commitment [A]	Approved Budget [B]	Difference between B and A
Serums,Vaccines,Medicines and Medical Consumptions Program (Current + Capital) million JD Program # 4620 (excluding line 002 = controlling medicine provision)	2010	67.4	64.4	**-3.1**
	2011	63.6	59.7	**-3.9**
	2012	73.5	58.4	**-15.1**
	2013	70	51.2	**-18.8**
	2014	73.0	89.0	**16.0**
	2015	77.0	65.0	**-12.0**
	2016	95.0	99.0	**4.0**
	2017	108.0	99.0	**-9.0**
	2018	112.1	101.1	**-11.0**

Source: Ministry of Finance (GBD) and Ministry of Health (JPD).

The GBD commitment limits are not fully provided in MOH budget. The above table shows that the budget appropriations for medicines has usually been lower than the ceiling approved in the commitment letter sent by GBD to MOH for procurement of medicines. For example, the shortfall in budget appropriations for procurement of medicines during 2017 and 2018 was JD 9 and 11 million respectively. This results in JPD commitments in advance for procurements higher than budget appropriations and leading to build-up of arrears in MOH for payment of medicines.

Furthermore, the MOH budget appropriations including procurement of medicines are not fully funded by release of cash contributing to accumulation of unpaid bills at the end of year. There was an average shortfall of 5-6% in the release of cash to MOH during the last four years (2014,15,16 and 17) which has also contributed to accumulation of arrears.

Ministry of Health (Kidney Treatment Fund)

Another source of arrears in the health sector is claims relating to kidney treatment. A separate fund has been established for treatment of kidney patients in MOH hospitals. As indicated above, the outstanding medical claims for kidney patients total to JD 21.5 million at end-December 2017.

Appendix IV. Summary of Expenditure Report by Ministries and Entities (Sample Table)

Quarter/Month.....Year .....

(1) Ministries and Entities (name)	(2) Approved estimates including Supplementary and Reallocation	(3) Quarterly General Financial Orders (Budget Releases) (a) (b) (c)			(4) Commitments **(A)** **(B)** **(C)**		
		End of previous Quarter	For the current Quarter	Total Budget Releases to date (a+b) YTD	End of previous quarter	During the Quarter	Total Commitments (a+b) YTD
Ministry of Education							
Ministry of Health							

(5) Payments **(A)** **(B)** **(C)**			(6) Balance available under quarterly budget releases (3c-4c)	(7) Outstanding Commitments (4c-5c)	(8) Expenditure Projections (a) (b)		(9) Outstanding Bills for Payments
End of previous quarter	During the quarter	Total Payments (a+b) YTD			Budget Balance (2-4c)	Exp. Projection	

Director Finance/Date _____

Appendix V. Stocktaking of Expenditure Arrears

With the formulation of the strategy to prevent and control accumulation of new arrears, the MOF needs to plan for stocktaking of expenditure arrears. The commonly followed approach for stocktaking process includes the following steps.

Collection of Arrears Data

- Establish a stock-taking unit in MOF (treasury) for planning and conducting the whole exercise. The MOF unit would take the lead role and oversee the whole process.
- The unit will develop instructions, guidelines, templates for collecting arrears data as of end-December 2017; the templates may vary for different types of entities, and should be designed carefully.
- The circular would also ask the Finance Officers of respective budgetary institutions to indicate (i)the source of arrears data, and whether it has been reconciled in any manner with respective vendors; (ii) reasons for accumulation of these arrears; and (iii) measures to prevent their further accumulation.
- The data would be compiled by institutions/entities in spreadsheets (using the templates) and sent electronically to the MOF arrears unit.
- The arrears data would be certified by the Head and Finance Officer of respective institutions as true and complete account of all arrears and the availability of necessary documents for validation and verification.

Validation of Submitted Data

- The arrears unit will apply some test checks to validate/verify the submitted data, and in case there are a number of errors/omissions, the data should be returned to the respective institutions for their review, rectification and resubmission.

Develop an arrears database

- A well-structured spreadsheet database should be designed to build a record of all apparent claims, claims verified and cleared for payment, paid claims, outstanding claims, etc.

Verification of Arrears

- The arrears data should be verified to ensure that these are genuine claims, this can be undertaken with the help of internal and/or external audit.

Maintenance of Arrears Database

- The arrears database should be used fully by the treasury for clearance of arrears – only verified arrears included in the database should qualify for payment.
- The database should be kept up-to-date showing the verified arrears, discharge of arrears and subsequent additions, if any, to the stock of arrears.

Appendix VI. Commitment Register (Sample Table)

Financial Year.....

Quarter/month.....

Budget Details	**Budget Code**	**Title (Description)**
Budget Head		
Budget Sub-Head/ Entity		
Budget Item/sub-item		
Funding Institution		

BUDGET DETAILS (Current Year)

1	2	3	4	5	6
Approved Estimates	Supplementary Provision	Reallocation /virement (+)(-)	Revised Budget (1+2 +3)	Qtly. Exp. Limit to date	Budget Balance (4-5)

COMMITMENT AND PAYMENT DETAILS

1 (a)	1 (b)	2	*Commitments*			***Payment***				5	6	7	8	9
Date	PO /Invoice No.	Details	3(a) During the month	3 (b) BudgExp. ceiling	3 (c) Balance available for commitment	4 (a) Invoice /bill date	4(b) Bill amount	4(c) Payment	4(d) Other details	Outstanding commitments (3a-4c)	Bills payable	Remarks	Sign. of Finance Officer	Date

Fiscal Affairs Department

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