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DISCLAIMER

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Hashemite Kingdom of Jordan

2021 PEFA Assessment in Jordan

1 December 2021

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the ‘**PEFA CHECK**’.

PEFA Secretariat
December 3, 2021

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TEAM 102

CURRENCY and EXCHANGE RATES

Currency unit = Jordanian Dinar (JD)

JD 1 = US\$ 1.41

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

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

ACRONYMS AND ABBREVIATIONS

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

MoH	Ministry of Health
MoLA	Ministry of Local Administration
MoPIC	Ministry of Planning and International Cooperation
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PM	Prime Minister
SAI	Supreme Audit Institution
SIGMA	Support for Improvement in Governance and Management (OECD/EU)
SN	Sub-National
SST	Special Sales Tax
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
ToR	Terms of Reference
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

1. Jordan has been receiving assistance towards the improvement of public financial management (PFM) for some 15 years, principally from USAID and the European Union (EU). EU assistance, which has mainly been provided through budget support, has generally been partly conditional on the maintenance of macro-economic stability, the implementation of a continuing programme of public financial management (PFM) reform, and further improvements in the transparency of PFM. This assessment, which is sponsored by the EU, is intended to provide an overview of progress in PFM since the previous assessment in 2016, and at the same time to establish a benchmark for the future measurement of progress against the criteria set out in the Performance Measurement Framework published in February 2016 by the PEFA partners.

2. The assessment focuses mainly on **budgetary central government** (BCG - the 77 Chapters of the main budget) which accounts for over 95 per cent or more of expenditure under the control of central government bodies other than the Social Security Corporation. But it also covers at various points the revenue and expenditure of the 25 extra-budgetary Government Units (GUs) which are increasingly treated in the same way as BCG in annual budget legislation and for the purposes of expenditure and cash management. (Many of the bodies which were treated as GUs in 2016 were moved into the main budget in 2019.) Most of these bodies fulfil administrative or regulatory functions, but a few are public utilities or even trading bodies. Sub-national governments play a relatively minor role in PFM in Jordan, being responsible in total for about 6 per cent of General Government expenditure, more than half of which is attributable to the Greater Amman Municipality (GAM). The funded social security scheme functions separately outside the main budget or that for the GUs; since the scheme is not yet mature, it is running a surplus, much of which is invested in debt issued by the Government to finance the budget deficit.

3. Jordan has continued to face an extremely difficult macro-economic environment during the period covered by this assessment (2018-20). This primarily reflects the impact on Jordan's economy and society of the intensified conflicts in Syria and Iraq, which have damaged Jordan's trade and investment, and precipitated an influx of refugees who continue to impose heavy strains on Jordan's public services and public finances. The country's tax and other revenues have fallen well short of what is needed to finance the maintenance of adequate public services while at the same time meeting the infrastructure needs of a rapidly expanding population, although Revenues are now (late 2021) on an upward trajectory and is expected to exceed the pre-pandemic level in 2022. Meanwhile the proportion of GDP collected as tax revenue remains some 5 percentage points lower than it was in 2007 as a result of decisions on tax rates and exemptions. Jordan has thus remained dependent on external help from the Gulf Cooperation Council, European and North American development partners to balance its external payments and to finance significant public investments.

4. Much of the framework within which external assistance has in recent years been provided to Jordan has been set by the Stand-By (SBA) and Extended Fund Facility (EFF) arrangements concluded since 2012 with the International Monetary Fund (IMF). These arrangements have looked to achieve substantial fiscal consolidation through by increasing tax revenues, reducing the losses incurred by the electricity supply company (NEPCO), containing other current expenditures, and reprioritizing public investment. At the same time PFM improvements were to be sought by improving cash forecasting and control, especially by implementing the commitment control module of the Government Financial Management Information System (GFMS) and extending the coverage of the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ). Other achievements have been the reorganization of public debt management and publication of a new debt management strategy, more complete and transparent budget execution reporting, and production of a road map for the introduction of full accruals-based budgetary accounting.

5. This assessment shows that Jordan has generally been able since 2016 to maintain **aggregate fiscal discipline**, with effective cash and debt management, and prompt and accurate budget execution reporting. Aggregate expenditure has been kept within budgeted amounts, although at the cost of incomplete realization of capital investment plans. Actual domestic revenue has been fairly close to forecast until 2020 when there was a large shortfall as a result of the impact of the Covid 19 pandemic. The coverage of GFMS has been substantially extended, and payroll control and procurement management are generally satisfactory.

6. Continuing efforts have been made since 2016 to improve the **strategic allocation of resources**, through the preparation of strategic plans for service delivery, and the requirement for key performance indicators (KPIs) to be specified for every Department's expenditure programmes against which actual achievements are measured. For the moment, however, the KPIs for the most part are defined in terms of outputs or activities rather than outcomes in terms of service improvements, and the budget documentation does not provide any clear indication of the actions to be undertaken in order to achieve given outputs, let alone outcomes. The Government's Vision 2025 document and the successive Executive Development Programmes provide a framework within which specific decisions on investments or other actions to achieve service improvements should be fitted. The establishment in 2017 of the public investment management unit in the Ministry of Planning and International Cooperation (MoPIC) as a prior action under the EFF should have further strengthened performance. This administrative reorganisation was intended to be supplemented by systematic arrangements for the monitoring and evaluation of investment projects. Unfortunately, there is as yet no evidence of improvements through these arrangements; further new instructions were promulgated in 2020 for the identification, feasibility-testing and decision making of investment projects which will generate a pipeline of the most promising investments, but no information is available about the implementation of investment projects during the period 2018-20. More generally progress in improving resource allocation is held back by the inadequate links between strategic plans and actual decisions. Moreover, the scope for initiatives is limited by the lack of fiscal space: a very high proportion of total expenditure continues to be devoted to civil and military pay, with most of those concerned being engaged on administrative functions rather than service delivery. At the same time the relatively low proportion of GDP collected in taxes limits the availability of resources to meet the costs of service improvements.

7. High scores on PFM Indicators do not necessarily show that resources are used efficiently for **service delivery**. This assessment shows that the focus is on ensuring that correct procedures are followed rather than on good performance in providing public services. Although there are ongoing efforts to improve internal and external audit, these activities have remained mainly focused on compliance with regulations. Increasing attention is now being given to the performance of systems and to financial reporting. The resources and procedures devoted to internal control through layers of supervision of each expenditure transaction remain very considerable, although there has been some rationalization of these activities. The very high proportion of total employment in the country accounted for by employment in government services (some 40 per cent of total employment as registered for social security purposes) already raises questions about the efficient use of resources by general government; the very low proportion of women in the labour force, despite the fact that girls reach higher standards in school than boys, provides further evidence that cultural factors may stand in the way of economic and social development. Although external audit has made progress since 2016 in developing financial and performance audit alongside its traditional emphasis on compliance control, it has not yet made much impact in identifying ways to deliver services more efficiently. Internal audit is beginning to look at the performance of control systems rather than just at the incidence of non-compliance with applicable rules, but again the main focus is not on improving the efficiency of service delivery. Controls over staff numbers and payroll work efficiently to prevent errors, but there is no career planning to ensure that people with the most useful abilities and experience are available to fill demanding senior posts.

8. Overall the picture is of continuing gradual improvement in PFM since 2016 despite a very unfavourable external economic environment, at least until the advent of the Covid 19 pandemic. Financial management information systems have continued to improve, as the coverage of GFMS has been extended. An extended range of fiscal information is published promptly, although there is still scope for improvement, particularly in the reporting of public investment. The Income and Sales Tax Department has been substantially reorganized and strengthened, with new arrangements for considering appeals and resolving disputes. 75 per cent of tax filing now takes place on-line (as against 6 per cent in 2016). Tax audit is now risk-based, with specialized teams dealing with problem areas. The separate tax administrations in the special economic zones have been abolished. Measures have been taken to counter tax avoidance by misrepresenting the location of activities, and a start has been made in reducing unjustified tax exemptions. Tax arrears have been substantially reduced, and a compliance improvement campaign directed at professional groups was implemented towards the end of 2020.

9. There are good prospects for continuing improvements in PFM, supported by EU and USAID assistance. The Government's undertakings to the IMF in the context of the EFF provide further confirmation of this, and the further fiscal consolidation which is part of this programme should eventually free up resources to be used for service improvement. An improvement in the situation in neighbouring countries would offer the prospect of a stronger economy in Jordan and reduced strains on the country's infrastructure and public services, but for the time being this cannot be relied on. Meanwhile continuing efforts in accordance with the Government's PFM reform programme will be needed to realise the improvements in public investment planning, to increase tax revenues, to make internal control less burdensome, and to reorient internal and external audit work to contribute more effectively to improving the efficiency of service delivery. But it has to be recognized that PFM structures and procedures which match all the PEFA criteria for measuring good practice will not of themselves ensure the delivery of good public services: this will also depend on decisions about the amounts to be raised through taxation, and the relative priorities given to the different activities of government.

Table 1: Summary of Performance Indicator and Dimension scores

Indicators	PI score	Dim 1	Dim 2	Dim 3	Dim 4
Pillar 1: Budget reliability					
1. Aggregate expenditure out-turn	A				
2. Expenditure composition out-turn	B+	B	B	A	
3. Revenue out-turn	C	D	B		
Pillar 2: Transparency of public finances					
4. Budget classification	A				
5. Budget documentation	B				
6. CG Operations outside Financial reports	C+	C	C	B	
7. Transfers to sub-national governments	C+	D	A		
8. Performance info. for service delivery	C	B	B	D	D
9. Public access to fiscal information	A				
Pillar 3: Management of assets & liabilities					
10. Fiscal risk reporting	D+	C	C	D	
11. Public investment management	D	D*	D*	D	D*
12. Public asset management	D+	C	C	D	
13. Public debt management	A	A	A	B	
Pillar 4: Policy-based fiscal strategy					
14. Macro-econ. and fiscal forecasting	B	B	A	D	
15. Fiscal strategy	B	C	B	B	
16. Medium-term expenditure budgeting	B	A	A	C	D

17. Budget preparation process	B+	A	A	C	
18. Legislative scrutiny of budgets	C+	A	B	C	A
Pillar 5: Predictability and control in budget exec.					
19. Revenue administration	B+	B	A	A	C
20. Accounting for revenue	A	A	A	A	
21. Predictability of in-year resource allocation	B+	A	A	C	B
22. Expenditure arrears	B	B	B		
23. Payroll controls	A	A	A	A	A
24. Procurement	C+	A	D*	D*	A
25. Internal controls on non-salary exp.	A	A	A	A	
26. Internal audit	C+	A	C	A	B
Pillar 6: Accounting and reporting					
27. Financial data integrity	C+	B	D	D	A
28. In-year budget reports	B+	A	B	B	
29. Annual financial reports	B+	B	A	A	
Pillar 7: External scrutiny and audit					
30. External audit	D+	B	C	A	D
31. Legislative scrutiny of audit reports	D+	D	C	D	NA

1. INTRODUCTION

1.1. Rationale and purpose

1. For more than 15 years the Government of the Hashemite Kingdom of Jordan (GoJ) has been pursuing a wide variety of initiatives to improve different aspects of Public Financial Management (PFM), with the support of international development partners. The European Union (EU) provided 115million Euro in two programmes running from 2011 18. These programmes looked for improvements in cash flow and debt management, in budget preparation and the allocation of funds, in revenue mobilization and in transparency and accountability of revenue and expenditure. USAID has similarly supported improvements in PFM with a succession of programmes since 2009, with particular emphasis on the development of the Government Financial Management Information System (GFMIS).

2. These programmes specifically directed at PFM improvements have been overshadowed by Jordan's need for support in dealing with the consequences of the Syrian Refugee Crisis (SRC). Jordan has had to absorb a massive increase in its population, providing housing, education and health services, while its economy was held back by the loss of markets and damage to tourism consequent upon the conflicts in Syria and Iraq. Since 2011 the EU has provided over 3 billion Euro in support of different kinds, while USAID has provided some \$3 billion in cash support since 2016. The country's situation has, of course, been greatly exacerbated by the Covid 19 crisis, to which both the EU and USAID have reacted by providing substantial additional payments. Thus, the EU have disbursed 500 million Euro in Macro-Financial Assistance in 2020 and 2021, while USAID provided over \$2 billion in 2019 and 2020. The provision of support throughout this period has been conditional on the country retaining the support of the International Monetary Fund through successive Extended Fund Facility programmes requiring the maintenance of fiscal discipline and the implementation of a series of improvements in PFM.

3. Jordan has made very considerable progress in PFM over this period, an achievement recognized by both the Government and the development partners. An initial Public Expenditure and Financial Accountability (PEFA) assessment was made in 2007, and this was followed by a much more thorough assessment in 2011 which found good progress. Since then, much further work has been done, including particularly the development and implementation of GFMIS, against a background of increasing economic difficulty resulting from the civil wars in neighbouring Syria and Iraq. A further PEFA assessment completed in 2017 confirmed the progress made, while indicating that much remained to be done in strengthening medium-term fiscal planning, improving the tax system, and developing internal and external audit. The current assessment is intended to measure progress over the last five years, and to provide the basis for consideration of priorities for further action supported by the EU and other development partners.

1.2. Assessment management and quality assurance

4. The assessment has been commissioned and is managed by the EU, with the agreement of GoJ. The assessment team, presented by FCG Germany, consists of two international consultants, John Wiggins (team leader) and David Biggs, and a senior local consultant, Ms Abeer Amereh. The criteria set out in the PEFA Framework published by the PEFA partners in February 2016 have been used in this assessment. The draft report has been produced with the full cooperation of all the sections of GoJ concerned.

Summary of assessment management and quality assurance arrangements

PEFA assessment management organization

Oversight team

ORGANISATION NAME	TEAM MEMBER DETAILS
Government (MoF) representative (Chair)	Mr Amer Ahmad
General Budget Department (GBD)	Mr Mohammad Alawneh
Audit Bureau (AB)	Dr Bilal Okasheh, Asst. Sec.-Gen. for Technical Affairs
Government (MoPIC) representative	Mr Emad Shanaah, Director
Income & Sales Tax Department (ISTD)	Ms Raghad Akroush, Consultant
World Bank (WB) (Development partner)	Mr Jad Mazahreh, Senior Governance Specialist
European Union (EU) (Development partner)	Ms Betty-Diana Vargyas, Economic Advisor
UK FCDO (Development partner)	Mr Najem Ghraibeh, Economic Policy Officer
PEFA Secretariat	Ms Holy Tiana Rame, Senior Public Finance Specialist

Assessment manager: Ms Betty-Diana Vargyas-Rijnberg, EU Delegation, Amman

Review of terms of reference by Management and Oversight Team

The terms of reference were prepared by the EU Delegation, Amman (Ms Betty-Diana Vargyas-Rijnberg) in discussion with GoJ officials, Mr Amer Ahmad (Ministry of Finance), Mr Emad Shanaah (Ministry of Planning and International Cooperation), Mr Mohammad Alawneh (General Budget Department) and Dr Bilal Okasheh (Audit Bureau). They were submitted to the PEFA Secretariat on 1 September 2020. The comments of the Oversight team and of the PEFA Secretariat (received on 28 September 2020) were taken into account in the revised version issued to the assessment team.

Review of the assessment report

Date of reviewed draft report: 5 September 2021

Invited reviewers: Members of Oversight Team

Reviewers who provided comments: PEFA Secretariat (20 September 2021

Mr Amer Ahmad (MoF), Mr Mohammad Alawneh (GBD), Dr Bilal Okasheh (AB), 15 September 2021

Ms Betty-Diana Vargyas, 20 September 2021, Mr Jad Mazahreh (WB), 21 September 2021

1.3. Assessment methodology

5. The main focus of the report is on the 77 bodies (Ministries and Departments within Ministries which are presented as separate Chapters in the budget) covered by the Budgetary Central Government (BCG), which are the subject of each year's General Budget Law. However, there are also 25 Government Units (GUs) whose budgets are contained in a separate annual budget law. Some of these bodies are regulatory agencies or service providers which are self-financing or even generate surpluses, but collectively they incur a deficit which adds to overall government indebtedness. BCG and GUs together cover almost all General Government, apart from municipalities, the Jordan Social Security Corporation (JSSC), and the public universities. JSSC reports separately, and the public universities which are partly funded by fees are excluded as semi-independent. For overall reporting purposes GUs which are companies and therefore outside the GFS definition of General Government are not separated from the rest. Where a Performance Indicator or Dimension is scored on the basis of the most recent three years' experience, the period chosen is 2018-2020; 2020 is the most recent fiscal year for which full information is available. Where the score is based on the latest situation, this is at June 2021. All the 31 Performance Indicators in the 2016 Framework are assessed. The information used in preparing the report is derived from published fiscal reports, discussion with GoJ officials, and reports prepared by the IMF, EU, and World Bank (see Annex 3A below).

2. COUNTRY BACKGROUND INFORMATION

2.1. Country economic situation

1. Jordan's economy grew on average by about 6.5 per cent a year during the period 2000-09. But the global and regional slow-down following the 2008 financial crisis reduced growth to 2.3 per cent in 2010. There was a slow recovery to growth of 3.5 per cent in 2014, but in 2015 it fell back to 2.5 per cent, and averaged 2.0 per cent for the period 2016-19. The sluggish economic performance reflects the continuing severe adverse impact on Jordan of conflicts in the region, which have reduced trade, inward investment and tourism receipts while obliging Jordan to shoulder the burden of a massive influx of refugees from Syria and Iraq. Whereas official figures previously estimated the population of Jordan at less than 7 million, a census at the end of 2015 found that it was now 9.53 million, of which a third were non-Jordanian; of these 1.3 million were Syrian (of whom only 130,000 are in refugee camps) and 0.6 million Iraqi. These figures mean that income per head in Jordan is much lower than previously estimated; while previous figures put income per head at about 3,900JD in 2014, this falls to less than 2,900JD in 2015 once allowance is made for the much larger population, with virtually no increase since then. With the economy growing slowly, tax receipts are similarly held back: but the extra demands on public services remain, with no increase in resources generated to meet these demands. The consequence for Jordan has been a persistent fiscal deficit and rising public debt, made substantially worse by the Covid 19 crisis which resulted in a moderate fall in GDP and sharp deteriorations in the fiscal and external balances. The fiscal balance was also affected by action taken by the government to protect poorer sections of the population from the worst impact of the pandemic, while the external balance was partially alleviated by the impact of lower imported energy prices. Table 1 summarises some main elements of the situation. Throughout the period since the beginning of the Syrian Refugee crisis in 2012 Jordan has been heavily dependent upon the support of its international partners in containing its fiscal and external deficits. The International Monetary Fund (IMF) has played a key role in this, through a 3-year Extended Fund Facility programme agreed in 2016, which was succeeded in 2020 by a further 4-year EFF programme. A London conference in 2019 opened the way for further international support of up to US\$5 billion over the next few years. Jordan was also able to make an additional drawing in May 2020 under the IMF's emergency facility for dealing with the consequences of the pandemic.

Table 1: Selected Economic Indicators

ASSUMPTION/RISK	2017	2018	2019	2020
GDP at current market prices (JD millions)	29,400	30,482	31,597	31,025
GDP real increase (%)	2.1	1.9	2.0	-1.6
Population (millions)	10.05	10.31	10.55	10.81
GDP per head (JD)	2,925	2,957	2,994	2,871
CPI (% increase, end of period)	3.3	4.5	0.8	0.3
External current account (%GDP)	-10.6	-6.9	-2.1	-8.0
Total public sector deficit (% GDP)		-4.2	4.9	-7.4
Total net public debt (% GDP)	86.5	88.3	91.1	102.2
Total public external debt (% GDP)	40.4	39.7	39.0	45.4
Net public debt excl. SSIF (% GDP)	69.6	70.5	71.8	81.1

Sources: GGF and Central Bank of Jordan Bulletin, IMF cr21/188

2. Since 1995 Jordan has maintained the currency peg at US\$1 = 0.709 Jordanian Dinar (JD). Inflation has generally been well contained (price increases of less than one per cent in 2019 and 2020). Domestic interest rates have remained above 4 per cent, reflecting the conditions necessary to maintain the currency peg. Public and private services account for about two-thirds of GDP, while manufacturing,

mining and construction account for nearly 30 per cent, with the small agricultural sector (reflecting the scarcity of water) accounts for the remainder. Tourism is extremely important and has been very badly hit by the Covid 19 pandemic. The incidence of poverty and unemployment in Jordan remains very high. According to Jordan's Vision 2025 14.4 per cent of the population was considered to be in poverty in 2010, and this figure will not have taken into account the refugees who have since arrived in the country. The latest published labour force statistics show that 34 per cent of people of working age were employed in the formal economy in 2020 (54 per cent of men, and 14 per cent of women – among the lowest female participation rates in the world). There are about 35 per cent of adults in the informal economy (and about 80 per cent of Syrian refugees), while registered unemployment which had been fairly flat in the range 18-19 per cent in 2017-19 increased sharply during the Covid 19 pandemic to 24.7 per cent (figures from World Bank June 2021 Economic Monitor). Since there is practically no room for further employment growth in the public sector, alleviation of the problem of unemployment must depend on growth in the private sector.

3. Jordan has ambitious plans to achieve its objectives in terms of social and economic development. These were set out in the Government's Vision 2025 Programme which covers all parts of the economy and society. More immediate actions were set out in the Executive Development Programme 2016-18, which made relatively modest assumptions about economic growth, and provided a realistic diagnosis of many of the obstacles to improvements in public service delivery. This was followed by the 2018-21 Strategy for Public Financial Management Reforms, and the Economic Growth Plan 2018-22. These plans emphasized the need to improve the performance of the tax system, while increasing the benefits from Government expenditure through results-oriented budgeting.

2.2. Fiscal and budgetary trends 2018-20

4. Aggregate fiscal data are summarized in Table 2 which includes both the 77 Chapters in the main central government budget and the 25 other Government Units (GUs) which are the subject each year of a separate budget law.

Table 2: Aggregate fiscal data

	2018		2019		2020	
	JD m	% GDP	JD m	% GDP	JD m	% GDP
Total revenue – main budget	7,839.6	25.7	7,754.3	24.5	7,028.8	22.7
Domestic revenue – main budget	6,944.9	22.8	6,965.9	22.0	6,238.0	20.1
External grants	894.7	2.9	788.4	2.5	790.8	2.5
Total expenditure – main budget	8,567.3	28.1	8,812.7	27.9	9,211.3	29.7
Non-interest expenditure	7,562.9	24.8	7,699.3	24.4	7,967.9	25.7
Debt interest -main budget	1,004.4	3.3	1,113.4	3.5	1,243.4	4.0
Aggregate deficit – main budget	727.7	2.4	1,058.4	3.3	2,182.5	7.0
Primary deficit -main budget	+276.7	0.9	+55.0	0.2	939.1	-3.0
Total revenue – GUs	398.2	1.3	168.7	0.5	175.4	0.6
Total expenditure – GUs	323.9	1.1	157.7	0.5	169.7	0.6
Local Government revenue	704.9	2.3	610.7	1.9	547.8	1.8
Local Government expenditure	718.2	2.4	808.3	2.6	966.9	3.1
Deficit of NEPCO + WAJ	426.7	1.4	263.5	0.8	263.3	0.8
Social Security net surplus	1,022.6	3.4	1,092.6	3.5	923.2	3.0
Soc. Sec. holdings of Govt. debt	5,425.0	17.8	6,117.7	19.4	6,532.8	21.1
General Govt. debt net of SSIF holdings)	22,883.3	75.1	23,958.5	75.8	26,499.3	85.4

Sources: MoF Government Finance Bulletin March 2021

5. As Table 2 shows, total main budget expenditure increased moderately between 2018 and 2019, with about half the increase due to the transfer of some bodies previously treated as Government Units outside the main budget being brought within it in 2019. Domestic revenue fell slightly in 2019 after adjustment for inflation, and much more sharply in 2020 as economic activity was reduced during the pandemic, while taxes and social contributions were reduced in an effort to mitigate the adverse effects on real living standards. Local government revenue fell each year, while expenditure increased, so adding to the overall General Government deficit. The balance of revenue and expenditure of the main electricity and water authorities improved substantially between 2018 and 2019 because of the fall in world oil and gas prices. Because the main funded social security scheme is relatively recent, contribution income continues to substantially exceed benefit payments, leaving a significant surplus available in effect to partially finance the government deficit. The overall result in 2020 was a very sharp increase in total net general government debt as a percentage of GDP, and a further increase in the burden of interest payments the government has to meet. A similar increase was observed in total public debt (including debts of the water and electricity authorities), as is shown in Table 1 above. Jordan as a middle-income country does not have access to funds from International Financial Institutions on concessional terms and must therefore borrow on the domestic and external financial markets to finance its budget deficits.

6. The allocation of resources to the different main functions of government is shown in Table 3 for the main budget only.

Table 3: Functional allocation of Budgetary Central Government expenditure 2018-20

	2018		2019		2020	
Function	JD m	% GDP	JD m	% GDP	JD m	% GDP
General public services	432.2	1.4	431.5	1.4	520.2	1.7
Defence	1,208.7	4.0	1,227.8	3.9	1,316.8	4.2
Public order and safety	1,284.5	4.2	1,370.4	4.3	1,298.6	4.2
Economic affairs	411.4	1.3	475.7	1.5	436.5	1.4
Environmental protection	16.2	0.1	28.3	0.1	5.3	0.0
Housing and community amenities	246.8	0.8	158.1	0.5	187.4	0.6
Health	1,015.0	3.3	1,005.8	3.2	865.1	2.8
Recreation, culture and religion	198.1	0.6	190.6	0.6	186.1	0.6
Education	1,038.8	3.4	1,085.6	3.4	1,139.2	3.7
Social protection (incl. goods subsidies)	1,711.0	5.6	1,725.4	5.5	2,012.7	6.5
Total	7,562.7	24.8	7,699.2	24.4	7,967.9	25.7

Source: MoF Finance Bulletin March 2021 (Figures exclude interest payments)

As Table 3 shows, the allocation of resources to different functions has generally been relatively stable over time, with only the allocation to social protection (including subsidies) increasing substantially in 2020 as a result of the pandemic. The allocations to education and health are substantial as proportions of total expenditure (11 -12 per cent in 2019), although they are well below the comparable figures for most OECD countries as proportions of GDP. The apparent reduction in health expenditure in 2020 seems to be associated with some build-up of expenditure arrears.

7. The distribution of 2018-20 expenditure by economic classification is shown in Table 4. The figures are derived from the detailed tables provided as part of budget documentation and differ from the summary presentation often used which treats military expenditure as a separate category. Most military expenditure is actually payments to employees. Most of the social benefits expenditure consists of

pension payments to retired military and civil service personnel; pensions for other sections of the population, and for military and civil service personnel recruited after 1995, are paid by the Social Security Corporation and are outside the main budget. The table shows clearly how little room there is for other expenditure, once employment costs (including for the military), interest payments, and military and civil service pensions have been provided for. Capital expenditure financed from the budget was relatively limited, falling in total throughout the period, with increasing shortfalls against the original budgetary provision (see PI-2.2 below).

Table 4: Economic classification of Budgetary Central Government expenditure 2018-20

	2018		2019		2020	
Economic category	JD m	% total exp.	JD m	% total exp.	JD m	% total exp.
Employment costs	3,783.6	44.2	4,009.8	45.5	4,112.8	44.6
Purchases of goods and services	446.1	5.2	520.1	5.9	593.5	6.4
interest payments	1,004.4	11.7	1,113.4	12.6	1,243.4	13.5
Subsidies to GUs, etc.	391.7	4.6	353.0	4.0	310.0	3.4
Grants	122.5	1.4	21.1	0.2	18.9	0.2
Social benefits	1,542.4	18.0	1,633.2	18.5	1840.2	20.0
Miscellaneous expenditure	327.2	3.8	245.3	2.8	269.7	2.9
Capital expenditure	949.4	11.1	916.8	10.4	822.8	9.0
Total expenditure	8,567.3		8,812.7		9,211.3	

Source: Budget documentation for 2020 and 2021, 2020 figures adjusted from MoF Government Finance Bulletin March 2021

2.3. Legal and regulatory arrangements for PFM

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

9. **Budget preparation and execution** was governed by the Organic Budget Law No. 58 of 2008, which set out the responsibilities of the General Budget Department (GBD), a separate unit which reports directly to the Minister of Finance, but the core principles relating to revenue and expenditure management and accounting, and financial control, are specified in the Financial By-law No.3 (1994) as subsequently amended, and in the Application Instructions for Financial Affairs No. 1 (1995). Rules limiting the extent to which budgetary provision can be reallocated during the year are set out in each year's General Budget Law. A more comprehensive **Organic Budget law** No. 13 was enacted in May 2021. This sets out the duties in relation to the preparation and execution of the budget of the Ministry

of Finance, the General Budget Department, the Ministry of Planning and International Cooperation, the Civil Service Bureau, the Central Bank and the Audit Bureau. It prescribes the timetable and other arrangements for the preparation of the budget, and the content and timing of in-year and annual reports on budget execution. **Debt management** by the Ministry of Finance (MoF) is subject to the Public Debt Management Law No. 26 (2001), which envisages an overall limit on gross public debt at 80 per cent of GDP eventually to be applied as from 2024 (a limit which was exceeded in 2020). The remaining GUs (many were transferred to the Main Budget in 2019) are required by the Surplus Law No. 14 of 2021 to surrender their surpluses at the end of each year to the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ). (The use of these surpluses is shown each year in the Financing section of the Budget.) **Payment and accounting processes** are the responsibility of the Ministry of Finance. All receipts and payments which are part of the main budget flow through **the Treasury Single Account (TSA)** at the Central Bank of Jordan (CBJ). All transactions are recorded in the Government Financial Management Information System (GFMIS), including those of bodies which were transferred from the Government Units budget to the main budget in 2019. Transactions with the public take place through a commercial bank network (currently the Cairo Amman bank – a new tender is expected towards the end of 2021) contracted for a period of years and are reconciled daily with CBJ. GFMIS has a number of inter-related modules and is designed so as to ensure appropriate segregation of duties, and also ensure that contracts cannot be placed until finance has been allocated.

10. **Taxation** is administered by the Income and Sales Tax Department (ISTD), the Customs Department (CD) and the Lands and Survey Department (LSD) which is responsible for property taxes; all are separate units reporting to the Minister of Finance. Company and Personal Income Taxes are currently governed by the 2014 Income Tax Law as subsequently amended, while sales taxes are covered by the 2010 General Sales Tax (GST) Law. Customs duties are covered by the 1998 law and numerous subsequent directives, and property taxes by the 1954 law as subsequently amended. The proportion of GDP collected in taxes fell from 21.0 per cent in 2007 to 15.4 per cent in 2015, mainly as a result of exemptions from sales taxes and raising the threshold for the payment of personal income tax. For 2020 the corresponding figure was 16.0 per cent, reflecting on the one hand some tightening of loopholes, and on the other some temporary tax reductions to protect living standards during the pandemic. The latest official estimates show that the value of tax exemptions fell from 9.9 per cent of GDP in 2019 to 8.8 per cent in 2020. Most of this amount (7.2 per cent) was due to reduced rates of sales tax and customs duties, and other concessions on indirect taxes; although the annual threshold for personal income tax for a taxpayer with dependants has been reduced from 24,000JD to 20,000JD, there were still only 517,000 taxpayers in 2020 out of a population of 10.2 million. In 2021 the separate tax administrations covering the Aqaba and Petra special economic zones have recently been abolished, in accordance with the IMF programme, substantially reducing businesses' scope to reduce their payments by gaming the system.

11. **Personnel management and payroll** are subject to the Civil Service By-Law for Human Resources Management and the payroll instructions in each Department. An annual by-law alongside the main budget law sets the numbers and grades of all employees of all Departments. Responsibility for **public procurement** is divided between the Ministry of Public Works and Housing whose Government Tenders Department manages almost all building and civil engineering procurement in accordance with the Government Works By-Law No. 71 (1986) as subsequently amended, the General Procurement Department (GPD) of MoF which manages purchases of goods and services, including medical supplies, in accordance with the Public Procurement By-Law No. 28 issued in November 2019. This new by-law also made provision for new machinery to resolve procurement complaints.

12. **Internal control and internal audit** are covered by Financial By-Law No. 3 (1994) as subsequently amended, and by Financial Control By-Law No. 3 (2011). These have been supplemented by the Amended By-Law for Financial Control No.11(2014) and Prime Minister's Instruction No. 9 (March 2015) which clarify the concepts of internal audit and internal control and set out how each is to be applied

in practice. There is currently a heavy apparatus of control, with every payment required to be checked before it is made, by the Department's internal control unit and also by an internal controller from MoF stationed in the Department. (The further ex ante approval previously required from the Audit Bureau (AB) has now been largely discontinued within the Government nevertheless continues to be applied at municipal level.) Work on internal audit is being developed across government Departments, coordinated by a unit of the MoF Control and Inspection Directorate. Regular reports about the performance of the internal control and audit functions are made by all Departments to MoF. **External Audit** is governed by the Audit Bureau (AB) Law No. 28 (1952) as subsequently amended; the Bureau's independence has been somewhat strengthened by a 2018 amendment which prevents the Government from dismissing its head without specific royal approval. The work of the **National Assembly in relation to budgeting, accounting and audit** is defined by the Assembly's own internal regulations. There are no specific arrangements for public participation in the formulation of the budget.¹³The Judiciary is independent of both the Executive and the Legislature; judges are appointed by the separately constituted Judicial Committee; special Courts have been established to hear appeals against the decisions of the tax authorities which have not been resolved administratively.

2.4. Institutions involved in PFM

14. Jordan's main government budget (Budgetary Central Government) has 77 Chapters which are either whole Ministries or self-contained parts of Ministries. The annual budget law sets a limit to the expenditure on each Chapter which cannot be exceeded without the National Assembly's agreement to a revision of the law. In addition, there are currently 25 Government Units (GUs) each established under separate legislation which perform public functions. A separate annual budget law is approved each year by the National Assembly covering the revenue and expenditure of these Units. Some of these units are regulatory bodies, some have specific responsibilities for promoting aspects of economic and/or social development, and others are public utilities. Government employees recruited before 1995 are covered by unfunded pension arrangements which affect only the expenditure side of the main budget. All government employees are covered by the Health Insurance Fund, a GU into which they contribute 3 per cent of their earnings. The general population, including government employees recruited after 1995, are covered by the social security arrangements (pension, unemployment, industrial injury and maternity benefits) provided by the country's Social Security Corporation which is financed by employer and employee contributions currently (2020) set in total at 21.75 per cent of earnings up to a ceiling of 38,232 JD per year (14.25 per cent paid by employers, 7.5 per cent by employees). The 10 public universities receive an annual subsidy through the Ministry of Higher Education and Scientific Research however are not treated as GUs or reported as part of the General Government sector. In the category financial public corporations, the Central Bank of Jordan is treated as a GU; there is also the Cities and Villages Development Bank (CVDB) created by the Government, but not treated as a GU, which channels funds to municipalities, and may provide them with loans or overdraft facilities subject to the approval of the Ministry of Local Administration (MoLA).

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

by MoLA and MoF. Table 5 sets out the total amounts of revenue and expenditure for the whole public sector in 2020, and Table 6 presents a consolidated picture of central government.

Table 5: Structure of the public sector: actual revenue and expenditure (JD millions)

2020	Main Budget	Government Units	Social Security Corporation	Higher Education	Financial public corps.
Central Government	77 Chapters Rev:7,029 Exp:9,211	25 Units Rev: 363 Exp: 620	1 Unit Rev: 2,322 Exp: 1,399	10 Units Rev: 491 Exp: 498	Central Bank CVDB
Greater Amman Mun.	1 Unit Rev: 244 Exp: 411				
Aqaba & Petra	2 Units Rev: 48 Exp: 66				
Other municipalities	100 Units Rev: 256 Exp: 490				

Sources: Budget documents, GGFB March 2021

Table 6: Consolidation of central government expenditure: actual revenue and expenditure (JD millions)

2020	Budgetary Central Government	Government Units	Social Security	Higher Education	Aggregate total
Revenue	7,029	363	2,322	491	9,808
Expenditure	9,211	620	1,399	498	11,331
Transfers to other CG units	-312.5(Soc. Sec) -85.0 (univs)				
Overall debt	33,032.1				26,499.3
Financial assets	1,336.0		6,532.8		
Nonfinancial assets	No information				No information

Source: GGFB March 2021

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

those of the GUs contain projections in comparable detail of revenue and expenditure during the two following years. As part of recent plans to improve the management and financing of public investment, a separate Fiscal Commitments Unit was established in May 2020 to ensure control of contingent liabilities, including those arising from public investments financed through Public-Private Partnerships (PPPs).

17. The lead on long-term planning is taken by **the Ministry of Planning and International Cooperation** (MoPIC), which was responsible for the preparation of the country's Vision 2025 plan for economic and social development and for the Government's Economic Growth Plan 2018-2022. MoPIC coordinates public investment planning in consultation with GBD; final decisions on major projects are taken by a Committee chaired by the Prime Minister. A separate unit has recently been established to coordinate the management of public investment, overseeing the preparation of a pipeline of possible projects which satisfy demanding criteria in terms of costs and benefits and so could be approved for financing either from the budget or through PPPs. MoPIC is also responsible for relations with development partners, including securing their help in managing the continuing Syrian Refugee crisis.

18. The numbers, grading, pay and allowances of all government employees are determined by an annual by-law alongside the budget prepared by the **Civil Service Bureau** (CSB) in consultation with GBD. All appointments and promotions require the approval of the CSB. External audit is undertaken by the **Audit Bureau** (AB) established under Article 119 of the Constitution. Much of its work is on compliance checking of individual transactions, but as it has disengaged from ex ante examination of transactions it has developed its financial audit work and begun to develop performance auditing. All GUs are within AB's field of audit, although some of them produce annual financial statements which are audited by private sector auditors. AB reviews their financial statements and audit reports and submits recommendations to the Prime Minister's office. AB's annual report used normally to be submitted to the National Assembly in March each year, based on its audit of individual transactions during the previous year; it did not give an Opinion on the Government's final budget accounts, which would not have been completed within this timescale. However, in its report on 2015 submitted in the autumn of 2016 it did for the first time give an opinion on the accounts for that year, and it has since given opinions on each year up to 2019 (the report on 2020 is expected to be submitted to Parliament in November 2021).

3. ASSESSMENT OF PFM SYSTEMS

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

PILLAR 1 BUDGET RELIABILITY

The first three performance indicators of the 2016 PEFA Framework assess the reliability of government budgets essentially by comparing the actual expenditure and revenue outturns with the originally approved budgets. The budget has to be reliable insofar as actual expenditure and revenue need to be close to what was originally intended, planned and approved. The three indicators assess the extent to which the budget is realistic and implemented as intended by considering the financial years 2018, 2019 and 2020.

PI-1: Aggregate expenditure outturn

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

Indicator PI-1	2016 score	2021 score	Justification for 2021 score	Performance change and other factors
Aggregate expenditure out-turn compared to original approved budget	A	A	Actual expenditure fell short of budget by less than 5% in 2 of the 3 years 2018-20	No change

Comparison of actual aggregate expenditure against the originally approved budget shows that actual expenditure deviated from the original budget by -5.0% in 2018, -4.8% in 2019 and -4.1% in 2020. Since the difference was less than 5% in two of the three years, score is A.

Table 3.1 Budget execution rate for total expenditures

FIGURES IN MILLION JD	2018	2019	2020
Originally approved budgeted total expenditure	9,019	9,255	9,607
Actual expenditure	8,567	8,813	9,211
Difference between actual & originally approved budgeted expenditure	-452	-442	-396
Actual aggregate expenditure as % of originally approved budgeted expenditure (%)	95.0%	95.2%	95.9%

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

PI-2 Expenditure Composition Outturn (scoring method M-1)

This indicator measures the impact of in-year budget reallocations on the composition of expenditure. There are three dimensions and the M1 scoring method is used for combining dimension scores. The variance is calculated by adjusting each original budget line by the overall difference between budget and out-turn, and then summing the absolute differences between these adjusted amounts and the

actual expenditure on each line, which is then expressed as a percentage of total actual expenditure. Interest payments are excluded from dimension 2.1, notwithstanding included for dimension 2.2.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-2 Overall score	C+	B		
2.1 Expenditure composition out-turn by function	A	B	Variance of composition was less than 10% in 2 of the 3 years 2018-20	Variance was less than 5% in 2013-15
2.2 Expenditure composition out-turn by economic type	C	B	Variance of composition was less than 10% in all 3 years 2018-20	Variance exceeded 10% in 2013-15
2.3 Expenditure from contingency reserves	A	A	Amounts charged to contingency averaged 0.6% of original budgets 2018-20	No change

2.1 Extent of the variance in expenditure composition during the last three years, excluding contingency items

In terms of the first dimension, the variances in the functional composition of expenditure were 5.1% in 2018, 5.1% in 2019 and 10.6% in 2020 (a detailed functional analysis table is shown in Annex 4 below). Since the functional expenditure composition variance was less than 10% in 2 of the 3 years, the score for dimension 2.1 is B. The detailed tables show that expenditure on housing and health tended to fall short of budget, while expenditure on social protection exceeded original budget. The larger variance in 2020 was largely the result of higher expenditure on social protection in response to the Covid 19 emergency.

2.2 Expenditure composition outturn by economic type

The variances in the economic composition of expenditure were broadly similar to the functional variances. They are calculated as 7.2%, 7.5% and 9.8% for the years 2018-20 respectively. These results produce a B score since the variance is less than 10% in each of the three years. In each year the most significant absolute and relative variance against original budget was experienced in the area of capital expenditure where actual expenditure fell well short of budget in all three years. It appears that there was less variation in the relative shares of the other expenditure categories than in 2013-15. Detailed figures are shown in Annex 4.

2.3 The average amount of expenditure actually charged to the contingency vote over the last three years

Jordan makes very limited use of a Contingency vote (the largest amount being 170 million JD out of total original budget of 9.6 billion JD (1.7%) in 2020 (see Table 3.4 below). The vote appears as a separate programme in the Ministry of Finance Chapter of the budget under the heading "Contingent Expenditure Programme" Given the small percentage of budgeted expenditure (the average over the three-year period being 0.6%) the dimension score is A.

Table 3.2 Use of contingency vote (in million JD and % budgeted expenditure)

YEAR	CONTINGENCY ESTIMATE	CONTINGENCY ACTUAL	ORIGINAL BUDGET 2	ACTUAL EXPENDITURE
2018	125	70	9,019	0.8%
2019	100	48	9,256	0.5%
2020	170	50	9,607	0.5%

Source: Annual Budget Laws, Annual financial statements

PI-3: Revenue out-turn (scoring Method M2)

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-3 Overall score	C+	C		
3.1 Aggregate revenue out-turn	C	D	Out-turn was outside range 92%-116% of budget in 2 of 3 years 2018-20	Large revenue shortfall in 2020 due to Covid 19.
3.2 Variance of revenue composition	B	B	Variance of revenue composition exceeded 10% in only one of 3 years 2018-20	No change

The indicator contributes to the assessment of budget reliability by considering the accuracy of revenue forecasting. It incorporates both a comparison of budgeted and actual aggregate government revenue and an analysis of changes in revenue composition from budget to outturn. The detailed data for the three - year period ended 31 December 2020 are shown in Annex 4. The summarised results matrix is in Table 3.3 below. Revenue forecasting is the responsibility of MoF: a new Macro-Fiscal Unit is being established in accordance with the IMF EFF programme to strengthen the Government's macro-economic and fiscal forecasting capacity, which it is intended should be operational in the first quarter of 2022. In 2018 and 2019 tax revenues accounted for about two thirds of total domestic revenues, with a further 20 per cent accruing from sales of goods and services and income from property. In 2020 sales and property revenue fell back sharply, with the result that tax revenues constituted almost 80 per cent of domestic revenues. Indirect taxes produced more than three quarters of tax revenue; there are numerous concessions and exemptions from both indirect and corporate income taxes, while the threshold for personal income tax is about eight times average income per head. Recently produced estimates show the impact of tax concessions and exemptions in 2020 at about 2.7 billion JD (nearly 50 per cent of actual tax revenue), or 8.8 per cent of GDP.

Table 3.3 Results Matrix

YEAR	TOTAL REVENUE DEVIATION	COMPOSITION VARIANCE
2018	92.3%	8.0%
2019	90.1%	8.0%
2020	82.1%	13.6%

Source: Annual Budget Laws & Annual financial statements

3.1 Aggregate revenue out-turn

Budgeted and actual revenue are shown in Table 3.4 below.

Table 3.4 Budgeted and actual revenue, 2018-2020 (JD millions)

	2018		2019		2020	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
Total tax revenue	5,145.9	4,535.5	5,273.2	4,403.4	5,651.0	4,958.7
Actual tax revenue as % of budget		88.1%		83.5%		87.8%
Other domestic revenue	2,650.1	2,409.4	2,736.7	2,562.5	2,103.0	1,279.4
External grants	700.0	894.7	600.0	788.4	806.9	790.8

Total revenue	8,496.0	7,839.6	8,609.9	7,754.3	8560.9	7,028.9
Actual revenue as % of budget		93.3%		90.1		82.1

Source: Budget documents, GGFB March 2021

The table shows that, in the three years covered by the assessment, the aggregate revenue differences were -7.7%, -9.9% and -17.9% % respectively. Since actual revenue was between 92% and 116% of budgeted revenue in only one of the three years, the score for dimension 3.1 is D.

3.2 Revenue composition out-turn

The revenue composition variances were 8.0%, 8.0% and 13.6% respectively in the three years 2018-20. This corresponds to a PEFA score of B as two of the three variances were less than 10%. Tax revenue fell short in all three years, with the largest shortfall in 2019. External grants substantially exceeded budget in 2018 and 2019, while revenue overall declined, while in 2020 there were large shortfalls on property income and sales of goods and services, again reflecting Covid 19. Score: B

Pillar Two: Transparency of public finances

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

PI-4: Budget classification

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

PI-4	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Budget classification	D	A	Budget formulation, execution and reporting are based on economic, administrative, functional and sub functional GFS/COFOG classifications.	Economic classification of expenditure is now complete, including military expenditure.

Revenues are broken down by the 2-digit GFS economic classification. The 2016 PEFA report found that the economic classification of expenditure was incomplete, with some 25 per cent of total expenditure classified as "military", which is not an economic classification. Although summary tables continue to show military expenditure as a single figure, the detailed Tables 15 (current expenditure) and 17 (capital expenditure) in the main 2021 budget summary now allocate all expenditure, including military, to GFS economic categories. Administrative, Functional and sub functional breakdowns are complete, and consistent with GFS/COFOG classifications of expenditure. Score: A

PI-5 Budget documentation

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

INDICATOR	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
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PI-5	Budget documentation	B	B	All 4 basic elements presented plus 5 others	2 additional elements provided (Previous year's out-turn and cost of tax exemptions)
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The Draft General Budget Law of 2021, the Draft Detailed volume of the Budget Law, the Draft Law of Government Unit Budgets were presented to the House of Representatives (HoR) on November 30, 2020. Table below shows the information included in these documents and is compared to the key elements.

Table 3.5 Information in Budget documentation for 2021

ELEMENTS REQUIRED	FULFILLED	DOCUMENT
Basic Elements:		
1. Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	The first Summary table provides a forecast of the 2021 budget deficit (1,970m JD)
2. Previous year's budget outturn, presented in the same format as the budget proposal.	Yes	A series of tables show for the last completed year (2019) actual revenue and expenditure, the expected out-turn for the current year (2020), the budget estimates for the coming year (2021), and projections for the two following years (2022 and 2023). Revenue breakdown follows GFS, while expenditure tables show administrative, economic and functional/subfunctional breakdowns for the 5 years 2019-23.
3. Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	As explained in Element 2 above the tables show the expected out-turn for the current year in the same format as the budget for the year ahead.
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. (Budget classification is covered in PI-4.)	Yes	See Element 2 above.
Additional Elements:		
5. Deficit financing, describing its anticipated composition.	Yes	The budget summary shows how the deficit is to be financed, alongside the refinancing of previous borrowings as they mature.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	No	The Government's policy is to maintain a fixed exchange rate for the Dinar against the US dollar (\$1 = 0.71JD). Forecasts are provided with the budget of GDP growth and inflation, but not interest rates.
7. Debt stock, including details at least for the beginning of the current fiscal year presented in	Yes	The Draft General Budget Law included the outstanding external debt for the years 2018-2020, the net domestic debt for the years 2018-

ELEMENTS REQUIRED	FULFILLED	DOCUMENT
accordance with GFS or other comparable standard.		2020, and debt financing the budget for the years 2019-23.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	No	There was no information on government financial assets in the budget documentation for 2021. However, information on the government's financial position (assets (bank deposits, etc but not advances, tax arrears or the value of shareholdings) and liabilities) was included in the annual Financial Statements for 2019 published on the website of MOF and sent to the HoR in November 2020.
9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structured financing instruments such as public-private partnership (PPP) contracts, and so on.	No	Contingent liabilities for 2019 are shown on the MOF website under the final account icon. There is no clear mention of any contingent liabilities embedded in structured financing instruments such as PPP contracts, although a Contingent Liabilities Unit was established in MoF in 2020, and projects have to be approved by the Council of Ministers.
10 Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	Yes	The Budget Speech for 2021 included an explanation of the budget implications of new policy initiatives.
11. Documentation on the medium-term fiscal forecasts.	Yes	The Draft budget document included the budget details of information on budget year 2021 and indicative figures for 2022 and 2023 (MTEF).
12. Quantification of tax expenditures.	Yes	The main budget tables for 2021 contain an analysis of the costs of tax exemptions of different kinds in 2019 (the latest year for which actual data were available).

PI-6 Central government operations outside financial reports

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-6 Central Government operations outside financial reports	C+	C+		

6.1 Expenditure outside financial reports	C	C	Public universities' expenditure (5.4% of 2020 total main budget expenditure) is not included	No change
6.2 Revenue outside financial reports	C	C	Public universities' revenue (7.0% of 2020 main budget revenue) is not included.	No change
6.3 Financial reports of EBUs	B	B	Only universities' expenditure which amounted to less than 25% of total EBU expenditure not reported within 6 months of year-end.	Universities 2020 reports delayed by impact of Covid 19 but data eventually received.

6.1 Expenditure outside financial reports

The expenditure of the Government Units (GUs) which are not included in the main central government budget is all reported in final accounts in the same way as that of Ministries and Departments which are included in the main budget. The Social Security Corporation (SSC) published its audited annual financial statements for 2020 on 29 June 2021. The only expenditure by bodies subordinate to the central government which is not the subject of a financial report is that of the 10 public universities, whose expenditure as reported to the Ministry of Higher Education and Research amounted in aggregate to 498m JD in 2020, equivalent to about 5.4 per cent of main budget expenditure in that year. According to the PEFA criteria, the score for this dimension is C when this amount is between 5 per cent and 10 per cent of main budget expenditure.

6.2 Revenue outside financial reports

Just as public universities' expenditure is not the subject of a consolidated financial report, their revenue, which amounted to 491m JD in 2020, equivalent to 7.0 per cent of main budget revenue, is similarly not covered, again indicating the score C.

6.3 Financial reports of extra-budgetary units

All GUs and also the public universities should submit their individual financial reports to their sponsoring Ministries or Departments within three months of the end of the fiscal year in accordance with the requirements of Article 23 of the new Organic Budget law, while SSC information is available within the same timescale. All these bodies apart from universities submitted their 2020 reports in the required timescale. But information had still not been received from Universities at the end of June 2021. Information eventually received showed that universities represented 24 per cent of the 2020 total of GU (170m JD), SSC (1,399m JD) and universities' (498m JD) expenditure. Thus, more than 75 per cent of EBU expenditure was reported within 6 months of year-end, for which the score is B.

PI-7 Transfers to sub-national governments

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-7 Transfers to subnational governments	A	C+		

7.1 System for allocating transfers	A	D	Transfers are allocated by an objective formula, whose results are predictable, but the details are not transparent.	No underlying change
7.2 Timeliness of information on transfers	A	A	Municipalities are informed before end-October of the following year's transfers.	No change

In Jordan sub-national government comprises 100 municipalities plus the Greater Amman Municipality (GAM) which, as the capital city, enjoys a pre-eminent position in local government. There are also 12 governorates which are deconcentrated units of central government and included in the General Budget Law.¹ The municipalities (other than Amman) vary significantly in size and are divided into three categories as follows:

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

Category 2 – centres of district or towns with a population of more than 15,000 (61)

Category 3 – centres of sub-districts or towns with a population of less than 15,000 (27)

The municipalities and their fiscal relationship to central government are regulated by the Law of Municipalities 41/2015. Their functions include local roads, street lighting, sewage disposal, refuse collection, markets, licensing and public parking. They also have responsibilities in promoting and controlling local economic development. In principle, and in the letter of the law, municipalities are financially independent, but they do rely on central government transfers to supplement their own revenues. Administratively, they relate to the Ministry of Local Administration (MoLA). Another important institution is the Cities and Villages Development Bank (CVDB) which acts as a financial intermediary between the central government and the municipalities. Total revenue and expenditure of local governments in 2019 and 2020 are summarized in Table 3.x below.

Table 3.6 Revenue and Expenditure of Local Governments (JD million)

	REVENUE 2019	EXPENDITURE 2019	REVENUE 2020	EXPENDITURE 2020
Greater Amman	272.4	421.0	243.9	411.3
Other municipalities	251.2	308.1	255.9	489.7
Aqaba and Petra	87.1	79.2	48.0	65.9
Total Local Governments	610.7	808.3	547.8	966.9

Source: GGFB

7.1 System for allocating transfers

Local governments receive much of their revenue from local sources, including licence fees and revenues derived from their assets. They are also entitled under Articles 20 and 21 of the 2015 law to 50 per cent of fees and taxes levied on oil products, and 40 per cent of the proceeds of vehicle licences. Under Article 23 the amounts accruing to local governments other than Amman are to be distributed according to a formula approved from time to time by the Council of Ministers, which must have regard to eight factors. These are the category, the area and population, location and geographical characteristics, revenue generating capacity, development needs, limited resources, non-local responsibilities, and outstanding performance of its duties and responsibilities. CVDB considers that municipalities have sufficient information for budgeting purposes to predict their share of the total available, although the

¹ This status may change under decentralisation plans.

detailed formula coefficients are not disclosed and may be adjusted by the Council of Ministers. Funds are transferred from MoF to the CVDB which distributes them according to the formula. 195million JD were distributed in 2019, but in 2020 only 105million JD were transferred out of 210million originally budgeted. While the horizontal allocation of all transfers to local governments is in normal circumstances predictable, the absence of transparency in the allocation results in the score D.

7.2 Timeliness of information on transfers

The overall allocation to municipalities is determined as part of the annual budget negotiations between GBD and spending Ministries. The process is initiated by the first Budget Circular (see PI-17.1 below); thereafter, and depending on its negotiations with GBD, MoLA notifies municipalities in August each year of the transfers they can expect. The municipalities then prepare their budgets for the following year for approval by the Minister (Article 26 of the 2015 law). This process takes place in advance of the submission of the following year's budget proposals to the National Assembly and is not dependent on the timing of the enactment of the budget. This timetable was followed for 2020. Thus the necessary information is provided long before the end of October each year, leaving municipalities adequate time to finalise their budgets and submit them to MoLA for approval. Since information on transfers is provided to municipalities in good time each year, the score for this dimension is A.

PI-8 Performance information for service delivery

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-8 Performance reporting for service delivery	C	C		Performance improvement
8.1 Performance plans for service delivery	B	B	Ministry Estimates show intended outputs or actions for the budget year and 2 subsequent years, but not outcomes.	No change
8.2 Performance achieved for service delivery	B	B	Ministry Estimates show actual performance for the previous year, and the targets and expected actual performance for the current year.	No change
8.3 Resources received by service delivery units	D	D	No information is collected about the resources received by individual schools and health clinics.	No change
8.4 Performance evaluation for service delivery	D	D	The Audit Bureau has undertaken a number of Performance audits, mainly directed at the impact of specific activities on the environment and sustainable development. But the coverage	The range of the Audit Bureau's performance audit work has been extended.

		during 2018-20 does not aggregate to 25 per cent of budget expenditure.	
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8.1 Performance plans for service delivery

For the purposes of the budget documentation all the activities of all Ministries or Departments are broken down into programmes, with key performance indicators (KPIs) setting out the actions to be undertaken and the outputs produced. The 2021 budget documentation shows for each Ministry the actual performance in 2019, the 2020 targets and expected actual performance, and the targets for 2021, 2022 and 2023. In many cases these indicators are specified in terms of administrative actions (e.g. numbers of officials to be trained), although in others they are concerned with outputs (e.g. rate of bed occupancy in hospitals, percentage of children inoculated against infectious diseases). But they are not generally specified in terms of outcomes (e.g. reductions in the incidence of diseases, increase in the number of students achieving specific academic standards). An A score requires both outputs and outcomes to be specified for 75 per cent of Ministries or Departments; outputs are sufficient for the score B. It should be noted that although the outputs to be achieved are specified in every case in the documentation attached to the annual Budget Law, this documentation does not generally explain what actions are to be taken to achieve them; thus increases in hospital bed occupancy could be achieved by treating more patients (for which there may be no demand) or by rationalising hospital provision (so making it possible to devote more resources to primary healthcare provision), but the documentation does not provide any further explanations. Since outcomes are not generally specified, score for this dimension is B.

8.2 Performance achieved for service delivery

The detailed budget documentation for all Ministries and Departments for 2021 includes in addition to KPIs for 2021 and the two subsequent years, the targets and the values expected to be achieved for the same KPIs in 2020 and the values actually achieved in 2019. The achieved values for 2020 will be published with the budget documentation for 2022. Again, these are generally in terms of outputs but not outcomes, so again the score is B.

8.3 Resources received by service delivery units

An A score requires that information on the resources received by individual front-line service delivery units (SDUs) of at least two large Ministries (typically Education and Health) is collected and recorded, disaggregated by sources of funds, and compiled into a report at least annually. If only one large Ministry is covered, the score is B. If a survey has been carried out in the last three years to obtain estimates of the resources received by SDUs of at least one large Ministry, the score is C. In Jordan no information is publicly available about current expenditure on health and education by Governorate, and there is apparently no question of the actual annual revenues and costs of individual schools or health clinics being reported. It is possible that information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual SDUs could be extracted from GFMS, but for the time being this has not been done. Thus, the score remains D, as in 2016.

8.4 Performance evaluation for service delivery

This dimension asks what independent evaluations have been made of the efficiency and effectiveness of service delivery. Performance audits by the Audit Bureau (AB) are taken into consideration in this dimension. An A score requires that independent performance evaluations have been undertaken covering 75 per cent of Ministries and Departments during the last three years. Lower scores are given for reduced coverage. AB's 2018 report included performance reports on some particular activities of 7 Ministries, with a focus on their impact on the environment and on the country's sustainable development. The 2019 report contained a further 6 Performance reports covering building and infrastructure maintenance, waste management (also at municipal level), marine environmental

management, and the impact of the institutional framework in combatting corruption in the health sector. However, coverage of the delivery of main public services has so far been limited, and the aggregate over the three years 2018-20 does not reach 25 per cent of annual budget expenditure. Score: D

PI-9 Public access to fiscal information

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-9 Public access to fiscal information	B	A	All 5 basic elements are provided, and 3 others	Two further elements (Pre-budget statement and other audit reports) now published.

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

Table 3.7 Criteria on Public Access to Key Fiscal Information

ELEMENTS OF INFORMATION	FULFILLED	AVAILABILITY OF INFORMATION
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	Yes	The budget proposal is made available on the GBD website in 1-2 days from the date it is sent to the National Assembly. The budget speech and the proposal (summary) are published in the newspapers, and the budget debate is televised. The 2020 budget proposals were published on 28 November 2019.
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	Once the budget law is approved by the National Assembly, it is published on the GBD website within 1-2 days. The approved 2020 budget was published on 2 February 2020.
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Yes	The "General Government Finance Bulletin" which is prepared by MoF and is available in print and on the website (http://www.mof.gov.jo) published monthly usually by the end of the following month provides information on expenditures, revenues, and public debt, usually within a month of their availability.
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	Yes	The Main Budget final account for the year 2020 was published on the MOF website on 23 March 2021, and that for GUs on 28 June 2021.
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the	Yes	The AB receives the annual financial report from MoF within six months of the fiscal year's end. Its main report for 2019 was published when submitted to the National Assembly on 15 December 2020.

public within twelve months of the fiscal year's end.		
Additional elements		
6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year.	Yes	The First Budget Circular sets out the main parameters for the next year's budget, and is published when issued, normally in May each year, on the GBD website. As explained in PI-17.1 below, the first Circular for the 2021 budget was published on 6 April 2020.
7. Other external audit reports. All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	Yes	The Audit Bureau publishes other reports at its discretion. The report on the 2020 Final Accounts was published on 24 June 2021.
8. Summary of the budget proposal. A clear, simple summary of the executive budget proposal or, the enacted budget accessible to the non-budget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	Yes	Citizens' Guide to 2020 budget was published on 19 February 2020, following enactment of the budget on 2 February.
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	No	These forecasts are usually prepared for the purpose of preparing the budget. This process takes a long time until the budget is submitted to the HoR, and the budget speech is delivered and published, with the forecasts being part of it.

Pillar Three: Management of assets and liabilities

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

PI-10 Fiscal risk reporting

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-10 Fiscal risk reporting	C	D+		
10.1 Monitoring of public corporations	C	C	Government receives financial reports for most public corporations within 9 months of year-end.	No change
10.2 Monitoring of subnational governments	C	C	Unaudited reports are published by a majority of municipalities within 9 months of year-end	No change
10.3 Contingent liabilities and other fiscal risks	C	D	Fiscal risks are analysed in the IMF's reports on the Jordan economy, but have not been covered in the Government's financial reports. Large PPP commitments have not been reported.	Probably no underlying change

10.1 Monitoring of public corporations

In Jordan all Government Units, including those which supply goods or services as well as those performing regulatory or other non-market functions, are required in accordance with the Surplus Laws (2007 and 2015) to keep their bank balances in the Treasury Single Account, and to surrender any surpluses to MoF. All make reports on their financial situation to the government at least quarterly, with the large majority reporting monthly, as well as submitting annual financial reports. The Government submits a consolidated annual statement of the accounts of all GUs to the National Assembly, with the same breakdown of information as is provided in the annual budget law. Many of the GUs with non-market functions were transferred to the Main Central Government Budget in 2019; of those which remain, by far the most important public enterprises are the National Electric Power Corporation (NEPCO) and the Water Authority of Jordan (WAJ). Nine other GUs (apart from the Central Bank) are constituted as companies (three water companies, an electricity generator, the Airport company, a railway company, the postal service, an agricultural supply company, and the Amman Stock Exchange). Since 2013 NEPCO has incurred substantial losses in most years as a result of the costs of generation exceeding the prices paid by consumers which are controlled by the government. (A small profit was achieved in 2019 as a result of the collapse in world oil prices.) Meanwhile WAJ has continued to incur deficits each year as its investment needs far outstripped its water supply charges. Overall GUs incurred deficits of 352mJD, 252mJD and 258mJD for the three years 2018-20. Borrowing by GUs is guaranteed by the Government and included in public debt statistics (see Table 2, Chapter 2 above). The 2020 financial results of those GUs constituted as corporations are shown in the following table.

Table 3.8 Public Corporations 2020 revenue and expenditure

CORPORATION	TOTAL REVENUE (JDM)	TOTAL EXPENDITURE (JDM)	DATE OF PUBLICATION OF AUDITED REPORT
NEPCO	125.4	159.1	No report yet for 2020
WAJ	62.2	251.1	No report yet for 2020
Hejaz Railway	1.8	1.4	No report
Post Company	5.9	9.3	No report
Amman Stock Exchange	2.2	2.7	25 April 2021
Airports Company	3.6	3.6	No report
Miyahuna Water Company	141.9	131.4	No report yet for 2020
Yarmouk Water Company	32.3	34.6	Last report for 2018

Aqaba Water Company	15.7	12.5	No report yet for 2020
Samra Electric Power Company	50.5	32.5	20 April 2021
Silos and General Supply Company	12.9	8.1	No report

Source: MoF and websites

An A score for this dimension requires, in addition to an annual consolidated report on the financial performance of those GUs which charge for the supply of goods and services (and therefore qualify to be treated as public corporations), that all (i.e. at least 90 per cent) of the GUs concerned publish audited financial reports within six months of year end. For a B score most PCs must publish audited reports within 6 months of year-end. Since this benchmark for audited reports is not achieved, the score is C. (2019 data would not show a significantly different picture.)

10.2 Monitoring of subnational governments

As noted in PI-7 above, municipalities receive financing from central government through the Cities and Villages Development Bank (CVDB), from which they may borrow, subject to approval by the Ministry of Local Administration (MoLA). The most recent consolidated information about their revenue and expenditure published in the monthly MoF Finance Bulletin is provisional figures for 2020. Total outstanding borrowing by municipalities at the end of 2020 amounted to 593mJD (about 80 per cent attributable to Greater Amman municipality). MoF has information available in real time about municipalities' bank balances and may delay transferring revenue and grants to CVDB if municipalities' cash position is considered adequate. An A score requires that all municipalities to publish audited financial statements within nine months of fiscal year end, and that the government publishes a consolidated report on their financial position at least annually. For a B score audited financial reports should be published by 75 per cent of municipalities. The 2015 Municipalities Law requires the submission of the previous year's accounts by the end of April each year, for audit and approval by the MoLA. Municipalities are subject to audit by the Audit Bureau (AB), and some operations still require the AB's ex ante visa, but AB does not issue audit opinions on each municipality's accounts. Municipalities responsible for more than 90 per cent of total municipal expenditure (all those in Categories 1 and 2 – see PI-7.1 above) submitted and published their 2020 reports within the required timescale in 2021, which is sufficient for the score C. (The score cannot be higher because the reports are not independently audited.)

10.3 Contingent liabilities and other fiscal risks

Fiscal risks may arise inter alia from adverse developments in the country's economic situation, from the need to make good losses incurred by public enterprises, from future pension payment obligations, and from commitments made where investments are financed through public-private partnership (PPP) arrangements. Jordan has faced a deteriorating macro-economic environment during 2018-20, exacerbated by a rising bill for unfunded pension payments to civil service and military pensioners. The Government's policy is where possible to finance major new public investments through PPP schemes, but they have not been mentioned in Government financial reports. A 2017 IMF Report (IMF cr17/336) found that more than 25 per cent of new public investment was being undertaken through PPPs in 2015, and that the stock of PPP projects by then amounted to 12.3 per cent of GDP (3.37 billion JD). However, PPP obligations of public corporations were not reported, and MoF is only now collecting information about them, since they were previously exempted from any MoF control. Other new fiscal risks have arisen during the Covid 19 emergency through implicit Government guarantees for loans through the banking system to the national airline and other businesses. Since none of these contingent liabilities have been included in financial reports, the score is D.

PI-11 Public investment management

This Indicator looks at four aspects of public investment management: whether economic analysis is consistently applied to project proposals; whether projects are prioritised by reference to consistent published criteria; whether the total life-cycle costs of major investment projects are included in budget documentation, together with an annual breakdown of costs for the three years ahead; and whether the costs and physical progress are monitored in accordance with standard procedures and the results published annually. M2 aggregation is applied. Generally, it appears that Jordan has found difficulty in organizing the systematic planning, decision-making, monitoring and reporting on the implementation of public investment. No comprehensive reports have been issued showing the total costs and progress of implementation of major projects, and some projects financed externally have gone ahead entirely outside the budget.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-11 Public Investment Management	D+	D		
11.1 Economic analysis of investment proposals	C	D*	Some projects supported by external partners are subject to economic analysis, but no specific information is available.	No underlying change
11.2 Investment project selection	C	D*	Major projects are decided by a Committee chaired by the Prime Minister, but no information is available about specific decisions.	No underlying change
11.3 Investment project costing	D	D	No information about the total costs of major projects is given in budget documents	No change
11.4 Investment project monitoring	D	D*	No standard procedures were in operation. No information is available about the timing and content of project monitoring reports.	No change

11.1 Economic analysis of investment projects

Investment projects are planned within the framework of the Government's Vision 2025, with those which should if possible, go ahead within the next three years listed in detail in the Government's successive Executive Development Programmes (EDP), which are generally rolled forward each year. Some projects which are wholly financed by external grants are undertaken outside the budget, and do not figure in fiscal reports. Following a World Bank consultancy in 2015, the Government decided in June 2016 to systematize Public Investment Management (PIM). MoPIC was given the responsibility for managing the single pipeline of possible projects consistent with Vision 2025, while all projects should now be subjected to economic analysis using a model approach specified by the World Bank. No projects should receive final approval unless they are shown by this test to deserve priority. At the same time decisions should be taken whether to execute projects on budget or through PPPs. An IMF report in 2016 (IMF cr17/336) found that strategic plans were not providing adequate guidance for project

development and prioritization, that MoF oversight of SOEs was inadequate, especially in respect of PPPs by the electricity and water sectors, and that there was no systematic monitoring of explicit and contingent liabilities from PPPs. A further World Bank report in 2018 Public Investment Management – Public–Private Partnership Governance Framework put forward specific proposals for managing project identification, feasibility-testing and decision-making, including the choice between budget and PPP financing. New arrangements on these lines were announced by the Government in mid-2019, and a new PPP law to implement them enacted in early 2020, including powers for MoF to control electricity and water PPPs. Detailed Guidelines for each stage in the process were then issued in February 2020. A National Registry of Investment Projects was launched in May 2021. All stages in the process should be in operation in mid-2021, but there have as yet been no published reports. It is understood that 8 PPP projects have reached the final decision stage. While it is clear that some major projects have hitherto been subjected to economic analysis in which GBD and MoPIC were involved as well as the sponsoring Ministry, often at the instigation of donors, it does not appear that any guidelines on this were consistently in operation during 2018-20. Given the complete absence of any specific information, the Dimension score is D*.

11.2 Investment project selection

All major projects are stated to be prioritised and decided by a Committee chaired by the Prime Minister and serviced by MoPIC. These arrangements have operated throughout the period covered by this assessment. Since 2020 the Fiscal Commitments Unit at MoF has also taken part in the selection of projects. But standard criteria to be applied in decision taking have only recently been established. Since no specific information is available about decisions on particular projects, the score is D*.

11.3 Investment project costing

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

11.4 Investment project monitoring

A high score for this dimension requires a high level of compliance with standard procedures and rules established for project implementation, with information published at least annually on costs and physical progress in project implementation. In Jordan progress in project execution should be monitored by the responsible line Ministry or GU and reported to MoPIC; but there is no requirement for publication. No standard rules and procedures for monitoring and reporting on project execution were in operation during 2018-20. Since no information is available about the timing and content of project monitoring reports, the score is D*.

PI-12 Public asset management

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-12 Public asset management	D+	D+		

12.1 Financial asset monitoring	D	C	The Government maintains records of its holdings of shares in companies, but no consolidated report of their performance has been published.	Probably no underlying change
12.2 Nonfinancial asset monitoring	C	C	Each Ministry and GU keeps records of its nonfinancial assets, and work has begun on their valuation.	No change
12.3 Transparency of asset disposal	D	D	The Procurement by-law requires assets to be sold by public auction, but no reports of disposals have been included in financial reports.	Some performance improvement, since rules have recently been promulgated.

12.1 Financial asset monitoring

The government's financial assets include foreign currency reserves, bank deposits, loans to other parts of the economy, advances, tax arrears and shares in registered companies. The value of public enterprises, particularly if constituted as bodies constituted under company law, could also be taken into consideration. Best practice requires the government to keep a record of all its holdings in financial assets, valued in accordance with international standards, and to publish an annual report on their performance. In Jordan some information is included in the government's accounts about holdings of official reserves, bank deposits and advances. But other financial assets (e.g. tax arrears and the value of company shareholdings) are not covered in these reports. The Government has established the Government Investment Management Company to hold and manage its shareholdings in companies which it does not fully control. This company has shares in 36 companies, the most important of which are minority holdings in companies engaged in mining phosphates and potash. Financial returns from these companies are included in the Property Income category of non-tax revenues (there is also an element of royalty income from mining activity), but no details have been published. Since the Government keeps records of all its financial assets, but has not yet published anything about the performance of one major category, the score is C.

12.2 Non-financial asset monitoring

The Government has decided that its financial reports should eventually be prepared in accordance with full accrual-based international accounting standards (at present the objective is to report in accordance with cash-based International Public Sector Accounting Standards (IPSAS)). Financial reports for 2020 have been prepared on this basis. MoF recognises that accrual-based reporting will require the identification and valuation of all fixed assets, including their age and the use made of them, which can only be achieved over a considerable period of time. Some work has been initiated to review each Ministry's and GU's assets; for the time being (up to mid-2021) each entity maintains a register of its assets, including their age and use, but generally applicable rules for their valuation have not been prescribed, and there has been no consolidation. Score for this dimension: C

12.3 Transparency of asset disposal

A high score for this dimension requires the existence of predetermined rules for the disposal of financial and non-financial assets, with information on disposals included in budget documentation or other reports. Article 20/c in Annex 1 to the Government Procurement system by-law No. 28 of 2019 requires the sale of assets to be made by public auction supervised by a Departmental Committee established for the purpose. But no information has been included in financial reports. Score for this dimension: D

PI-13 Debt management

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-13 Debt management	A	A		
13.1 Recording and reporting of debt and guarantees	A	A	Debt records are complete and accurate, and full statistical reports are published monthly	No change
13.2 Approval of debt and guarantees	A	A	Debt issues are initiated by a high-level Committee chaired by the Minister of Finance, and must be approved by the Council of Ministers.	No change
13.3 Debt management strategy	B	B	A medium-term strategy is in place.	No change

13.1 Recording and reporting of debt and guarantees

Jordan currently (2021) uses version 6.1.4.1 of the (UNCTAD) Debt Management Financial Analysis System (DMFAS). The responsibility for debt management is undertaken by MoF. Monthly reports are published of domestic and external debt, including GUs' debt guaranteed by the government, and debt arising from Treasury advances to NEPCO and WAJ. There are no doubts about the accuracy of the figures which are reconciled daily and published monthly in the General Government Financial Bulletin. Score for this dimension: A

13.2 Approval of debt and guarantees

Under the Public Debt Management Law (2001) responsibility for public debt management is assigned to a Committee consisting of the Minister of Finance (Chair), the Minister of Planning and International Cooperation and the Governor of the Central Bank of Jordan (CBJ). All borrowing (including the issue of guarantees and the contracting of PPPs) is subject to approval by the Council of Ministers. These arrangements are considered to meet the requirement that debt management should be undertaken by a single entity. The issuance of debt instruments in order to finance each year's budget deficit, and manage the refinancing of maturing debt, is approved by Parliament as part of the annual budgetary process. All these arrangements were in operation for the financial year 2020. Documented policies and procedures are in place to guide debt management operations. Score for this dimension: A

13.3 Debt management strategy

Following the 2016 PEFA report a new debt management strategy was published for the period 2017-21. This aimed to increase the share of external debt in the total, where possible on concessional terms, given also that market interest rates are lower than those on domestic debt, At the same time the strategy has sought to extend the average maturity of both domestic and external debt so as to reduce the interest rate and refinancing risks. The strategy was updated for the period 2019-23, with essentially the same objectives. The latest figures show that the average maturity of domestic debt had been increased from 3.4 years in 2017 to 4.5 years in 2020, while that of external debt increased from 7.9 years to 9.2 years over the same period. The 2001 Public Debt Law looks for a limit on total public debt of 80 per cent of GDP (with limits of 60 per cent of GDP for both domestic and external debt), but

compliance with this has been postponed to 2024. Meanwhile following the impact of Covid 19, gross debt currently exceeds 100 per cent of GDP and net debt (after deduction of Social Security Investment Fund holdings and government bank deposits) 81 per cent. There is monthly publication of all relevant data. Score: B

Pillar four: Policy based fiscal strategy and budgeting

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

PI-14 Macro-economic and fiscal forecasting

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-14 Macro-economic and fiscal forecasting	C+	B		
14.1 Macro-economic forecasts	C	B	Forecasts of key macro-economic indicators for 3 years ahead are submitted to Parliament based on maintaining the long-standing peg for the Jordan Dinar at 0.71 JD = US\$ 1. But they are not subject to independent review.	No underlying change
14.2 Fiscal forecasts	A	A	Forecasts of the main fiscal indicators for 3 years ahead are published with the budget, together with an explanation of the main differences from the previous year's forecasts.	No change
14.3 Macrofiscal sensitivity analysis	D	D	No forecasts on alternative assumptions have yet been produced.	No change

14.1 Macro-economic forecasts

Macro-economic forecasting remains difficult in Jordan, given the continuing very difficult situation in neighbouring countries, with whom Jordan has close economic relations in normal times. The Government undertook, in the context of the first review of the current Extended Fund Facility (EFF) arrangement, to establish a new fully resourced macro-fiscal unit In MoF which will strengthen its capacity to generate its own medium-term forecasts, to analyse the impacts of alternative revenue and expenditure measures, and to carry out debt sustainability analysis. The budget documentation (including the Budget speeches) for the 2019, 2020 and 2021 budgets included projections of real GDP growth and inflation for three years ahead. The forecasts are based on the Government's determination to maintain the peg for the Jordanian dinar to the US dollar at a rate of one US dollar = 0.71 JD, which leaves little scope for discretionary choice on interest rates. The 2021 Budget speech gave a forecast of real economic growth of 2.5 per cent, with inflation of 1.3 per cent, taking into account the expected growth of output, exports and imports. Budget documents show that the Government expected to pay interest of 4-5 per cent on outstanding external and domestic debt. The forecasts are not subject to any independent review. Score for this dimension: B

14.2 Fiscal forecasts

The documentation provided with the budget proposals for the three years 2019-21 included projections of the main fiscal indicators (revenues (by type), aggregate expenditure and the budget balance) for the budget year and the two following years. The underlying assumptions have been described in the annual Budget speeches, together with explanations why revenue and expenditure for the current year are now expected to be different from the amounts projected when the budget was presented the year before. (These matters are also covered in the regular reports prepared in consultation with the Government by the IMF during the currency of the EFF programmes.) Score: A.

14.3 Macro fiscal sensitivity analysis

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

PI-15 Fiscal Strategy

This Indicator assesses a government's ability to develop and implement a clear fiscal strategy, taking into account the fiscal impact of revenue and expenditure policy proposals which support the achievement of the government's fiscal goals. Aggregation is by M2.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-15 Fiscal Strategy	C	B		
15.1 Fiscal impact of policy proposals	C	C	Budgets show the impact of revenue and expenditure proposals for the year ahead, but leave open how revenue targets for the second and third year are to be achieved.	No change
15.2 Fiscal strategy adoption	C	B	Government commitments to the IMF constitute a fiscal strategy, which has been fully described in Budget statements to Parliament.	Performance improvement
15.3 Reporting on fiscal outcomes	C	B	Letters of Intent to IMF constitute reports on progress against the fiscal strategy. The main points have been included in Budget statements to Parliament.	Performance improvement

15.1 Fiscal impact of policy proposals

The documentation for the 2019-21 budgets reflected specific proposals on revenue and expenditure for the year immediately ahead, but the figures given for the two following years left open the precise choices concerning revenue which would achieve the aggregate objectives. The impact of all the revenue and expenditure proposals is fully reflected in the detailed budget documentation. The budget

speeches identify the effects of specific proposals, such as those on pay and number of public servants. Score for this dimension: Score: C.

15.2 Fiscal strategy adoption

The published commitments made by the Government in the context of the successive Extended Fund Facility (EFF) arrangements concluded with the IMF have included specific objectives for the fiscal balance each year, including the size of fiscal adjustments to be made each year as a percentage of GDP. This was done most recently in the EFF arrangement concluded in March 2020. The strategy has been notified to the National Assembly in the budget speech for 2021. Score for this dimension: B

15.3 Reporting on fiscal outcomes

The Letters of Intent (LoI) sent by the Government at each review of performance under the EFFs can be seen as constituting reports on progress made against its fiscal strategy. Explanations are given for any deviations from the intended path for the fiscal balance and other variables, as well as commitments for the future. These have been reported to the National Assembly as part of the budget speech, so qualifying for the score B.

PI-16 Medium-term perspective in expenditure budgeting

This Indicator reviews the operation of medium-term expenditure planning. M2 aggregation applies.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-16 Medium-term perspective in expenditure budgeting	B	B		
16.1 Medium-term expenditure estimates	A	A	Annual budgets provide estimates of expenditure for 3 years ahead on administrative economic and functional classifications.	No change
16.2 Medium-term expenditure ceilings	A	A	Budget circulars include Government-approved ceilings for each of the next 3 years.	No underlying change
16.3 Alignment of strategic plans and expenditure estimates	C	C	Each Ministry has strategic objectives and associated annual performance targets, but the expenditure allocations may not be consistent with the performance targets.	No change
16.4 Consistency of budgets with previous year's estimates	D	D	No explanations are given for differences between the previous year's figures for the second year and those given when that year becomes the budget year.	No change

16.1 Medium-term expenditure estimates

An A score for this dimension requires that the annual budget includes estimates of expenditure for the budget year and the two following years allocated by administrative, economic, and programme or functional classification. In Jordan the documentation which constitutes part of the annual budget law approved by the National Assembly for 2021 includes expenditure estimates for the next three years

allocated by administrative, economic, functional and programme/sub-functional classifications. The documentation for each Ministry or Department within a Ministry shows the expenditure for each programme (sub-function) broken down by the economic classification. Thus, Jordan formally satisfies the requirements for an A score.

16.2 Medium-term expenditure ceilings

An A score requires that the Council of Ministers approve the aggregate expenditure ceilings, and the ceilings for each administrative unit, for the budget year and the two following years before the budget circular is issued. In 2020 preliminary ceilings for the period 2021-23 approved by the Government were issued to each unit on 6 April. Final ceilings approved by the Government were issued in a further Budget Circular on 22 November. Score: A

16.3 Alignment of strategic plans and medium-term budgets

An A score for this dimension requires that 75 per cent of Ministries have prepared and costed strategic plans for the development of their activities, and that the expenditure provision in the medium-term budgets is consistent with the plans. Progressively lower scores are given as the coverage of strategic plans aligned with the expenditure provision falls further below 75 per cent. Budget estimates for each Ministry set out its strategic objectives, and the annual targets to be achieved in their pursuit. But it is not clear that the expenditure projections are consistent with these targets; failure to achieve the current year targets, which is often admitted in the 2021 budget documentation in respect of 2020, casts doubt on the adequacy of the provision for their achievement in the budget and subsequent years. The shortfalls in investment expenditure each year noted in PI-2.2 provides further confirmation that strategic plans have limited traction. Accordingly, score for this dimension: C

16.4 Consistency of budgets with previous year's estimates

The presentation of the 2021 Budget included an explanation of the differences between the expected out-turn for 2020 and the corresponding figures in the original budget. But there was no explanation for the differences between the 2021 figures presented with the 2020 budget and the actual 2021 budget proposals. Score: D

PI-17 Budget preparation process

This Indicator assesses whether there is a stable and generally observed calendar for orderly budget preparation, whether there is sufficient involvement of the political process in setting budget ceilings for each administrative unit, and whether there is timely submission of the budget to the National Assembly. M2 aggregation applies.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-17 Budget preparation process	B	B+		
17.1 Budget calendar	C	A	There are about 5 months for preparation of MDAs submissions and discussions with GBD	Budget calendar now incorporated in primary legislation.
17.2 Guidance on budget preparation	A	A	Ceilings are approved by Government collectively before issue to MDAs	No change

17.3 Budget submission to the legislature	C	C	Last 3 budgets submitted to Parliament before end of November each year.	No change
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17.1 Budget calendar

Budget preparation in Jordan essentially follows a budget calendar initially set by the then Prime Minister in 2009, but now incorporated in the 2021 Organic Budget law. At the first stage of the calendar, normally in May, the line Ministries, departments and Government Units (MDAs) are asked in the first Budget Circular to submit their draft annual and medium-term budgets to the General Budget Department (GBD) in accordance with a directive issued by the Prime Minister including preliminary ceilings for each MDA. In July MDAs submit the draft budgets for review by GBD. At the conclusion of this process, normally at the end of September, the Prime Minister issues the General Budget Order – the second Budget Circular - with final expenditure ceilings for all MDAs. MDAs then make final submissions by mid-October. The first Budget Circular includes overall policy direction, economic forecasts and assumptions, aggregate and individual expenditure ceilings, and directions for preparing budget submissions. The submissions are consolidated into the draft annual budget law for consideration by the Advisory Council for the Budget, and then in mid-November by the Council of Ministers. In accordance with a 2011 Constitutional amendment the draft Budget law (and the parallel law relating to the Government Units) is submitted to the National Assembly (NA) before the end of November. In 2020 the first Circular with ceilings approved by the Government was issued early on 6 April. Thereafter the second Circular was issued on 22 November, shortly before the submission of budget proposals to the NA on 29 November. The substance of the work took place during the 6 months following the first Circular, with only minor changes before final budget submissions. In view of this, the score is A.

17.2 Guidance on budget preparation

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

17.3 Budget submission to the legislature

For an A score the budget proposals must be submitted to the National Assembly at least two months before the end of the year in respect of each of the last three budgets; for a B score submission must be before the end of October in two of the last three years. For C the submission must at least be before the end of November in two of the last three years. The actual dates of submission of the 2019, 2020, and 2021 budget proposals were 30 November 2018, 28 November 2019 and 29 November 2020. Score for this dimension is therefore C.

PI-18 Legislative scrutiny of budgets

This Indicator assesses the nature, extent and timing of legislative scrutiny of annual budget proposals. M1 aggregation applies.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-18 Legislative scrutiny of budgets	C+	C+		
18.1 Scope of budget scrutiny	A	A	Parliament's review covers fiscal policies and medium-term	No change

			priorities as well as details of revenue and expenditure	
18.2 Legislative procedures for budget scrutiny	C	B	Procedures are established, and detailed reductions made as a result of Parliamentary scrutiny, but there is no public consultation.	Probably no underlying change
18.3 Timing of budget approval	C	C	2 of last 3 budgets were approved before the end of January of the year to which it relates.	No change
18.4 Rules for budget adjustments by the Executive	A	A	Clear rules limit the Executive's discretion in adjusting the enacted budget, which are fully observed.	No change

18.1 Scope of legislature's scrutiny

The budget documentation for the 2021 budget, including the draft General Budget law and the draft budget law for the 25 Government Units, contained information about revenue and expenditure for the next three years, including the deficits requiring financing each year, and the projected financing from external and domestic sources. GBD confirmed that the National Assembly's review covered medium-term fiscal forecasts and medium-term priorities for revenue and expenditure, in addition to details of revenue and expenditure for the year immediately ahead. This meets the criteria for A.

18.2 Legislative procedures for budget scrutiny

The most significant work on the budget is done by the elected House of Representatives rather than by the appointed Senate. The House of Representatives in accordance with its Standing Orders establishes a series of specialist Committees to deal with different aspects of its work; detailed consideration of the budget proposals has been undertaken by the Financial Committee (separate since 2013 from the Economic Committee). Article 112 (iv) of the Constitution precludes the National Assembly from proposing an increase in the amounts allocated to each of the 77 Chapters in the main budget and to each of the 25 Chapters in the separate budget for Government Units, although it may propose reductions. There is thus somewhat limited scope for negotiation between the Assembly and the Government during the budget-setting process. Each year, including the budget for 2021, there has been detailed examination of the proposals by the Finance Committee during some 50 hearings where questions were posed to Ministers and officials responsible for different Chapters. For the 2021 budget the Parliament's consideration resulted in an overall reduction in total proposed expenditure of 148mJD, or about 1.5 per cent. An A score for this dimension requires both arrangements for public consultation and the operation of negotiation procedures, and a B score presupposes the possibility of negotiations. In Jordan there are no provisions for public consultation. Given the extended work of the Parliament on the proposals, the score is B.

18.3 Timing of budget approval

The 2019, 2020 and 2021 Budgets were approved respectively on 20 January 2019, 22 January 2020, and 28 February 2021. Since in two of the three years approval was given within a month of the beginning of the year, score is C.

18.4 Rules for budget adjustment by the executive

An A score for this dimension requires the existence of clear rules limiting the executive's power to amend the budget during the course of the year without the approval of the legislature. In Jordan the

executive can reduce the overall provision under each Chapter if financial stringency requires this, but the amount for each Chapter cannot be increased without a new law. The rules restricting the extent to which provisions may be transferred during budget execution are included in each year's budget law. Within a Chapter provision may be transferred from current to capital, but not in the opposite direction, although this restriction does not apply to the National Assembly and those Chapters which constitute military expenditure. Since the rules are clear, universally observed, and effectively limit the executive's discretion to amend the budget during execution, the score is A, as in 2016.

Pillar five: Predictability and control in budget execution

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

PI-19 Revenue administration

The 2021 Budget provides for total domestic revenues of some 7.3 billion JD, of which 5.4 billion JD are tax revenues. The most substantial other revenues are from land registration fees (160m JD), revenue stamps fees (186m JD), vehicle registration and licensing (166m JD), and work permit and residency fees (100m JD). In addition, the Social Security Corporation (SSC) expects to collect some 1.8 billion JD in contributions which are outside the budgets subject to the annual budget laws enacted by the National Assembly. 70 per cent of tax revenues (3.8 billion JD estimated for 2021) are collected through sales taxes on goods and services; of the remainder company and personal income taxes account for 1.1 billion JD, customs duties 340m JD, and taxes on property sales 115m JD. This Indicator has four dimensions covering revenue payers' rights and obligations, revenue risk management, revenue audit and investigation, and the monitoring of revenue arrears. The criteria apply most naturally to tax revenues; A scores are given for the first three dimensions if the criteria are satisfied by entities collecting 75 per cent of total revenues. If fees collected by Customs in connection with imports (74m JD) are taken into account, tax revenues reach this threshold. If social security contributions are considered alongside taxes for the purpose of this Indicator, the threshold is substantially exceeded. The assessment of this Indicator therefore focuses on the bodies responsible for tax collection. M2 aggregation is applied.

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-19 Revenue administration	C	B+		
19.1 Rights and obligations for revenue measures	B	B	The system remains extremely complex, and open to avoidance	Appeals machinery improved
19.2 Revenue risk management	B	A	ISTD has been reorganized so as to improve risk management, with good results.	Performance improvement
19.3 Revenue audit and investigation	D	A	Operations have been reorganized on the basis of documented compliance improvement programmes.	Performance improvement
19.4 Revenue arrears monitoring	D	C	Arrears were less than 20% of 2020 collections, but amounts more than a year old were over 60% of the total of arrears	Performance improvement

19.1 Rights and obligations for revenue measures

Both the Income and Sales Tax Department (ISTD) and the Customs Department (CD) provide taxpayers with ready access to all applicable legislation and regulations through their websites, as does SSC, although there are sometimes minor delays in updating advice when legislation changes, since the tax authorities are not permitted to warn taxpayers of impending changes until new laws have been enacted. The information includes details of appeal procedures against assessments. Both Departments respond to questions posed through their websites, as well as maintaining call centres to answer taxpayers' questions. Although the income and sales tax systems are relatively complex, with different rates and thresholds for different industries and in different places, the legislation is generally clear. Tax advisers consider that tax collectors have some limited discretion in assessing whether particular costs should be allowed when determining liability to corporate income tax. There are important exemptions and concessions on indirect taxes which were estimated to cost some 7.8 per cent of GDP in 2019, which would imply an annual revenue reduction of some 2.5 billion JD (see Table 9 of the Summary tables for the 2021 budget). It is a condition of the current EFF agreement with the IMF that further steps should be taken to rationalize the tax system, reducing the extent of concessions and limiting taxpayers' ability to reduce their bills by misrepresenting the location of the taxable activity. Steps have recently been taken to separate the units dealing with tax appeals from those dealing with tax audit, and to expedite the decisions, with appeals being registered online through the Department's website. There is also provision for taxpayers to regularize their affairs through the Settlements and Reconciliation Committee, further reducing the need for appeals to the Courts. According to the Income and Sales Tax Department (ISTD), the overall number of appeals fell from 3306 in 2019 to 2120 in 2020; the percentage of successful appeals was 64% in 2019 and 63% in 2020 (no information has been provided about the amounts involved).

. Score: B

19.2 Revenue risk management

ISTD, encouraged by the IMF and development partners, has been gradually moving away from subjecting every return to different layers of checks towards arrangements where a much smaller proportion of returns is subjected to careful inspection, with the targets being automatically selected by reference to established risk criteria. The Department was already organised so that separate sections deal with large, medium and small taxpayers, with the main focus on VAT and company income tax which together account for two thirds of all tax revenue. Following two IMF Technical Assistance missions in 2019 and early 2020, separate arrangements have been made to address the performance of particular sectors where compliance was unsatisfactory, and a separate unit has been established to deal with self-employed professionals where failure to register, and under-declaration, have been continuing problems. Numbers registered for income tax increased from 385,000 in 2018 to 545,000 in 2020, while sales tax registrations increased from 34,700 to 40,800. Special arrangements have been made by Customs with the three largest cigarette companies to install track-and-trace systems which will counter tobacco smuggling.

Score: A

19.3 Revenue audit and investigation

A series of initiatives have been taken, with the support of the IMF, to improve taxpayer compliance, including the payment of social contributions. The main focus has been on securing additional revenue by improving compliance with existing tax legislation rather than on raising tax rates or imposing new taxes. Payments of tax and social contributions (4,959mJD and 2,020mJD respectively) constituted nearly 83 per cent of 2020 total domestic revenue under the control of central government (8,423mJD including social contributions, non-tax revenue and revenue of GUs other than electricity and water), Risk factors guiding the selection of taxpayers to audit have been reformulated, so that effort can be more effectively focused. 100 additional staff have been recruited to the new ISTD Directorates dealing

with large businesses and higher risk areas. A field survey was undertaken to establish how best to encourage compliance. Registered businesses were reminded of the requirement to file, and the employers of higher earners were asked to encourage their employees to file their returns. A specific compliance improvement campaign directed at professional groups took place towards the end of 2020. Each of these actions should be seen as an element in an overall compliance improvement plan. These initiatives have been fully documented in the Memoranda of Economic and Financial Policies submitted by the Government to the IMF in the context of the successive reviews of the current EFF programme. Additional Income tax revenues of 148m JD and sales tax revenues of 63m JD were collected in 2020 as a result of ISTD audits and other initiatives. All these initiatives are clearly documented, and together cover the whole range of tax collection. Score: A

19.4 Revenue arrears monitoring

The timing of tax payments is governed by the relevant laws (Income Tax law, (2014), General Sales Tax law (2010), Customs duties law (1998) and subsequent decrees. At the end of 2020 ISTD tax arrears amounted to 853.5m JD, as against total 2020 collections of 5,224m JD, or 16.3 per cent. 523.4m JD of these were more than a year old, or 62.4 per cent. These figures show a considerable improvement since 2015 when there were arrears of 1,978m JD against collections of 3,639m JD, or 54.4 per cent. Although evidence was provided in 2016 showing that the incidence of arrears was much greater for income than for sales taxes, no breakdown of arrears is available in 2021. ISTD attribute the reduction in arrears to a more disciplined approach to collection, together with offers of reduced penalties on condition of full declaration and prompt payment. Since arrears were less than 20 per cent of collections, while amounts over a year old were more than 60 per cent of the total, the score is C.

PI-20 Accounting for revenue

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

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
PI-20 Accounting for revenue	A	A		
20.1 Information on revenue collections	A	A	MoF makes a monthly report of all revenue accruing to central government, broken down by revenue type	No change
20.2 Transfer of revenue collections	A	A	All budget revenue is paid daily into the Treasury Single Account.	No change
20.3 Revenue accounts reconciliation	A	A	There is full monthly reconciliation of all revenues collected by the Tax Departments, covering assessments, collections and transfers to the Treasury. Taxpayers' accounts are updated as revenue is received, and	No change

they are automatically notified when in arrears.

20.1 Information on revenue collections

All budget revenue, including that collected by line Ministries, is paid daily into the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ). There are daily reconciliations between bank data and the collection data sent by revenue collectors to MoF Treasury. Every Department (including the Social Security Corporation) is required to make a monthly return of its revenue and expenditure to MoF Accounts Directorate. This should reflect reconciliation of the data between the collecting Department's records and those of the banking system. MoF produces a monthly consolidated report to the Council of Ministers, which includes a breakdown of the revenue collected. These arrangements were fully in force throughout the period 2018-20, and at the time of the assessment in 2021. Score for this dimension: A

20.2 Transfer of revenue collections

All budget revenue (more than 75 per cent of central government revenue including the Social Security Corporation) whether collected through government offices or through the banking system is banked and transferred to the TSA daily. This is the practice according to the agreement between MoF and Housing Bank for the period 2013-16 and the current agreement between MOF and Cairo Amman Bank through which revenues are received, which was in force throughout 2020. Score for this dimension: A

20.3 Revenue accounts reconciliation

Customs duties and General Sales Tax on imports must be paid before goods are released into circulation, so there is only a possible divergence between amounts owed and amounts paid where the tax amount is subject to an appeal. Similarly, there is no question of tax arrears on the sale of property, since property cannot be transferred until the tax has been paid. All taxpayers now have separate accounts in a module of GFMS, which recognises when assessments have not been paid by the due date and initiates the issue of reminders. ISTD and Customs undertake monthly reconciliations of aggregate receipts of each type of revenue and amounts transferred to the Treasury. A full reconciliation of the overall position on revenue arrears is undertaken only annually. These arrangements were in force throughout 2020. Since the position of individual taxpayers is continuously updated in GFMS, and there are monthly reconciliations by the Tax Departments of aggregate assessments, collections and transfers to the Treasury, an A score is proposed.

PI-21 Predictability of in-year resource allocation

This indicator assesses the extent to which the MOF is able to forecast cash commitments and requirements and to provide reliable information on the availability of budgetary funds for service delivery. It comprises four dimensions the scoring for which is combined using the M2 method. The scope of the Indicator is Budgetary Central Government. The first dimension is assessed at the time of the assessment (mid-2021), while the other three dimensions are assessed in respect of the last completed fiscal year (2020).

INDICATOR/DIMENSION PI-21	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	B	B+		
(21.1 Consolidation of cash balances	A	A	Almost all cash balances are consolidated daily in the Treasury Single Account –	No change

21.2 Cash forecasting and monitoring	A	A	MoF prepares a cash forecast for the year, and updates it monthly – score A	No change
21.3 Information on commitment ceilings	C	C	Cash is released to budget units in monthly instalments	No change
21.4 Significance of in-year budget adjustments	C	B	There were no Supplementary Budgets in 2020. Reallocations within Chapters in accordance with the restrictions in annual budget laws amounted to 682.5m JD or 7.1% of the original budget.	Probably no underlying change

21.1 Consolidation of cash balances

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

In Jordan, the Public Treasury Directorate (PTD) of the MOF is responsible for managing the Government's Treasury Single Account (TSA) through which all 77 Ministries, Departments and Agencies (MDAs) which are the subject of separate Chapters in the Budget channel all their expenditures and revenues. MDA Trust Accounts are also managed by the Treasury, but through a non-TSA special account.

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

Other bank accounts are kept outside the TSA, most notably project accounts that receive external funding where the maintenance of separate bank accounts is required by the loan or grant agreement. However, they are recorded in GFMS, thus ensuring that the Treasury has full knowledge of their existence. These accounts amounted in 2020 to JD 17.5 m in respect of entities covered by the main budget. Since these amounts constituted less than 2 per cent of total expenditure of BCG, and are consolidated daily, the score is A.

21.2 Cash forecasting and monitoring

Each MDA produces a cash flow forecast for the entire year in January of each year. This was done in January 2020 for the last completed fiscal year. These forecasts are updated on a monthly basis reflecting the results from the previous month and the year-to-date situation, including the cash releases made by the Treasury. The Treasury is able to monitor the cash transactions and cash position of every MDA at the CBJ. Score: A

21.3 Information on commitment ceilings

MDAs require confidence that they will receive their budgetary allocations in accordance with the cash flow forecasts that they prepare and submit to the central authorities. In Jordan, however, cash releases are made on a monthly basis on the strength of a quarterly financial order and may or may not match the amounts expected by the MDAs, depending on cash availability and the needs of each MDA. The amounts of the monthly cash releases are contingent upon GBD's approval of the Government's

monthly spending plans. This was the situation in 2020. Since this process can create uncertainty and hamper effective planning of service delivery at the MDA level, the score is C.

21.4 Significance of in-year budget adjustments

The annual General Budget Law, Article 18 of the new (2021) Budget Code, and Article 112 of the Constitution prohibit the transfer of appropriations from one chapter to another except by law. With the approval of the Minister of Finance, and upon the recommendation of the Director General of the Budget Department, appropriations may be transferred from current expenditure to capital expenditure, but not vice versa. Similar provisions apply to the transfer of capital appropriations from one governorate to another. The annual budget laws exempt the Parliament, Ministry of Defense, and Royal Medical Services from these restrictions, Virement is allowed within an individual budget chapter with the exception of transfers from Compensation of Employees to other current or capital expenditures. Supplementary appropriations normally require the approval of Parliament at an ordinary or extraordinary session. There were no Supplementary Budgets in 2020. Reallocations within Chapters amounted to 682,5m JD or 7.1 per cent of the original budget. Score: B.

PI-22 Expenditure arrears

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

INDICATOR/DIMENSION PI-21	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	B+	B		No change
22.1 Stock of expenditure arrears	B	B	Arrears amounted to less than 6% of total expenditures in 2 of the 3 years 2018-20	No change
22.2 Expenditure arrears monitoring	A	B	MOF keeps monthly record of arrears, covering amount and composition, but there is no analysis by age.	No underlying change

22.1 Stock of expenditure arrears

The practice in Jordan has been to regard all unpaid invoices as arrears. However, Article 23 of the new Organic Budget Law has brought practice in line with international norms by defining arrears as "the sums not paid by their due date". The Law also requires government departments to include information on arrears in their monthly budget execution reports to the MoF and GBD. Essentially this appears to be a consolidation in law of existing practice. Debt service and staff pay are always paid on the due dates, so arrears are confined to invoices for supplies of goods and services and for capital expenditure. MoF keeps a record of reported arrears and has provided the information contained in Table 3.8 below

Table 3.9 Reported arrears 2018-20 in million JD (source: MOF)

	2018	2019	2020
Payment Arrears	511	380	419
Budget Outturn	8567	8813	9211
Arrears as a % of outturn	6.0	4.3	4.5

Since arrears were less than 6% of total expenditure in two of the three years 2018-20, the score is B.

22.2 Expenditure arrears monitoring

As stated above at the time of the assessment, MOF keeps a record of expenditure arrears reported by MDAs, in conformity with the new Organic Budget law. Data show the amount and composition of arrears, but there is no analysis by age. . The Government’s policy statement in support of the second review of the current EFF arrangement with the IMF includes a commitment to eliminate all end 2020 arrears during 2021-22, and a range of measures to prevent the incurrence of new arrears (see IMF cr21/188). Score: B,

PI-23 Payroll Controls

This indicator is concerned with the management of the payroll for public servants. It comprises four dimensions, the scores for which are combined using a scoring method M1. The first three dimensions are scored at the time of the assessment, and the fourth over the last three completed years 2018-20.

INDICATOR/DIMENSION PI-21	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	A	A		?
23.1 Integration of payroll and personnel records	A	A	There are close links between the approved budget, personnel records and payroll records	No change
23./2 Management of payroll changes	A	A	Payroll changes are authorised and prompt	No change
23.3 Internal control of payroll	A	A	Close and effective control of payroll applies	No change
23./4 Payroll audit	A	A	Regular payroll audits by AB	No change

23.1 Integration of payroll and personnel records

Jordan operates a decentralised system of payroll management whereby the payroll function is the responsibility of individual MDAs. However, personnel records, although maintained by the Human Resources Division (HRD) of the MDA, are controlled directly by the Civil Service Bureau (CSB), which maintains a central database of all public servants. The CSB is established by means of the Civil Service By-Law Number 9 of 12 January 2020 which replaced the earlier by-law of 2007. The By-Law empowers the CSB, inter alia, i) to obtain data and statistics from MDAs regarding their personnel and ii) to examine records, documents and files concerning MDA personnel. Appointments to the civil service and promotions are subject to procedures laid down by the By-Law in which the CSB participates. These procedures were fully in operation at the time of the assessment.

A unified human resource management and planning information system (HRMIS) has been operating since 2017, which enables more efficient and effective human resource management, including staff postings, training, promotions and general career development. The system consists of 7 modules including payroll. The system covers all government departments.

There is a direct computerised link between personnel and payroll records, and a direct link between establishment and budgeted employee remuneration through controls exercised by the CSB.

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

23.2 Management of payroll changes

All changes to the payroll and personnel records require the approval of the CSB. Prior consideration takes place in the HR Committee of the MDA on which the CSB is represented in order to ensure that proper procedures are followed. Changes approved by the HR Committee and endorsed by the responsible Minister are implemented promptly (at least monthly), so avoiding any need for retrospective adjustments. Long-serving officials confirm that changes are always implemented without delay. All these arrangements were fully in force throughout 2020. Score: A

23.3 Internal control of payroll

Internal control procedures in respect of payroll continue to be very strong and effective, with a key role being played by the Internal Control Unit (ICU) in each MDA. The ICU exercises a pre-audit role that involves the review of individual salaries and ensures compliance with the By-Law. It submits 4 reports per annum to the Ministry of Finance and Audit Bureau and informs the CSB of any complaints. Updating of the personnel and payroll records is the responsibility of the Director of Human Resources in each MDA and a clear audit trail exists to support data integrity. Again, these arrangements were fully in force throughout 2020. Score: A

23.4 Payroll audit

The Audit Bureau has audited the employees' payroll each year during 2018-20 through a sample audit in accordance with INTOSAI and ISSAI standards, so that the sample covers:

- Newly appointed employees in terms of basic salary and bonuses in line with the appointment decision
- Employees whose services have ended (the rights of employees whose services have ended by retirement, resignation or dismissal)
- Well- performing employees regard to annual increases, promotions and bonuses stipulated in the applicable regulations
- Project or contract staff

The physical existence of the selected employees has been tested in each case.

Audit reports confirm that findings are effectively followed up, and violations corrected.

Score: A

PI-24 Procurement

This indicator assesses key aspects of procurement management. It comprises four indicators, the scores for which are combined using the M2 scoring method. The Indicator covers central government and is assessed on the last completed year (2020).

INDICATOR/DIMENSION PI-24	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	B	C+		
24.1 Procurement monitoring	B	A	Full records kept	No change
24.2 Procurement methods	A	D*	Competition is default method but no statistics are available to demonstrate the extent to which competition is applied.	Less information available

24.3 Public access to procurement information	B	D*	3 of 6 items available to public, but completeness is not evidenced concerning bidding opportunities and contract awards (see 24.2 above).	Less information available
224.4 Procurement complaints management	D	A	All criteria satisfied	Performance improvement due to more independent mechanism

24.1 Procurement monitoring

Since the previous assessment in 2015 there have been some significant changes in the institutional arrangements for managing public procurement in Jordan. First, there has been a consolidation of the legal framework. In 2016 there were 3 main By-Laws governing public procurement: Supplies By-Law No.32 (1993); Public Works By-Law No.71 (1986) and Joint Procurement Law of Medicines and Medical Suppliers No.91 (2002). These have been replaced by the Public Procurement By-Law no. (28) of 2019. The Law covers all ministries and government departments as well as government wholly owned companies, public universities, municipalities and Amman City. Secondly, the public procurement bodies have been reorganised. Jordan does not have one centralised procurement entity but two of the bodies (the Joint Procurement Department (JPD) and the General Supplies Department (GSD) have been merged together since Nov. 2019 into a new Government Procurement Department (GPD) under MoF. The GPD has the responsibility for all procurement of goods, services and medical supplies. The General Tenders Department (GTD) of the Ministry of Public Works and Housing (MPWH) remains responsible for the management of tendering procurement for works procedures and engineering services. Each procuring agency maintains records of its own procurement activities with respect to contract awards, including the items procured, the contract value, and the name of the successful tenderer. Although the 2019 annual report of the Audit Bureau contains significant criticism of some procurement practices (inadequate preparation of tenders, fragmentation of orders in order to avoid compliance with more demanding conditions, etc.), there is no suggestion that the data are incomplete. Score: A

24.2 Procurement methods

This dimension focuses on the extent to which procurement methods are based on competition. All tenders should be registered on the JONEPS (Jordan On-line E-Procurement) System which covers both GPD and GTD. However, the Government policy statement in the context of the second review of the current EFF indicates that JONEPS had not been extended to all Ministries in March 2021 (see IMF cr21/188), and that the circumstances in which direct contracting is permitted require further definition. Under the 2019 Procurement By-Law, competitive procurement is the default method for all public bodies. The following table summarises the situation regarding the various procurement thresholds in MDAs. Similar, though higher, thresholds apply to medical procurement and procurement by government units.

Table 3.10 Procedure for Procurement methods

AMOUNT (IN JD)	PROCEDURE
Up to JD 20,000	Open competitive tender under an internal committee led by the MDA procurement directorate
JD 20,000 - 40,000	Open competitive tender under an internal committee that includes a representative of the GPD. A certificate of funds availability must be obtained from the GBD.

Above JD 40,000

GPD manages procurement on behalf of MDA, preparing all documents and publishing tender in three local newspapers and online. Certificate of funds availability required from GBD.

The JONEPS website provides lists of all tenders, and also includes some graphs giving a rough idea of some procurement magnitudes. But it has not been possible to obtain comprehensive statistics of all contracts placed in 2020 broken down by object (goods, services, works) and method of procurement (open tender, request for competitive quotes, direct purchase) which would demonstrate what proportion of contracts (by value) were let through competition. Score: D*

24.3 Public access to procurement information

This dimension is scored on the basis of the number of a set of pre-defined items of procurement information are made available to the public in a readily accessible way. The regulatory framework is set out in the new 2019 by-law, while the electronic procurement system (JONEPS)² provides information for 2020 and 2021 on bidding opportunities and contract awards, but information is not available on annual procurement plans, annual procurement statistics and on the results of complaints. The absence of comprehensive statistics noted in 24.2 above calls into question the completeness of information on bidding opportunities and contract awards Score: D*

24.4 Procurement complaints management

Since the last PEFA assessment report in 2016, steps have been taken to improve the independence of the mechanism for dealing with procurement complaints. Under the 2019 By-Law there is now a two-level process in operation. This applied during 2020. At the first level objections by bidders are submitted to the procuring entity/committee, which is responsible for considering and accepting/rejecting the objection. This is a first level administrative appeal to the body responsible for the procurement. A dissatisfied bidder may then go the second level and submit the complaint to the independent Procurement Complaints Review Committee in the Cabinet. Pending decisions at both levels, the procurement process is halted. Fees are charged to deter frivolous complaints, especially to prevent unnecessary referring to the Prime Minister's office. They range from JD 5 to JD 500, the amount varying with the size of the contract. The arrangements meet all 6 benchmarks – independence of the appeal process, defined procedures operating in a defined timescale, suspension of the procurement process until the appeal is resolved, non-prohibitive fees, binding decisions. As yet (mid-2021) there has been no publication of the results of complaints. Score: A

PI-25 Internal Controls on non-payroll expenditure

This indicator assesses the effectiveness of non-salary expenditure controls at the time of the assessment. It contains three dimensions, the scores for which are combined using scoring method M2. The scope of the Indicator is central government, and all dimensions are scored at the time of the assessment (mid-2021).

INDICATOR/DIMENSION PI-25	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	B+	A		Performance improvement

² An evaluation study of JONEPS is being launched by the World Bank.

25.1 Segregation of duties	C	A	Financial Regulations and organisational structures provide for segregation of duties, reinforced by controls built into GFMS. But internal control procedures remain rather onerous	Performance improvement due to more explicit segregation of duties
25.2 Effectiveness of expenditure commitment controls	A	A	Purchase Order Module of GFMS requires finance to be allocated before an order can be placed	No change
25.3 Compliance with payment rules and procedures	A	A	Layers of internal control by units in each Ministry, by MoF Internal Control Unit reinforced by the design of GFMS, ensure that all payments are in accordance with rules and procedures	No change

25.1 Segregation of duties

There is a robust, arguably excessive, system of internal controls for non-salary spending based on prior approval and internal oversight in government ministries, departments and institutions, under the external oversight of the MoF. Each MDA has its own internal audit unit in the Finance Department as well as an internal Control Unit (ICU) that is responsible for the effective operation of the internal financial control system. The former system whereby the AB carried out pre-audit in MDAs has been discontinued following a thorough evaluation of the ability of individual ICUs to manage internal financial control without AB support. In most MDAs there is also a financial control unit comprising employees of the MoF which performs a financial controller function. The MoF also has a central ICU that ensures that MDA ICUs implement correctly and fully the provisions of the government control system.

The regulatory framework exists in various forms dating back to the Financial System by-law No. 3 of 1994 as amended later (including the Financial Affairs Implementation Instructions No. 1 of 1995 as amended), which include provisions that define duties in all MDAs. Organisational instructions for the ICUs were issued in 2012 and 2016. The instructions define the tasks and responsibilities of all levels of staff ensuring a clear segregation of duties while avoiding gaps or overlaps of responsibilities. Secondly, there are laws and regulations that regulate the purchase of goods and services. Finally, there are strong internal controls in the GFMS system that separate the various responsibilities at all stages of the automated spending processes, thereby eliminating the possibility of financial fraud. All these arrangements were fully in force during 2020 and 2021. Score: A.

25.2 Effectiveness of expenditure commitment controls

As stated above, since the previous assessment in 2015 there has been a significant change in the arrangements for controlling expenditure in that the pre-audit role of the AB has been discontinued. The internal control system now (in 2021 at the time of the assessment) relies on the in-built controls of the GFMS, the financial inspection work of the ICUs in each MDA and the oversight provided by the MoF.

These mechanisms combine to provide a high level of assurance that no payment can be executed without a budgetary allocation, the quarterly general financial order and the monthly ceiling (cash allocation). Commitments are controlled through the Purchase Order Module, which requires finance to

be allocated before an order can be placed. The GFMS reserves the required finance on the appropriate budget line, without which a purchase order cannot be sent to the supplier to initiate the purchase. Score: A.

25.3 Compliance with payment rules and procedures

Given the extensive attention paid to pre-audit verification of payments it is to be expected that compliance rates with rules and procedures will be high. For the most part, such an expectation is borne out in practice as observed in 2020 and 2021. However, the Internal Control and Inspection Department of MoF in its monthly reports to the Assistant Secretary-General for Administrative Affairs (copied to the AB) identifies so-called "violations" of internal control procedures, which it gives MDAs the opportunity to correct. These are mainly violations of legislation such as the Financial By-Law and Procurement Laws, overstepping responsibilities, lack of supporting documentation, or differences between vouchers and the supporting documentation. Error rates before correction by MoF Control Units are estimated by MoF to be of the order of 5-10% of the number of transactions. There are no problems regarding payments not following or seeking exception from prescribed procedures, since GFMS does not permit exemptions from its procedures. Score: A.

PI-26 Internal Audit

This indicator assesses the operations of internal audit. It comprises four dimensions, the scores for which are combined using scoring method M1. The first two dimensions are scored at the time of the assessment, the third in respect of 2020, while the fourth looks at the experience of the three years 2018-20.

INDICATOR/DIMENSION 26	PI-	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score		C+	C+		
Coverage of internal audit		C	A	IA is functional to some degree in all BCG entities .	Some improvement in coverage.
26.2 Nature of audits and standards applied		C	C	Audit is mainly centred on compliance	Some improvement in audit practice in some places.
26.3 Implementation of internal audits and reporting		A	A	Audit plans were produced in 2020 and all work completed albeit with some disruption from the COVID pandemic	No change
26.4 Response to internal audits		B	B	Most entities respond within 6 months	No change

26.1 Coverage of internal audit

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

Since 2011 significant progress has been made towards developing government internal audit in Jordan. This has taken place as part of a major reform thrust to move away from "ex-ante" internal financial control towards genuine internal audit that provides independent advice to top management on the performance of systems and the efficiency of service delivery. The fact that so-called "internal auditors" were in practice playing "ex ante" roles was recognised by the GOJ in the amended by-law for Financial

Control No. 11 (2014) and the associated Prime Minister's Instruction No. 9 (March 2015) which distinguished clearly between internal control and internal audit. A substantial amount of training has been provided by MoF and AB to improve all aspects of public internal financial control.

Analysis of the current (2021) situation shows the existence of an action plan to guide the transition process and capacity building throughout the government with the help of the Ministry of Finance's internal auditors. The MoF has worked in cooperation with local partners to establish an internal audit team, trained and qualified by the major audit firms in Jordan, as the basis for the transition from internal control to internal auditing in line with international auditing standards. This team has created an internal audit manual in line with international practice and standards of internal audit and guidelines for the professional practice of internal auditing issued by the Institute of Internal Auditors (IIA).

The aim of this guide is to assist the internal audit department in each Ministry to perform its tasks in order to add value to the Ministry's operations and improve them by following a systematic methodology. This has been prepared in accordance with approved standards and applies best practices and modern methods to evaluating and improving the effectiveness of governance processes, risk management and internal control systems.

This process has been applied in some of the departments of the MOF and is being extended to the rest of the ministries, departments and institutions mentioned in the budget law, after making sure of its effectiveness in the MoF.

Each MDA (including the Income and Sales Tax Department which reports to the Minister of Finance) has an Internal Control Unit (ICU) reporting to top management established in accordance with the By-Law 3/2011. Originally these were engaged in a mixture of ex-ante transaction verification, financial inspection and ex post audit but they are now being refocused in the direction of internal audit. At the same time, the AB has discontinued since 2019 its previous "ex ante" pre-audit role by which it used to "backstop" the work of the ICUs.

Since the previous assessment, the coverage of internal audit has increased to the point where in 2021 it covers substantially all government expenditure and revenue; however, much of the work still consists of checking transactions rather than reviewing systems as required by the new approach. Score: A

26.2 Nature of audit and standards applied

This dimension assesses the nature of audits performed and the standards employed at the time of the assessment (2021).

Internal audit activities are focused primarily on financial, legal and administrative compliance. Although there is a commitment to the application of international internal audit standards, the emphasis of work across the government tends still to be more on compliance rather than on the performance of systems and the assessment of risks. It should be noted, however, that a risk assessment has been made of eight departments of MoF, with significant changes being made in the operation of the Treasury. Score: C

26.3 Implementation of internal audits and reporting

This dimension assesses internal audit planning, implementation and reporting during the last completed financial year (2020). However, there was considerable disruption occasioned by the Covid-19 pandemic in 2020.

The internal audit code requires ICUs in each Ministry to set out their audit objectives and how they plan to achieve those objectives. The audit plans are risk-based to reflect priorities and risk judgement. The plan is reviewed and amended as necessary to respond to changes in the work, risks, operations, programs, and systems of the ministry and the controls and control procedures therein.

Annual audit plans set out the specific tasks that will be completed during the next 12 months, subject to quarterly evaluations of progress.

The 2020 annual plans identified critical priority operations, target dates or time periods for planned audits and resource allocation for the coming year. In view of the impact of the (COVID-19) pandemic, the internal audit department faced significant obstacles that necessitated some changes in terms of scheduling auditing dates, the percentage of acceptable risks and the importance of departments and institutions to be audited according to risk ratios. Nevertheless, ICUs generally carried out all the items contained in their annual plans.

Reports of the results of each audit are submitted to the concerned departments at the end of each engagement, informing them of audit findings and recommendations. Findings are placed in three categories – material weaknesses, significant deficiencies, and control deficiencies. Material weaknesses and significant deficiencies found in the examination of particular transactions normally require corrective action within one or two weeks, while control deficiencies which require operational changes take longer to address. Follow up on the implementation of recommendations ensues and a quarterly report is submitted to the Inspection and Control Directorate of the Ministry of Finance, explaining the work and activities of the ICU during the period covered by the report, the violations discovered and the measures taken by the concerned departments. Score: A

26.4 Response to internal audit

This dimension assesses the extent to which management takes action in response to audit findings with reference to the last three years (2018-20). As noted in 26.3 above, it is expected that findings classed as material weaknesses and significant deficiencies will be corrected without delay, although where there are control deficiencies remedial action, possibly requiring higher level decisions on staffing, may take longer.

In view of the ICUs' direct reporting to top management (Ministers and Secretaries-General) in both the MOF and other MDAs, there are strong incentives for the auditee to provide an effective response to audit findings. A response is required from senior management to audit reports within three months from the date the report is submitted. Records for the last three years indicate that responses are made in most cases within 6 months. Score: B.

Pillar 6 Accounting and reporting

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

PI-27 Financial Data Integrity

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

INDICATOR/DIMENSION PI-27 FINANCIAL DATA INTEGRITY	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	D+	C+		Performance improvement
27.1 Bank account reconciliation	D	B	Most GU bank accounts are part of the TSA arrangements so daily bank	Performance improvement

			reconciliation takes place. For other GUs and the SSC, reconciliation is at least monthly within one month of the end of the period.	
27.2 Suspense accounts	D	D	Most balances reconciled annually but some remain uncleared after many years.	No underlying change
27.3 Advance accounts	D	D	Significant un-cleared balances persist	No change
27.4 Financial data integrity processes	B	A	Effective processes with clear audit trail and responsible unit	Performance improvement

27.1 Bank reconciliation

This dimension assesses the regularity of bank reconciliation. All balances held by bodies controlled by the Government are taken into consideration, i.e., GUs and SSC as well as BCG. The assessment is based on the situation during 2020, and subsequently in 2021. For the MDAs that are part of the GFMS system (coverage of the main budget is now complete) bank reconciliation is a daily routine process (apart from military institutions which reconcile monthly). By-Law No. 3 of 1994 and the associated implementing instructions require monthly reconciliations to have been completed by budgetary institutions including at the governorate level by the end of the first week of the following month as a condition for receiving the next cash release. Government Units accounts are all included in TSA, and reconciliation of their accounts is similarly carried out monthly. There are monthly reconciliations at SSC within 4 weeks of month-end. Since bank reconciliation for all active central government bank accounts takes place at least monthly, usually within 4 weeks from the end of each month, the score is B.

27.2 Suspense accounts

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

The Treasury Financial Position Statement as of 31 December 2020 showed credit suspense account balances of 172.6 million JD and other credit balances of 271.7 million JD. The balance of 172.6 million JD arises as part of the end-of-year accounts closure procedures also showed debit suspense account balances of 54.3 million JD. These feature a doubling of the size of government spending in the last month of the financial year. Most of this amount is settled during January of the following year, so that its value decreases by more than 70% by the end of that month.

The other credit balances of 272 million JD (represents a very old advance (more than 20 years old) from the Central Bank of Jordan to the GOJ to meet a shortage of liquidity at the time.

While in general, it can be concluded that Reconciliation takes place annually within two months of the end of the financial year, the existence of very long-standing balances which have not been cleared means that it cannot be concluded that all suspense accounts are cleared in a timely way. Score: D

27.3 Advance accounts

This dimension assesses the reconciliation and clearance of advances.

Advances are regulated by Part 5, Articles 23-28 of the Financial By-law of 1994, as amended. Article 28 regulates the repayment of four types of advances. Impress advances must be repaid before the end of

the fiscal year. Temporary advances must be repaid when the purpose of the advance is achieved. Special advances, related to projects, must be repaid as per the relevant contract. Finally, advances related to the guaranteeing of a commitment are to be repaid in accordance with a decision of the Council of Ministers.

The Treasury Financial Position Statement as of 31 December 2020 showed end-of-year advances amounting to almost 6.2 billion JD compared to a figure of 5.7 billion JD a year earlier. By far the largest components of these balances were advances to cover guaranteed commitments to NEPCO (2.96 billion JD at 31-12-2020) and WAJ (1.06 billion JD) at the same date. Most of the advances of the Electricity Company and the Water Authority are to pay obligations guaranteed by the government on behalf of these parties.

Another significant outstanding advance amounting to 245 million JD was to the Ministry of Industry and Trade. This represents the value of a strategic stock for the country from fuels, grains, etc., and since the cash basis is used in the accounts system, the value of these stocks is recorded as an advance in order to prove their value.

Advance accounts are supposed to be reconciled monthly and cleared annually but in practice there is no prospect of recovery from NEPCO and WAJ where the amounts outstanding have been increasing year by year. Score: D

27.4 Financial data integrity processes

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

High standards are maintained in terms of access to data and authority to change financial records. The GFMS logs all occasions when the system is accessed and by whom. A clear audit trail exists to support data integrity that ensures individual accountability and detects any attempt at intrusion to the system. These arrangements were in force throughout 2020, and remained so at the time of the assessment (mid-2021). The Operations Division established in the context of a reorganization of the GFMS Directorate since the 2016 assessment ensures the integrity of the financial data and their consistency with the Score: A

PI-28 In-year Budget Reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution within central government. It comprises three dimensions, the scores for which are combined using the M1 scoring method. All dimensions are assessed in respect of the last completed fiscal year (2020).

INDICATOR/DIMENSION PI-28 IN-YEAR BUDGET REPORTS	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	C+	B+		
28.1 Coverage and comparability of reports	A	A	Monthly reports by administrative and economic classification are available internally.	No change
28.2 Timing of in-year budget reports	B	B	Monthly reports produced within four weeks of end of month	No change

28.3 Accuracy of in-year budget reports	C	B	Reports are accurate but do not include commitments	No change	underlying
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Source: General Government Finance Bulletins

28.1 Coverage and comparability of reports

This dimension assesses the comparability of the information contained in in-year budget execution reports with the original budget.

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

It should be noted that these reports cover only Budgetary Central Government (BCG), and exclude the Government Units whose budgets are covered by the separate Budget Law for GUs. However, borrowing by GUs is reported monthly alongside that attributable to BCG, and consolidated into total public debt statistics. The General Government Finance Bulletin (GGFB) provides annual data for GUs, but the monthly breakdown is not given. The annual budget balance presented in the GGFB covers both the main budget and the remaining GUs but excludes NEPCO and WAJ.

28.2 Timing of in-year budget reports

This dimension assesses the promptness on in-year reporting.

Budget execution reports are published monthly in the General Government Finance Bulletin and are issued within four weeks of the end of the month. The monthly reports include a commentary on different aspects of budget execution. This was the case throughout 2020 and remained so at the time of the assessment. Score: B

28.3 Accuracy of in-year budget reports

This dimension assesses the reliability and scope of information reported.

Whilst there are no concerns regarding the accuracy of data contained within the in-year budget reports, they record only payments and do not include commitments. Score: B

PI-29 Annual Financial Reports

This indicator assesses the extent to which the annual financial statements are complete, timely and consistent with generally accepted accounting principles and standards. It contains three dimensions, the scores for which are combined using scoring method M1. Dimensions 1 and 2 are assessed on the basis of data for 2020, while Dimension 3 depends on the last three years' financial statements.

INDICATOR/DIMENSION PI-29 ANNUAL FINANCIAL	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	C+	B+		
29.1 Completeness of annual reports	B	B	Revenue, expenditure, financial assets and liabilities, guarantees, long-term liabilities, cash balances	No change

			and cash flow statement supplied, but no information about tangible assets	
29.2 Submission for external audit	B	A	The latest annual financial statements for the year ended 31 December 2020 were submitted to the AB on 23 March 2021	No change
29.3 Accounting standards	C	A	Consistent standards have been applied, in line with cash based IPSAS for 2018-20.	Performance improvement

29.1 Completeness of annual financial statements

This dimension assesses the completeness of annual financial statements for the last completed financial year (2020). It looks for comparability with the approved budget and full information on revenue, expenditure, financial and non-financial assets, liabilities, guarantees and long-term obligations, as well as a cash flow statement and information on tangible assets.

The annual financial statements for 2019 and 2020 meet most of the above requirements. Specifically, they provide full information on revenue, expenditure, financial assets and liabilities, guarantees, long-term obligations, cash balances and a cash flow statement, but tangible assets are not covered, They are exactly comparable with the original enacted budget. Score: B

29.2 Submission of reports for external audit

This dimension assesses the timeliness of submission of reconciled annual financial reports for external audit in relation to the last report submitted. Ideally, in terms of the PEFA Framework, this should take place within 3 months of the end of the accounting period. The Ministry of Finance is required by law to "submit to the Audit Bureau the final account of each fiscal year within not more than six months as of the date of year ending".

The latest annual financial statements for the year ended 31 December 2020 were submitted to the AB on 23 March 2021. Score: A

29.3 Accounting standards

This dimension assesses the extent to which annual financial reports are understandable to the users of the reports. It considers the last three fiscal years (2018-2020).

The GoJ has decided to migrate from cash accounting to full accrual accounting in accordance with the relevant International Public Sector Accounting Standards (IPSAS). A number of preparatory steps have been taken, but there is no prospect of meeting the originally planned application of full accrual accounting in 2021. Much remains to be done, notably in registering and valuing all nonfinancial assets.

In the meantime, the financial statements covering BCG as a whole have been prepared in accordance with the cash based IPSAS. This basis has been consistently applied throughout the three-year period and most mandatory information has been provided including notes to the financial statements, although this is restricted to BCG, and excludes the GUs which are controlled by the government in the same way as Departments which are included in BCG. Some additional, non-mandatory

information has also been supplied such as various types of accounts payable. The audit opinions for 2017-19 confirm compliance with cash based IPSAS. Score: A

Pillar 7 External scrutiny and audit

This pillar comprises two indicators (PIs 30-31). This indicator comprises four dimensions the scores for which are combined using the M1 scoring method. Dimensions 30.1, 30.2 and 30.3 are assessed on the basis of the last three completed years, while 30.4 is assessed on the basis of the situation during the first half of 2021. All activities under the control of central government are covered.

PI-30 External Audit

INDICATOR/DIMENSION PI-30 EXTERNAL AUDIT	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score	D+	D+		
30.1 Audit coverage and standards	D	B	Most government expenditure and revenue is audited annually, and reports address systemic issues and control risks. Since 2018 the Audit Bureau (AB) also gives an Opinion on the presentation of the financial statements of Budgetary Central Government.	Performance improvement
30.2 Submission of reports to legislature	D	C	Audit reports were submitted to the legislature within 9 months of the receipt of the annual financial statements	Performance improvement
30.3 Audit follow-up	B	A	Departments generally correct errors found in compliance audits, and the Government takes further action when findings are not followed up by MDAs.	Performance improvement
30.4 SAI independence	D	D	The degree of independence has increased due to revised arrangements for the appointment and dismissal of the President, but financial and staffing independence is still restricted, and initiative for the appointment remains with the Executive.	Performance improvement

External audit in Jordan is the responsibility of the Audit Bureau (AB), an office established under the auspices of Article 119 of the Constitution of Jordan 1952. The Audit Bureau Law No, 28 was passed in the same year and has been the subject of a number of subsequent amendments, the most recent of which were made in Law 36 of 2018. Article 3 of the Law requires the AB, as Jordan's Supreme Audit Institution (SAI), to "audit state revenues and expenditures along with the accounts of deposits, advances, loans and settlements". It is also charged with the responsibility for providing advice in the accounting fields to the entities subject to Bureau audit and ensuring that public expenditure is both legal and effective. The AB is a central participant in a major process of reforming public financial control practice that has been taking place in Jordan for a number of years. A particular focus of the

modernisation process in the AB has been to switch resources away from “pre audit” (approval of individual transactions before they are executed) and to seek to enhance the independence of the Office.

30.1 Audit coverage and standards

- As the SAI, the AB is responsible for the external audit of a wide range of public bodies. According to Article 4 of the AB Law these include:
 - Ministries, governmental departments, public institutions and public official institutions.
 - Municipal Councils
 - Any entity using public funds that the Council of Ministers decides to designate the Audit Bureau to audit
 - Companies of which government owns 50% or more of shares.
- Traditionally, the focus of audit has been on **compliance** with laws, the budget, by-laws and procedures but the emphasis has changed in recent years to include performance audit and environmental audit. This change has been supported by twinning arrangements with several European SAIs. It has also received legal impetus in that Article 14b of the Law stipulates that the AB shall operate in a professional and neutral manner in accordance with approved international standards issued by International Organization of Supreme Audit Institutions. (INTOSAI).

The AB is a member of ARABOSAI, the regional branch of INTOSAI and aims to apply international standards of public audit (ISSAIs) in all the work it does. These standards cover all aspects of audit work, starting from basic principles of public audit, and setting out how different types of audits (financial, compliance, performance) are to be organized and conducted. In the last five years the AB has begun to focus more on the content of financial reports as the MoF has submitted the annual financial statements for external audit and the reliability of administrative and control systems. Since 2018 AB has published a financial audit report on the previous year’s financial statements separately, and in advance of the submission of the main annual report to the NA. These reports – the latest on 2020 published on 24 June 2021 – are essentially concerned with the presentation of the figures, and do not address the performance of the systems and the legality and regularity of the underlying transactions, matters which are left to be covered in the main report. The financial audit reports include an audit opinion as follows: “In our opinion, the attached financial statements present fairly, in all material respects, the consolidated financial position of the ministries and departments included in the General Budget Law as on December 31, 2019, and their financial performance and their estimated and actual cash flows for the year ended.”

Evidence supplied by the Audit Bureau indicates that, in 2018 and 2019, the number of audits “outputs” was 4,259 and 3,404 respectively. It also indicates that “most” (at least 75%) of the expenditure and revenue of central government was audited. Score: B

30.2 Submission of annual audit reports to the legislature

Audit reporting requirements are regulated by Article 119 of the Constitution and Article 22 of the Audit Bureau Law. The Constitution requires the AB to submit a general report [on government financial operations] to each ordinary (annual) session of the National Assembly. The Audit Bureau Law provides more detail on reporting. It requires the President of the AB to submit an annual report for each financial year to the Senate and the House of Representatives that includes his observations, including information about the violations committed and the liability involved, at the beginning of each regular Session or whenever requested by either House.

The President of the Audit Bureau must send a copy of the report to the Prime Minister and Minister of Finance. The President of the AB is required to publish the annual report after it has been officially submitted to the House of Representatives and the Council of Senate in the manner, he considers

appropriate including publishing on the Bureau website. The President of the AB may at any time submit to the House of Representatives special reports indicating important and risky matters that require urgent consideration.

For its part- the MOF must submit to the Audit Bureau the final account of each fiscal year within not more than six months as of the date of year ending. In addition, any entity subject to the Audit Bureau audit shall submit to the Bureau its financial statements within six months after the end of the year to which they relate.

The PEFA requirement for this dimension relates to the length of time that elapses between the receipt of the annual financial statements from the Executive and the date the audit report thereon is submitted to the Legislature. As explained in 30.1 above, the AB’s analysis of the final accounts for the year 2019 was sent to the House of Representatives on 30-6-2020, while the analysis of the final accounts for the year 2020 was sent on 24-6-2021. However, this Indicator is assessed on the basis of audit reports which address systemic issues and control risks, which are only covered in the main report.

Table 3.11 Auditing of annual financial statements

FINANCIAL YEAR ENDED 31 DECEMBER	DATE ANNUAL FINANCIAL REPORT SUBMITTED TO AB (1)	DATE AUDIT REPORT SUBMITTED TO LEGISLATURE (2)	ELAPSED TIME BETWEEN 2) AND 1)
2017	27-2-2018	31-10-2018	9 months
2018	31-5-2019	1-12-2019	6 months
2019	21-5-2020	15-12-2020	6.5 months
2020	23/3/2021	Not yet submitted	

Since the elapsed time was less than 9 months, the score is C, which represents an improvement on the position recorded in 2016.

30.3 External audit follow-up

Article 16 of the AB Law states that any entity subject to AB audit must reply to any query raised by the Bureau within its scope of duties within not more than thirty days if its duty station is inside the Kingdom of Jordan and not more than sixty days if its duty station is abroad. Audit reports have tended to be very detailed and to highlight a large number of “violations” discovered during compliance audits. Evidence supplied by the AB suggests that the audited entities generally do address the issues found during the audit. In the event that any violations and other matters are not corrected directly by the MDAs, further action is taken by the Government.

For the purposes of addressing violations promptly and taking the necessary measures to correct them, a committee was formed on February 21, 2017, headed by a Minister in the prime minister’s office. Committee members are employees from each of the Audit Bureau, the Prime Ministry and the Ministry of Finance and the aim is to discuss the outputs issued by the Audit Bureau with the violating authorities so as to ensure that the necessary corrective measures are taken. Unsolved cases are included in the yearly report to Parliament; if they are still not resolved they may in some cases be referred to the Anti-Corruption Commission.

AB follows up on unreconciled cases with the relevant institutions which are later reviewed with the Prime Ministry. This may lead to cases being brought before Court. In 2018, it was decided to send 42 cases to court, and 26 cases in 2019, and to refer 38 cases to Integrity and anti-corruption commission in 2018, and 64 cases in 2019. Score: A

30.4 Supreme Audit Institution (SAI) Independence

The issue of a truly independent SAI in Jordan has been recognised as an important component of PFM reform. Article 2 of the AB Law states that the Audit Bureau is considered as “an independent department with independent annual budget prepared by the President of the Bureau to be sent to the Prime Minister for listing within the general budget of the state pursuant to the duly followed rules”.

Article 5 provides that the Audit Bureau administration “shall be headed by a President to be appointed under a Royal Decree based on the recommendation of the Council of Ministers and such appointment shall be notified to the House of Representatives. He may not be dismissed, transferred, pensioned-off or be subject to disciplinary sanctions without the approval of the House of Representatives if the House is assembled or with the King's approval based on the recommendation of the Council of Ministers if the House of Representatives is not assembled”. If the HoR is not sitting, the Prime Minister must explain the circumstances of his/her removal from office when the House next meets.

Although the amendments to the Law in 2018 enhanced the independence of the AB to some extent by providing additional immunity to the President (approval of the HoR being required for dismissal) and submitting the AB budget directly to the Prime Minister, nevertheless the AB does not operate independently of the Executive. With regard to the approval of the AB budget, the GBD intervenes in the budget proposals and submission, although the AB is allowed to execute its budget freely and has unfettered access to information, records and other documentation. In addition, the AB is still under the umbrella of the Civil Service Bureau, where the AB does not have the administrative independence that enables it to hire and determine staff pay levels.

Despite the improvements in the President’s security of tenure, the initiative for his/her appointment remains with the executive, and there are continuing constraints on the AB’s budgetary and human resource powers. Score: D

PI-31 Legislative scrutiny of audit reports

This indicator focuses on the legislative scrutiny of the audited financial reports of central government. It comprises four dimensions, the scores for which are combined using the M2 method. The scope of the Indicator is central government, and reports on the last three completed years (2017-19) are considered.

INDICATOR/DIMENSION	PI-31	2016 SCORE	2021 SCORE	JUSTIFICATION FOR 2021 SCORE	PERFORMANCE CHANGE AND OTHER FACTORS
Overall score		B+	D+		
31.1 Timing of audit report scrutiny		A	D	Scrutiny of audit reports has been delayed and not completed within twelve months	Performance deterioration
31.2 Hearings on audit findings		C	C	A few hearings have been held.	Performance deterioration
31.3 Recommendations on audit made by the legislature		A	D	No recommendations have yet been made to Government based on 2018 and 2019 AB reports.	Performance deterioration

31.4 Transparency of legislative scrutiny of audit reports	A	NA	Although hearings were held on the report for 2017, no reports have been issued.	Performance deterioration
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31.1 Timing of audit report scrutiny

Prompt scrutiny by the Legislature of SAI reports is an important aspect of effective financial accountability. The PEFA framework regards good practice as parliamentary review of audit reports within three months of their receipt. The evidence in Jordan is that there is a weakness in this key feature of PFM practice. Parliamentary procedure provides for the reports to be considered by the Finance Committee of the House of Representatives but in recent years there have been significant delays. As Table 3.12 shows, the Finance Committee presented its conclusions on the AB's report for 2017 to a Plenary Session of the House of Representatives on 12 December 2019. The debate was televised, but no written report is available. The Finance Committee began its work on the 2018 report in early 2020, but it was interrupted by the Covid 19 emergency. There is no evidence of work having been resumed since then.

Table 3.12 Timing of Parliamentary scrutiny of audit reports

FINANCIAL YEAR	DATE OF SUBMISSION TO PARLIAMENT	DATE REPORT CONSIDERED
2017	November 2018	12 December 2019
2018	November 2019	Not yet considered
2019	November 2020	Not yet considered
2020	Not yet available	Not applicable

The requirement for a C score is that consideration of audit reports be completed within 12 months of their receipt by the Legislature. This requirement has not been met in any of the last three completed financial years³. Score: D

31.2 Hearings on audit findings

In the past there has been in operation a well-established process of conducting parliamentary hearings on audit findings. The Finance Committee of the House of Representatives has discussed key audit findings with the responsible officials from the relevant MDA on a regular basis. The Committee's recommendations were submitted along with the AB report to the House in plenary. Since 2016 it appears that some of the urgency of the Committee's work has diminished as a result of the establishment of the Prime Ministry Committee which processes audit findings before the report is published (see 30.3 above). Meetings are generally open to the public and attended by the media and civil society organisations. Plenary sessions are televised but not Committee meetings. It is understood that a number of hearings were held on the 2017 AB report, and a few on the 2018 report, on which the Committee's work remains unfinished. The focus of the Committee's discussions is on unresolved compliance failures, where the Committee's objective is to secure the reference of particular cases for prosecution or further investigation by the Anti-Corruption Commission. The assessors were told that files are never closed until the Committee is satisfied about the outcome. Since some hearings have been held, although the work remains largely unfinished, the dimension score is C.

³. At the time of this assessment, the audit report for 2020 had not been made available for legislative scrutiny so the three years considered are 2017-19.

31.3 Recommendations on audit by the legislature

. Although the Finance Committee has been following up on particular compliance failures, it appears that no consolidated reports have been addressed to the Government by the National Assembly during 2018-20, and that no approaches have been made by the Committee to the Government in respect of compliance failures described in the AB's 2018 and 2019 reports.

Score: D

31.4 Transparency of legislative scrutiny of audit reports

Since there have been no Committee reports, this Dimension is Not Applicable.

4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

4.1. Integrated assessment of PFM performance

Pillar 1 - Budget reliability (PIs 1-3)

1. Overall, Jordan continues to maintain a high standard of budgetary control. Although actual expenditure was below budget in all three years under review (2018-20), the differences were relatively small (5.0%, 4.8%, 4.1% respectively), resulting in an A score as in the previous assessment. There has been a slight decline in performance from the point of view of the stability of the functional composition of expenditure (from A to B) but this is matched by an improvement in that of the economic classification from C to B. Explanatory factors include, in terms of the functional classification, an increased share of social protection in 2020 and, in terms of the economic classification, the fact that capital expenditure fell short of budget, while current expenditure was largely maintained, and even increased in some areas in response to the impact of Covid 19. An important point to note is that, from 2019, the Jordanian Government has fully allocated military expenditure to the appropriate economic classifications. Another positive aspect concerns the limited use of the practice of charging expenditure to a Contingency vote which accounts for an average of only 0.6% of total expenditure in 2018-20.

2. On the revenue side, the budget has been less reliable, not helped by the impact on revenue of the COPVID-19 pandemic. Actual deviation of aggregate revenue from budget was -7.7%, -9.9%, -17.9% for three years, resulting in the score D. The financial year 2020 saw a large difference due partly to lower tax receipts, resulting from a lengthy lockdown and other measures to counter the effects of Covid 19, but also to major shortfalls in property and sales revenue. However, the planned revenue composition was largely maintained due to reasonably low variances in 2018 and 2019, resulting in a score of B.

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

3. Jordan's budgetary central government budget classification system meets GFS/COFOG standards and, as stated above, all military expenditure is now assigned to economic categories. This change in practice has resulted in a significant improvement in scoring from D to A. All revenue and expenditure in budget and execution statements are presented with administrative, functional, sub-functional and economic classifications.

4. Fiscal reports are largely comprehensive (PI-6) with the only expenditure of bodies controlled by central government not reflected therein being that of the 10 public universities whose expenditure in 2020 was equivalent to approximately 5.4% of the total budget expenditure. A similar situation applies with respect to revenue; hence the score for both dimensions 6.1 and 6.2 is C. Financial reporting by most extra-budgetary units is reasonably prompt (public universities were an exception) resulting in the score B.

5. The arrangements for financial transfers to municipalities continued to work well until 2019 in the context of a decentralisation of power strategy with clear, rules-based systems in place and timely notification of the forecast transfers to the municipalities (PI-7), although in 2020 they were sharply reduced in-year reflecting the halt in investment resulting from the pandemic. The situation regarding performance information (PI-8) is more uneven with creditable scores (B) for performance targets and the reporting of performance achievement (dimensions 8.1 and 8.2) but a low score where information is lacking about resources actually received by service delivery units (dimension 8.3). The Audit Bureau

has recently undertaken a range of audits of the impact of specific activities on the environment and sustainable development, but the overall coverage is limited (score D for dimension 8.4). In terms of transparency (PIs 5 and 9) Jordan scores reasonably well both on the provision of budget information to the legislature (B) and on the provision of fiscal information to the general public (A).

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

6. Jordan's performance in the area of managing assets and liabilities needs improvement. Only public debt management (PI-13) scores well, with reliable data reconciled and reported frequently, and a clear debt management strategy. Financial reporting by public corporations and municipalities is adequate but not particularly quick (score C for PI-10.1 and 10.2), but reporting of contingent liabilities is inadequate: MoF is only now (mid-2021) collecting data about substantial Public-Private Partnership (PPP) obligations undertaken by the electricity and water sectors several years ago, and the Covid 19 crisis has seen new contingent liabilities arising from Government-supported lending to the national airline and other businesses (score D for 10.3). Public asset management (PI-12) continues to receive low scores because of inadequate reporting of the results of companies in which the Government holds shares (12.1), and lack of reporting on the disposal of government nonfinancial assets (12.3). Work is continuing on identifying nonfinancial assets in preparation for financial reporting on a full accruals' basis, but rules have not yet been specified on a consistent basis for valuations (12.2).

7. The 2016 report recorded that MoPIC had recently been given responsibility for managing a pipeline of public investment projects, all of which would have satisfied stringent economic tests before any decisions to implement them, where suitable through PPPs. A further World Bank consultancy report in 2018 found that systematic arrangements were not in place, and proposed detailed arrangements for managing project identification, feasibility-testing and decision-making, which the Government accepted in 2019. A new PPP law was enacted in 2020, and Guidelines were published for each stage in the process. A new by-law has been issued in 2021 to provide for the implementation of the new procedures. But no information is available about projects actually in course of implementation during 2018-20. There has been no publication of the total costs of even the most important projects, and no reports have been produced about progress in project implementation. While it may be accepted that major projects will have been decided by a high-level Committee chaired by the Prime Minister, the absence of any specific information about public investment during 2018-20 means that Dimensions 1,2 and 4 of PI-11 can only be scored D*, with 11.3 scored D.

Pillar 4 - Policy-based fiscal strategy and budgeting

8. Only very summary economic forecasts are published in the Budget speech, and thus as part of budget documentation. They are not subject to independent validation, and assumptions about interest rates are not published (score C for PI-14.1). Forecasts of the main fiscal indicators are produced for three years ahead, with some explanation in the Budget speech of the main differences from the previous year's forecasts, but there is no discussion of alternative economic assumptions (score A for 14.2 but D for 14.3). The detailed fiscal forecasts show for the first year how the revenue and expenditure figures will be achieved but leave open how the revenue targets are to be achieved for the two subsequent years (C for PI-15.1). The Government's Letters of Intent to the IMF in the context of the EFF arrangements constitute fiscal strategies, and reports of progress in their implementation, and were reported to Parliament in the 2021 Budget speech (score B for 15.2 and 15.3). Detailed expenditure projections are produced for three years ahead (score A for PI-16.1), but the expenditure ceilings for the

second and third years do not reflect policy commitments on the details of expenditure programmes (score B for 16.2). Budget documentation shows the strategic objectives of each Ministry, and performance targets on the way to the achievement of the objectives for each of the next three years. But it is not clear that the expenditure figures shown will be sufficient for the achievement of the annual targets (score C for 16.3). There is no explanation of changes since the previous year's forecasts (score D for 16.4).

9. The budget preparation process works well, in that there is a clear budget calendar which is complied with, and ceilings previously approved by the Government are issued to spending Ministries (score A for PI-17.1 and 17.2), but the Parliament has only one month to consider the budget proposals before the end of the year (C for 17.3). Parliamentary consideration covers all aspects of the budget including medium-term priorities (A for PI_18.1), and procedures are well-established. Although these do not include public consultation, and there are substantial negotiations about possible expenditure reductions (B for 18.2). The budget approved within a month after the beginning of the budget year in two of the last three years (score C for 18.3). There are clear rules limiting the Executive's scope for adjusting the budget without Parliamentary approval, which are correctly observed (A for 18.4).

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

10. Tax administration shows significant improvements since the 2016 assessment. Although there continue to be different rates of sales and company income taxes depending on the industry and location of the activity, some steps have been taken to rationalize the administrative arrangements, eliminate unjustified exemptions and reduce the scope for avoidance by misrepresenting the location of activities. ISTD's internal organization has been reformed, so as to separate the consideration of appeals from the directorates responsible for assessments (score B for PI-19.1). Arrangements have been reconstituted to improve risk management, with separate sections dealing with problem industries, and a new directorate responsible for self-employed professionals where failure to register, and under-declaration, have been continuing problems. With the support of the IMF a range of initiatives have been undertaken to improve compliance, including the recruitment of 100 additional tax auditors, the reformulation of the criteria used to select taxpayers for audit, and a directed campaign in 2020 directed at professional groups. Higher earners have been reminded through their employers of the requirement to submit tax declarations (score A for 19.2 and 19.3. Tax arrears have been reduced from over 50 per cent of collections in 2015 to 16 per cent in 2020 (score C for 19.4).

11. In-year resource allocation is relatively predictable, displaying several positive features. Almost all cash balances are consolidated daily in the Treasury Single Account and the annual cash forecast prepared by the MoF is updated monthly. However, cash is released to budget units only in monthly instalments. In-year budget adjustments are limited by the General Budget Law. Expenditure arrears are routinely monitored and kept to relatively low levels.

12. Payroll controls are strong in Jordan with all four aspects covered by PI-23 scoring A. There are automatic links between personnel and payroll records controlled by CSB. Payroll changes require the approval of CSB and are executed promptly with little need for retroactive adjustments. Internal controls over changes to personnel and payroll records are tight and well documented. There is regular and comprehensive payroll audit by the Audit Bureau.

13. Since the previous assessment, there has been some rationalisation of the procurement institutional arrangements (PI-24) with the establishment of the General Procurement Department under MoF to manage all procurement of goods and services, including medical supplies. The General Tenders Department under MPWH remains responsible for all building and works contracts. Each of the agencies maintains full records of its own procurement activities, and all contracts should be subject to some form of competition, but the comprehensive statistics needed to confirm the use of competition are lacking. Some but not all of the required elements of information are publicly available on the JONEPS website, and a new two-level, more independent procurement complaints mechanism has been established, although no information is yet available about its operation.

14. There are extensive (if not rather onerous) internal controls on non-payroll expenditure (PI-25) established by By-laws, other regulations and automated systems, although the pre-audit role of the AB has now ceased completely. Financial Regulations and organisational structures provide for segregation of duties, reinforced by controls built into GFMS. The Purchase Order Module of GFMS requires finance to be allocated before an order can be placed- ensuring that no commitments are undertaken for which there is no provision in the approved estimates. Compliance with payment rules and procedures is high; layers of internal control by units in each Ministry and by MoF Internal Control Unit, reinforced overall by the design of GFMS, ensure that all payments are in accordance with rules and procedures.

15. Internal audit (PI-26) has made some progress since the previous assessment and now covers most government expenditure and revenue. Though there is a commitment to the application of international internal audit standards, the emphasis of work appears still to be on compliance rather than on the performance of systems and the assessment of risks. All planned internal audit work was completed in 2020 and records for the last three years indicate that most responses to audit findings occur within 3-6 months.

Pillar 6 - Accounting and reporting (PIs 27-29)

16. Where transactions take place through the TSA, which covers the main budget and some GUs, bank reconciliation takes place daily. For other CG accounts (other GUs and SSC) reconciliation is at least monthly (score B for PI-27.1). Most suspense accounts are reconciled and cleared without delay, but there are significant uncleared balances outstanding (D for 27.2), while substantial advances to NEPCO and WAJ remain outstanding from year to year (D for 27.3). Data integrity is ensured by a special team in GFMS (A for 27.4). In-year budget reports (PI-28) are published in the monthly General Government Finance Bulletin within four weeks of the end of the month and have become more informative as In-year internal reports show breakdown by economic, administrative, programmatic and functional classifications. There is no reason to doubt accuracy of reports, but they cover only payments, and not commitments

17. Annual financial statements (PI-29) cover revenue, expenditure, financial assets and liabilities, guarantees, long-term obligations and cash balances, and are comparable with the approved budget. Annual financial statements were submitted for audit within 4 months of year-end. Consistent standards have been applied. There are now a clear AB opinion confirming that cash based IPSAS were applied; this represents an improvement in practice.

Pillar 7 - External scrutiny and audit

18. External audit is the responsibility of the AB which is no longer engaged in the ex-ante control of payments. At least 75% of BCG revenue and expenditure is audited annually (PI-30) and audit reports have been submitted to the National Assembly within 9 months from AB's receipt of the accounts. A positive development has been the attention paid to the content and presentation of the government's financial statements, resulting in a clear audit opinion given separately and in advance of the publication of the main annual report. There is clear evidence of follow-up by the Government albeit directed more towards the correction of errors than the improvement of systems. Efforts have been made to enhance the degree of independence of the AB in the form of revised arrangements for the appointment and dismissal of the President, but financial and staffing independence is still restricted and the initiative for the appointment of the President remains with the Executive.

19. Public financial accountability has been considerably weakened by extensive delays on the part of the National Assembly in giving consideration to AB annual reports. In the past NA Finance Committee normally held hearings on AB findings, and reported its conclusions and recommendations, but there have been significant delays in the past three years (score D for PI-31). The previously established practice was for the NA to send recommendations to the Government, and a special Committee had been established to follow up the responses. However, it appears that no recommendations were sent to the Government in respect of 2017, and the Finance Committee has not yet completed its consideration of the 2018 and 2019 AB reports.

4.2. Effectiveness of the internal control framework

20. Since the previous assessment, which reported in 2017, the internal control framework in Jordan has continued to evolve and modernise. The heavy traditional emphasis on multiple layers of "ex ante" checking of transactions, has, to a significant degree, been diluted by the development of internal audit and the complete withdrawal of the Audit Bureau from its previous pre-audit" role as part of the internal control processes which it can now concentrate on auditing. It can, therefore, be argued that the internal control framework has become less resource-intensive and more efficient. That said, there remain in place a plethora of control and inspection activities that may constitute an effective framework for detecting errors and avoiding waste but have arguably done so at the expense of efficiency, or cost effectiveness.

21. The withdrawal of the AB from its internal control role took place only gradually and subject to a rigorous evaluation process designed to assess the capacity of the Internal Control Units (ICUs) to take on their additional responsibilities. It is probably too early to judge the impact of the AB's withdrawal though it seems that there have been some difficulties in retaining trained staff in the ICUs. It should be noted that after the withdrawal of AB from ex ante control there are still MoF financial controllers stationed in every Department to reinforce the work of the Departmental ICUs.

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

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

4.3. PFM strengths and weaknesses

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

4.4. Performance changes since 2017

24. Jordan has received considerable support from development partners in improving PFM during the period since the last PEFA assessment in 2017. The continuing development of the GFMIS has substantially improved the promptness and accuracy of financial reporting, while the institution of effective commitment control should greatly reduce the risks of expenditure arrears. Improvements have been made in the organization of tax collection, and work is in progress to rationalize internal financial control, to extend the coverage of internal audit, and to strengthen external audit covering both performance in service delivery and the content and quality of financial reporting. On the other hand, there is no evidence yet of benefits from the improvement of public investment planning, comprehensive procurement statistics are lacking, and the contribution of the National Assembly in holding the Government to account seems to have been reduced. Many of the initiatives to improve PFM remain work in progress, and continuing efforts will be needed to secure the benefits in terms of economy and efficiency, and better services for the population as a whole.

5. GOVERNMENT PFM REFORM PROCESS

5.1. Approach to PFM reforms

1. Since 2004 Jordan has been continuously engaged in seeking to improve PFM, both for the benefits it brings directly and because progress in this area is a condition to be met in maintaining the support of development partners, which continues to be of great importance in keeping the economy stable at a time of exceptional difficulty caused by external circumstances. Within the government the lead role is taken by the Ministry of Finance (MoF) (Including the General Budget Department (GBD), the three tax Departments and the General Procurement Department (GPD)); the other Ministry principally concerned is the Ministry of Planning and International Cooperation (MoPIC) which coordinates public investment planning and external assistance. Development partners are continuing to provide substantial external funding, recognizing the Government's commitment to PFM reform, particularly through improvements in the tax system, implementation of improvements in public investment management, and reductions in the losses incurred by the electricity and water SOEs.

5.2. Recent and ongoing reform actions

2. MoF are currently working in accordance with the PFM Reform Strategy (2018-21) prepared in the light of the 2016 PEFA assessment. This has four primary objectives: to ensure long-term aggregate fiscal discipline, to develop policy-based budgeting, to encourage economic growth and private sector investment, and to make government more responsive to ordinary citizens. The strategy includes a long list of actions to be undertaken by MoF and its associated Departments in pursuit of these objectives. In addition to measures to strengthen tax administration and increase the tax yield, MoF itself is looking to improve medium-term fiscal forecasting and planning, to successfully implement its public debt management strategy, to extend the coverage of the new on-line procurement system JONEPS throughout the public sector, to develop financial reporting in accordance with international standards, and to improve internal financial control and internal audit throughout the government. It will be important to maintain the momentum of these initiatives if the benefits in terms of better and more efficient public services, and a better overall balance of the economy, are to be realised.

5.3 Institutional considerations

5. The Jordan central government sector contains a large number of independent or semi-independent units which need to work together to bring many initiatives to fruition. Many will be inclined to hold back in implementing changes which require changes in existing organisations or practices. The persistence of cumbersome financial control arrangements applicable to all payments by government bodies, and of an approach to audit by the Audit Bureau which continues to emphasise compliance testing of individual transactions, are illustrations of the difficulty of achieving rapid change. There is now movement in both these areas, although there is still a considerable distance to travel before Jordan has financial control and audit arrangements matching international best practice. However, it should be recognized that the Government has recently secured important advances in PFM legislation through the enactment of the new organic budget law, the new public procurement by-law, and substantial improvements in tax law and administration. The recently published (August 2021) second review of the current EFF arrangement with the IMF records what has already been achieved, and the Government's commitment to further steps on tax, public investment and public procurement over the next few months.

ANNEXES

Annex 1 - Performance Indicator Summary

INDICATOR/DIMENSION	2021 SCORE	DESCRIPTION OF REQUIREMENTS MET	2016 SCORE	EXPLANATION OF CHANGE
PI-1 Aggregate expenditure outturn	A	Budget variance less than 5% in two out of three years	A	No change
PI-2 Expenditure composition variance	B+		C+	
PI-2.1 Functional	B	Variance less than 10% in two out of three years	A	Deterioration due to increased spending on social protection in 2020
PI-2.2 Economic	B	Variance less than 10% in all three years	C	Improvement caused by reduced capital expenditure fluctuations
PI-2.3 Contingency	A	Amount charged to contingency less than 1%	A	No change
PI-3 Revenue outturn	C		C+	Performance deterioration
PI-3.1 Aggregate	D	Out-turn was outside range 92% - 116% of budget in two of three years	C	Large shortfall in 2020 due to lower tax receipts, falls in property and sales revenue
PI-3.2 Composition	B	Variance less than 10% in 2 of 3 years	B	No change
PI-4 Budget classification	A	All revenue and expenditure in budget and execution statements are presented with administrative, functional, sub-functional and economic classifications.	D	Performance improvement since all military expenditure now assigned to economic categories,
PI-5 Budget documentation	B	All 4 basic and 5 additional elements are provided,	B	No change
PI-6 Central government operations outside financial reports	C+		C+	No change
PI-6.1 Expenditure	C	5-6% expenditure outside fiscal reports	C	No change
PI-6.2 Revenue	C	5-6% revenue outside fiscal reports	C	No change
PI-6.3 Financial reports	B	76% of EBU expenditure reported within 6 months of year-end	B	No change
PI-7 Transfers to sub-national governments	C+		A	

PI-7.1 System for allocating transfers	D	Receipts can be predicted yet formula is not transparent	A	No underlying change
PI-7.2 Timeliness of information	A	Allocations made more than 6 weeks before the beginning of the following year	A	No change
PI-8.1 Performance information for service delivery	C		C	
PI-8.1 Performance Plans	B	Information on intended performance by programme/sub-function included in budget documentation in terms of activities/output	B	No change
PI-8.2 Performance achieved	B	Performance reported against previously published targets in terms of activities/output	B	No change
PI-8.3 Resources received	D	Information could be extracted from GFMS yet has not been made available	D	No change
PI-8.4 Performance evaluation	D	Wider range of performance audits by Audit Bureau, but coverage not sufficient for C.	D	Performance improvement
PI-9 Public access to fiscal information	A	All 5 basic elements published for 2019 and 3 others	B	Performance improvement
PI-10 Fiscal risk reporting	D+		B	
PI-10.1 Monitoring of public corporations	C	Financial reports submitted by most PCs within 9 months of year-end	C	No change
PI-10.2 Monitoring of Subnational governments	C	Majority of municipalities submit unaudited reports within 9 months of year-end	C	No change
PI-10.3 Contingent liabilities and other fiscal risks	D	Large PPP commitments have not been reported.	C	Probably no underlying change
PI-11 Public Investment Management	D		D+	
PI-11.1 Economic analysis	D*	No specific information	C	Probably no underlying change
PI-11.2 Project selection	D*	No specific information	C	Probably no underlying change
PI-11.3 Project costing	D	No information available about total costs of each project	D	No change
PI-11.4 Project monitoring	D*	No specific information	D	Probably no underlying change

PI-12	Public asset management	D+		D+	
PI-12.1	Financial asset monitoring	C	Government has records of holdings of shares, but no consolidated report on their performance is published	C	Probably no underlying change
PI-12.2	Nonfinancial asset monitoring	C	Each Ministry and GU keeps records of nonfinancial assets	C	No change
PI-12.3	Transparency of asset disposal	D	Disposal covered by 2018 Procurement by-law, but no reports published.	D	Legislative improvement
PI-13	Debt management	A		B	Performance improvement
PI-13.1	Recording and reporting	A	Debt data are fully and accurately recorded and reported	A	No change
PI-13.2	Approval	A	The issue of debt and approval of guarantees are under the control of the Debt Management Committee chaired by the Minister of Finance, with decisions ratified by the Council of Ministers	A	No change
PI-13.3	Management strategy	B	A new debt management strategy was published in September 2019 including target ranges for interest rates, refinancing etc.	D	Performance improvement as debt management strategy in place
PI-14	Macroeconomic and fiscal forecasting	B		C	
PI-14.1	Macroeconomic forecasts	B	Forecasts of key economic aggregates for 3 years ahead submitted to Parliament. Policy ensures maintenance of exchange rate peg.	C	No underlying change
PI-14.2	Fiscal forecasts	A	Fiscal forecasts have been published for 3 years ahead, with some explanation of changes from previous forecasts	B	Performance improvement due to consideration of changes from previous forecasts
PI-14.3	Sensitivity analysis	D	Forecasts have not considered the impact of alternative economic assumptions	D	No change
PI-15	Fiscal Strategy	B		C	No change
PI-15.1	Fiscal impact of policy proposals	C	Budget documentation includes the impact of revenue and expenditure decisions only for the budget year ahead	C	No change

PI-15.2	Fiscal strategy adoption	B	The Government's commitments to the IMF constitute a fiscal strategy, which was reported to Parliament in Budget speeches	C	Performance improvement
PI-15.3	Reporting on fiscal outcomes	B	Letters of Intent submitted to the IMF constitute reports of progress against the fiscal strategy, which were also included in Budget speeches.	C	Performance improvement
PI-16	Medium-term perspective in expenditure budgeting	B		B+	
PI-16.1	Medium-term expenditure estimates	A	Documentation presents estimates of expenditure for 3 years ahead broken down by all classifications	A	No change
PI-16.2	Ceilings	A	The budget circular approved by the Government includes expenditure ceilings for 3 years ahead for each Budget chapter,	A	No change
PI-16.3	Alignment of strategic plans and medium-term budgets	C	Majority of chapters have strategic objectives; however, expenditure allocations do not match annual performance targets	C	No change
PI-16.4	Consistency of budgets with previous-year estimates	D	No explanation in 2021 Budget of differences in 2021 figures as compared with those for 2021 in the 2020 Budget	D	No change
PI-17	Budget preparation process	B+		B	
PI-17.1	Calendar	A	There is a clear annual budget calendar, which allows more than 3 months for negotiations between Ministries and GBD	C	Calendar clarified and incorporated in legislation
PI-17.2	Guidance	A	The Budget Circular includes expenditure ceilings for each unit approved by the Government	A	No change
PI-17.3	Submission to legislature	C	In all 3 years 2018-20 the budget proposal for the next year was submitted to the National Assembly just before the end of November	C	No change

PI-18 Legislative scrutiny of budgets	C+		C+	
PI-18.1 Scope of scrutiny	A	Scrutiny covers medium-term fiscal forecasts and priorities as well as revenue and expenditure estimates for the year ahead	A	No change
PI-18.2 Procedures	B	There are established procedures, which result in detailed reductions in budget proposals, but these do not include arrangements for public consultation.	C	Probably no underlying change
PI-18.3 Timing of approval	C	The National Assembly has approved the budget within a month of the beginning of the budget year in 2 of the 3 years 2018-20	C	No change
PI-18.4 Rules for adjustments by executive	A	Clear rules limiting the extent and nature of the adjustments that the government can make to the budget are adhered to	A	No change
Pi-19 Revenue administration	B+		C	
PI-19.1 Rights and obligations	B	Authorities provide taxpayers with ready access to information on payment obligations, including redress procedures	B	Improvement in appeals arrangements
PI-19.2 Risk management	A	Risk management reorganised, with good results	B	Performance improvement
PI-19.3 Audit and investigation	A	Compliance improvement plans in place and tax audit reorganised	D	Performance improvement
PI-19.4 Revenue arrears monitoring	C	Revenue arrears at end 2020 were 18% of collections during the year, and those over 12 months old less than 75% of total	D	Performance improvement on arrears management
PI-20 Accounting for revenue	A		A	
Pi-20.1 Information on collections	A	MoF makes a monthly report to the Council of Ministers with a detailed breakdown of all revenue collected	A	No change

PI-20.2 Transfer of collections	A	All revenue is paid immediately into the Treasury Single Account at the Central Bank of Jordan	A	No change
PI-20.3 Accounts reconciliation	A	Tax Departments undertake monthly reconciliations of assessments, collections and payments to the Treasury, including amounts owed and paid by individual taxpayers	A	No change
PI-21 Predictability of in-year resource allocation	B+		B	
PI-21.1 Consolidation of cash balances	A	Almost all cash balances are consolidated daily in the Treasury Single Account	A	No change
PI-21.2 Cash forecasting and monitoring	A	MoF prepares a cash forecast for the year, and updates it monthly	A	No change
PI-21.3 Information on commitment ceilings	C	Cash is released to budget units in monthly instalments	C	No change
PI-21.4 Significance of in-year budget adjustments	B	There was no Supplementary budget in 2020, while reallocations within Chapters amounted to 7.1% of the original budget.	C	Performance improvement
PI-22 Expenditure arrears	B		B+	
PI-22.1 Stock of arrears	B	Arrears of expenditure amounted to less than 6% in 2 of 3 years	B	No underlying change
PI-22.2 Arrears monitoring	B	MoF keeps monthly track of amounts and composition of all arrears, but there is no analysis by age.	A	No underlying change
PI-23 Payroll controls	A		A	
PI-23.1 Integration of records	A	There are automatic links between personnel and payroll records controlled by CSB	A	No change
PI-23.2 Management of changes	A	Payroll changes require the approval of CSB, and are executed promptly with little need for retroactive adjustments	A	No change
PI-23.3 Internal control of payroll	A	Internal controls over changes to personnel and payroll records are tight and well-documented	A	No change

PI-23.4 Payroll audit	A	There is regular and comprehensive payroll audit by Audit Bureau	A	No change
PI-24 Procurement	C+		B	
PI-24.1 Monitoring	A	Each procuring agency maintains full records of its own procurement activities	B	Performance improvement due to more complete records
PI-24.2 Methods	D*	No statistics available to confirm the use of competitive methods.	A	Probably no underlying change
PI-24.3 Public access to information	D*	3 of 6 elements of information are publicly available on the JONEPS website but no evidence that 2 are complete.	B	Performance improvement due to greater public accessibility to information but doubts about its completeness
PI-24.4 Complaints management	A	A new two-level, more independent procurement complaints mechanism has been established	D	Performance improvement due to more independent complaints' mechanism
PI-25 Internal controls on nonsalary expenditure	A		A	
PI-25.1 Segregation of duties	A	Financial Regulations and organisational structures provide for segregation of duties, reinforced by controls built into GFMS	B	Performance improvement due to development of GFMS and improvement of internal control
PI-25.2 Effectiveness of expenditure commitment controls	A	Purchase Order Module of GFMS requires finance to be allocated before an order can be placed-	A	No change
PI-25.3 Compliance with rules and procedures	A	All payments are in accordance with rules and procedures	A	No change
PI-26 Internal audit	C+		C+	No change
PI-26.1 Coverage	A	ICUs with responsibility for Internal audit are in place covering all government expenditure and revenue, but audit work remains limited in scope	C	Performance improvement due to wider coverage of internal audit
PI-26.2 Nature of audits and standards	C	Though there is a commitment to the application of international internal audit standards the emphasis of work still on compliance rather than on the performance of systems and the assessment of risks	C	No change
PI-26.3 Implementation and reporting	A	According to MoF all planned internal audit work is completed	A	No change

PI-26.4 Response to audits	B	Records for the last three years indicate that most responses occur within 3-6 months	B	No change
PI-27 Financial data integrity	C+		D+	
PI-27.1 Bank reconciliation	B	GUs' and SSC bank accounts reconciled monthly. BCG accounts reconciled daily	D	No change
PI-27.2 Suspense accounts	D	Most suspense accounts are reconciled at least annually, but significant amounts remain uncleared.	D	No change
PI-27.3 Advance accounts	D	Approximately 3 billion JD advances were outstanding at end 2020	D	No change
PI-27.4 Financial data integrity processes	A	A separate team in GFMIS ensures data integrity.	B	Performance improvement
PI-28 In-year budget reports	B+		C+	
PI-28.1 Coverage and comparability	A	In-year internal reports show breakdown by economic, administrative, programmatic and functional classifications	B	Performance improvement due to more complete reporting
PI-28.2 Timing	B	Monthly reports are available within 4 weeks of period end	B	No change
PI-28.3 Accuracy	B	There is no reason to doubt accuracy of reports, still they cover only payments, and not commitments	B	No change
PI-29 Annual financial reports	B+		C+	
PI-29.1 Comprehensiveness	B	Annual financial statements cover revenue, expenditure, long-term liabilities, monetary financial assets, guarantees and a cash flow statement, but nonfinancial assets are not covered.	B	No change
PI-29.2 Submission for external audit	A	Annual financial statements were submitted for audit within 3 months of year-end	B	Performance improvement
PI-29.3 Accounting standards	A	Audit Bureau opinion states that IPSAS have been applied.	C	Performance improvement
PI-30 External audit	D+		D+	
PI-30.1 Coverage and standards	B	At least 75% of BCG revenue and expenditure audited annually	D	Performance improvement due to provision of audit

				opinion on annual financial statements
PI-30.2 Submission of reports to legislature	C	Audit reports have been submitted to the National Assembly within 9 months from AB's receipt of the accounts	D	Performance improvement due to more timely submission of audit reports
PI-30.3 External audit follow-up	A	There is clear evidence of follow-up by the Government directed more towards the correction of errors than the improvement of systems	B	Probably no underlying change
PI-30.4 SAI Independence	D	The degree of independence has increased due to revised arrangements for the appointment and dismissal of the President, yet financial and staffing independence is still restricted, and the initiative for the appointment of the President remains with the Executive.	D	Performance improvement due to strengthened position of Head of SAI
PI-31 Legislative scrutiny of audit reports	D+		B	
PI-31.1 Timing	D	There have been extensive delays on the part of the National Assembly in giving consideration to AB annual reports	A	Performance deterioration in all aspects due to extensive delays in NA activity
PI-31.2 Hearings	C	Some hearings on AB findings for 2017 have been held by NA Finance Committee.	C	Performance deterioration in all aspects due to extensive delays in NA activity
PI-31.3 Recommendations by legislature	D	Follow-up with Ministries limited to pursuing individual compliance failures without reporting.	A	Performance deterioration in all aspects due to extensive delays in NA activity
PI-31.4 Transparency of scrutiny	NA	No reports made during 2018-20. although there have been public hearings on the AB report for 2017.	A	Performance deterioration in all aspects due to extensive delays in NA activity

Annex 2 - Summary of observations on the internal control framework

INTERNAL CONTROL COMPONENTS AND ELEMENTS	SUMMARY OF OBSERVATIONS
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	There is widespread appreciation throughout Government of the importance and value of sound internal control
1.2 Commitment to competence	Extensive training in internal control issues has been taking place
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	The management style remains bureaucratic and hierarchical
1.4 Organisational structure	Internal control is comprehensive and well-regulated still rather onerous and duplicated
1.5 Human resource policies and practices	Improved human resource management systems have been installed yet seniority remains key for promotion
2. Risk assessment	
2.1 Risk identification	A risk management register has been developed across government.
2.2 Risk assessment (significance and likelihood)	The policy remains to control all risks to revenue and expenditure.
2.3 Risk evaluation	Income and Sales Tax Department and Customs have a structured approach to the management of revenue risks. Risk minimisation is the focus of expenditure management.
2.4 Risk appetite assessment	Controls aim at eliminating all risks irrespective of the administrative burden.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	As in 2.4
3. Control activities	
3.1 Authorization and approval procedure	MoF is involved in authorization and approval procedures as well as the Internal Control Units in MDAs.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	The regulatory framework together with GFMS procedures ensures the explicit segregation of duties.
3.3 Controls over access to resources and records	The GFMS contains strong controls over access to resources and records
3.4 Verifications	The GFMS will not execute payments unless budgetary provision, commitments and funds are all available

3.5 Reconciliations	There are daily reconciliations between Treasury and Bank records, and between tax collection and Treasury records for the vast majority of transactions
3.6 Reviews of operating performance	The Audit Bureau undertakes some performance auditing, while independent reviews remain limited
3.7 Reviews of operations, processes and activities	A central role is played by Internal Control Units as the move to true internal audit continues.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	There is close hierarchical supervision of government processes and an increased focus on skills-based training.
4. Information and Communication	The Monitoring and Inspection Department of the MoF plays a key role in reporting the performance of internal control and internal audit across government
5. Monitoring	
5.1 Ongoing monitoring	See 4
5.2 Evaluations	The Audit Bureau undertakes some performance auditing
5.3 Management responses	Managements generally respond to internal and external audit findings.

Annex 3 - Sources of Information

ANNEX 3 A - Surveys and analytical work used for the assessment

Jordan PEFA Assessment 2016
 Jordan Vision 2025
 Jordan PFM Reform Plan 2018-2021
 Jordan Economic Growth Plan 2018-2022
 Jordan Response Plan 2020-2022(to the refugee crisis) and 2021 update
 World Bank 2018 Public Investment Management – Public-Private Partnerships Governance Framework
 World Bank Jordan Economic Monitor Spring 2021
 World Bank/CVDB Report on Municipal Financial Performance 2016-18 (October 2019)
 European Union PFM and Transparency Assessment Report (August 2020)
 IMF TADAT Performance Assessment Report 2016
 IMF Country Reports 19/127,20/101,21/11 and 21(EFF 2nd Review)

ANNEX 3 B - List of persons consulted

As of September 5, 2016

NAME	POSITION	CONTACT
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Cities and Villages Development Bank		
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ANNEX 3 C – Sources of information for each indicator

INDICATOR/DIMENSION	DATA SOURCES
Budget Reliability	
PI-1 Aggregate Expenditure out-turn	Enacted General Budget laws for 2018-2021 and General Government Finance Bulletin
PI-2 Expenditure composition out-turn	As for PI-1
2.1 Expenditure composition by function	Table 5+6+7 from GGFB different issues
2.2 Expenditure composition by economic type	Table 3 from GGFB and main tables from GBL different issues year2017, 2018,2019,2020
2.3 Expenditure from contingency reserves	
PI-3 Revenue out-turn	As for PI-1
3.1 Aggregate revenue out-turn	table 3 issue no:2 March 2021 page 14(volume 23)
3.2 Revenue composition out-turn	
Transparency of public finances	
PI-4 Budget classification	Main Tables for 2020 General Budget
PI-5 Budget documentation	Budget documents and speeches
PI-6 Central government operations outside financial reports	

6.1 Expenditure outside financial reports	Government Units enacted budget laws 2018-2021, Ministry of Higher Education, Reports of Social Security Corporation
6.2 Revenue outside financial reports	As for 6.1
6.3 Financial reports of extra-budgetary units	As for 6.1
PI-7 Transfers to subnational governments	
7.1 System for allocating transfers	2015 Municipalities law, information from CVDB, Budgets for Min of Local Govt
7.2 Timeliness of information transfers	As for 7.1
PI-8 Performance information for service delivery	
8.1 Performance plans for service delivery	Budgets for each Ministry 2018-2021
8.2 Performance achieved for service delivery	As for 8.1
8.3 Resources received by service delivery units	Information from GBD and GFMIS
8.4 Performance evaluation for service delivery	Audit Bureau reports for 2018 and 2019
PI-9 Public access to fiscal information	Budget documents, MoF, GBD and AB websites
Management of assets and liabilities	
PI-10 Fiscal risk reporting	
10.1 Monitoring of public corporations	Published audit reports
10.2 Monitoring of subnational governments	Information from MoLA and CVDB
10.3 Contingent liabilities and other fiscal risks	Information from MoF and IMF reports on EFF arrangements
PI-11 Public investment management	
11.1 Economic analysis of investment proposals	Discussion with MoPIC officials
11.2 Investment project selection	As for 11.1
11.3 Investment project costing	Budget documentation
11.4 Investment project monitoring	As for 11.1
PI-12 Public asset management	
12.1 Financial asset monitoring	GIMC website
12.2 Nonfinancial asset management	MoF Accounts Dept
12.3 Transparency of asset disposal	Discussion with MoF officials
PI-13 Debt management	
13.1 Recording and reporting of debt and guarantees	Budget documentation and regular reports in GGFB
13.2 Approval of debt and guarantees	Budget documentation and discussion with MoF officials
13.3 Debt management strategy	Debt Management Strategy 2019-2023 and GGFB reports
Policy-based fiscal strategy and budgeting	
PI-14 Macroeconomic and fiscal forecasting	
14.1 Macroeconomic forecasts	Budget documentation and speeches
14.2 Fiscal forecasts	As for 14.1
14.3 Macro-fiscal sensitivity analysis	As for 14.1
PI-15 Fiscal strategy	
15.1 Fiscal impact of policy proposals	As for 14.1
15.2 Fiscal strategy adoption	Government undertakings to IMF in context of EFF arrangements
15.3 Reporting on fiscal outcomes	Government reports to IMF in context of EFF arrangements
PI-16 Medium-term perspective in expenditure budgeting	
16.1 Medium-term expenditure estimates	Budget documentation
16.2 Medium-term expenditure ceilings	Budget circulars
16.3 Alignment of strategic plans and expenditure estimates	Strategy statements and performance targets in budget documentation

PI-17 Budget preparation process	
17.1 Budget calendar	First budget circular and discussion with GBD
17.2 Guidance on budget preparation	As for 17.1
17.3 Budget submission to the legislature	Evidence from GBD
PI-18 Legislative scrutiny of budgets	
18.1 Scope of budget scrutiny	Evidence from GBD
18.2 Legislative procedures for budget scrutiny	As for 18.1
18.3 Timing of budget approval	Published Parliamentary records
18.4 Rules for budget adjustments by the executive	Annual budget laws and AB reports
Predictability and control in budget execution	
PI-19 Revenue administration	
19.1 Rights and obligations for revenue measures	Information from ISTD and Government reports to IMF
19.2 Revenue risk management	As for 19.1
19.3 Revenue audit and investigation	As for 19.1
19.4 Revenue arrears monitoring	ISTD statistics
PI-20 Accounting for revenues	
20.1 Information on revenue collections	MoF Treasury Department, GGFB reports
20.2 Transfer of revenue collections	As for 20.1
20.3 Revenue accounts reconciliation	Information from Treasury and ISTD
PI-21 Predictability of in-year resource allocation	
21.1 Consolidation of cash balances	MoF Accounts Directorate
21.2 Cash forecasting and monitoring	As for 21.1
21.3 Information on commitment ceilings	MoF Treasury
21.4 Significance of in-year budget adjustments	Information from GBD
PI-22 Expenditure arrears	
22.1 Stock of expenditure arrears	Information from MoF
22.2 Expenditure arrears monitoring	As for 22.1
PI-23 Payroll controls	
23.1 Integration of payroll and personnel records	Information from HRMIS
23.2 Management of payroll changes	As for 23.1
23.3 Internal control of payroll	Information from MoF about operation of internal controls
23.4 Payroll audit	AB payroll audits
PI-24 Procurement	
24.1 Procurement monitoring	Information from GPD and GTD
24.2 Procurement methods	As for 24.1
24.3 Public access to procurement information	JONEPS website
24.4 Procurement complaints management	Information from GPD
PI-25 Internal controls on non-salary expenditure	
25.1 Segregation of duties	MoF Internal Control Directorate, AB reports
25.2 Effectiveness of expenditure commitment controls	Specific control in GFMIS
25.3 Compliance with payment rules and procedures	As for 25.1
PI-26 Internal audit	
26.1 Coverage of internal audit	MoF Internal Control Directorate
26.2 Nature of audits and standards applied	As for 26.1
26.3 Implementation of internal audits and reporting	As for 26.1
26.4 Response to internal audits	As for 26.1, AB reports
Accounting and reporting	
PI-27 Financial data integrity	
27.1 Bank account reconciliation	Information from MoF and SSC
27.2 Suspense accounts	MoF Accounts Directorate

27.3 Advance accounts	As for 27.2
27.4 Financial data integrity processes	Specialised team in GFMIS
PI-28 In-year budget reports	
28.1 Coverage and comparability of reports	Information from GFMIS
28.2 Timing of in-year budget reports	As for 28.1
28.3 Accuracy of in-year budget reports	As for 28.1
PI-29 Annual financial reports	
29.1 Completeness of annual financial reports	MoF Accounts Directorate, AB reports
29.2 Submission of reports for external audit	As for 29.1
29.3 Accounting standards	AB reports
External scrutiny and audit	
PI-30 External audit	
30.1 Audit coverage and standards	AB reports
30.2 Submission of audit reports to the legislature	Information from AB
30.3 External audit follow-up	As for 30.2
30.4 Supreme Audit Institution independence	Depends on applicable legislation
PI-31 Legislative scrutiny of audit reports	
31.1 Timing of reports scrutiny	Information from AB
31.2 Hearings on audit findings	As for 31.1
31.3 Recommendations on audit by the legislature	As for 31.1
31.4 Transparency of legislative scrutiny of audit reports	As for 31.1

Annex 4 - Calculation Sheets

Table 1 – Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

Table 2 - total expenditures current and capital by functional classification (PI-2.1)

DATA FOR YEAR =	2018					
ADMINISTRATIVE OR FUNCTIONAL HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
General public services	449,61	432,20	427,8	4,4	4,4	1,0%
Defence	1 260,00	1 208,70	1 198,9	9,8	9,8	0,8%
Public order and safety	1 289,29	1 284,50	1 226,8	57,7	57,7	4,7%
Economic affairs	356,38	341,24	339,1	2,1	2,1	0,6%
Environmental protection	48,89	16,20	46,5	-30,3	30,3	65,2%
Housing and community amenities	276,29	246,80	262,9	-16,1	16,1	6,1%
Health	1 213,48	1 015,00	1 154,6	-139,6	139,6	12,1%
Recreation, culture and religion	212,94	198,10	202,6	-4,5	4,5	2,2%
Education	1 089,14	1 038,80	1 036,3	2,5	2,5	0,2%
Social protection (incl. goods subsidies)	1 678,33	1 711,00	1 597,0	114,0	114,0	7,1%
allocated expenditure	7874,344	7492,5407	7 492,5	0,0	381,1	
interests	1020,00	1004,4				
contingency	125	70,2				
total expenditure	9019,344	8567,1				
aggregate outturn (PI-1)						95,0%
composition (PI-2) variance						5,1%
contingency share of budget						0,8%

Table 3

DATA FOR YEAR =	2019					
ADMINISTRATIVE OR FUNCTIONAL HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
General public services	437,60	431,50	412,1	19,4	19,4	0,047164
Defence	1 280,00	1 227,80	1 205,3	22,5	22,5	0,018664
Public order and safety	1 380,85	1 370,40	1 300,3	70,1	70,1	0,053937
Economic affairs	443,03	427,83	417,2	10,6	10,6	0,025518
Environmental protection	53,94	28,30	50,8	-22,5	22,5	0,442777
Housing and community amenities	276,82	158,10	260,7	-102,6	102,6	0,393472
Health	1 126,42	1 005,80	1 060,7	-54,9	54,9	0,051745
Recreation, culture and religion	210,67	190,60	198,4	-7,8	7,8	0,039212
Education	1 161,09	1 085,60	1 093,3	-7,7	7,7	0,007075
Social protection (incl. goods subsidies)	1 755,08	1 725,40	1 652,7	72,7	72,7	0,044015
allocated expenditure	8125,499	7651,326	7 651,3	0,0	390,9	
interests	1030,00	1113,4				
contingency	100	47,874				

total expenditure	9255,499	8812,6				
aggregate outturn (PI-1)						95,2%
composition (PI-2) variance						5,1%
contingency share of budget						0,5%

Table 4

DATA FOR YEAR =	2020					
ADMINISTRATIVE OR FUNCTIONAL HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
General public services	593,361	520,2	574,2	-54,0	54,0	0,093965
Defence	1199,806	1316,8	1 161,0	155,8	155,8	0,134233
Public order and safety	1440,113	1298,6	1 393,5	-94,9	94,9	0,068093
Economic affairs	444,154	386,62	429,8	-43,2	43,2	0,100409
Environmental protection	23,116378	5,3	22,4	-17,1	17,1	0,763054
Housing and community amenities	320,04562	187,4	309,7	-122,3	122,3	0,394866
Health	958,171	865,1	927,1	-62,0	62,0	0,066924
Recreation, culture and religion	199,018	186,1	192,6	-6,5	6,5	0,033621
Education	1199,401	1139,2	1 160,6	-21,4	21,4	0,018412
Social protection (incl. goods subsidies)	1805,77	2012,7	1 747,3	265,4	265,4	0,151888
allocated expenditure	8182,956	7 918,0	7 918,0	0,0	842,5	
interests	1254,00	1 243,4				
contingency	170	49,88				
total expenditure	9606,956	9211,30				
aggregate outturn (PI-1)						95,9%
composition (PI-2) variance						10,6%
contingency share of budget						0,5%

Table 5 – Result matrix

	FOR PI-1.1	FOR PI-2.1	FOR PI-2.3
YEAR	TOTAL EXP. OUTTURN	COMPOSITION VARIANCE	CONTINGENCY SHARE
2018	95,0%	5,1%	0,6%
2019	95,2%	5,1%	
2020	95,9%	10,6%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Table 6

DATA FOR YEAR =	2018					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Compensation of employees	3,808.9	3,783.6	3,618.0	165.6	165.6	4.6%
Use of goods and services	549.1	446.1	521.6	-75.5	75.5	14.5%
Interest	1,020,0	1 004,4	968.9	35.5	35.5	3.7%
Subsidies	377.5	391.7	358.6	33.1	33.1	9.2%
Grants	128.0	122.5	121.6	0.9	0.9	0.7%
Social benefits	1,546,0	1 542.4	1,468.5	73.9	73.9	5.0%
Other expenses	434.7	327.2	412.9	-85.8	85.8	20.8%

capital expenditures	1 155.2	949.4	1,097.3	-147.8	147.8	13.5%
Total expenditure	9,019.3	8 567.3	8,567.3	0.0	618.3	
composition variance						7,2%

Table 7

DATA FOR YEAR =	2019					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Compensation of employees	4,043.2	4,009.8	3,849.8	160.1	160.1	4.2%
Use of goods and services	602.6	520.1	573.8	-53.6	53.6	9.3%
Interest	1,051.5	1113,4	1,001.2	112.2	112.2	11.2%
Subsidies	375.9	353.0	357.9	-5.0	5.0	1.4%
Grants	21.5	21.1	20,4	0,6	0,6	3.0%
Social benefits	1,654,8	1633,2	1 575,7	57,6	57.6	3,7%
Other expenses	260.9	245.3	248.4	-3.1	3.1	1.2%
capital expenditures	1,245.2	916.8	1 185.6	-268.8	268.8	22,6%
Total expenditure	9254,958	8812,3	8 812,3	0,0	610,6	
composition variance						7.5%

Table 8

DATA FOR YEAR =	2020					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Compensation of employees	4,135.1	4,112.8	3,964.7	148.1	148.1	3.7%
Use of goods and services	539.9	593.5	517.7	75.8	75.8	14.6%
Interest	1,254.0	1,243.4	1,202.4	41.0	41.0	3.4%
Subsidies	330.6	310.0	317.0	-7.0	7.0	2.2%
Grants	20.0	18.9	19.1	-0.2	0.2	1.3%
Social benefits	1,722.9	1,840.2	1,651.9	188.3	188.3	11.4%
Other expenses	329.2	267.6	315.6	-48.0	48.0	15.2%
capital expenditures	1,275.4	824.9	1,222.9	-398.0	398.0	32.9%
Total expenditure						
composition variance						9.8%

Table 9 – Result matrix

YEAR	COMPOSITION VARIANCE
2018	7.2%
2019	7.5%
2020	9,8%

Calculation Sheet for Revenue outturn

Table 10

DATA FOR YEAR =	2018					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Tax revenues						
Taxes on income, profit and capital gains	844,80	815,10	779,5	35,6	35,6	4,6%
Taxes on payroll and workforce	135,60	149,90	125,1	24,8	24,8	19,8%

Taxes on property	125,18	93,00	115,5	-22,5	22,5	19,5%
Taxes on goods and services	3 689,09	3 184,60	3 404,0	-219,4	219,4	6,4%
Taxes on international trade and transactions	351,18	292,90	324,0	-31,1	31,1	9,6%
Other taxes	-	-	0,0	0,0	0,0	#DIV/0!
Social contributions						
Social security contributions	-	-	0,0	0,0	0,0	#DIV/0!
Other social contributions (we have pension contribution)	12,55	10,90	11,6	-0,7	0,7	5,9%
Grants						
Grants from foreign governments	700,00	894,74	645,9	248,8	248,8	38,5%
Grants from international organizations	-	-	0,0	0,0	0,0	#DIV/0!
Grants from other government units	-	-	0,0	0,0	0,0	#DIV/0!
Other revenue						
Property income	325,20	305,10	300,1	5,0	5,0	1,7%
Sales of goods and services	1 000,86	901,80	923,5	-21,7	21,7	2,4%
Fines, penalties and forfeits	72,87	67,39	67,2	0,1	0,1	0,2%
Transfers not elsewhere classified	1 238,70	1 124,13	1 143,0	-18,9	18,9	1,6%
Total revenue	8 496,02	7 839,56	7 839,6	0,0	628,7	
overall variance						92,3%
composition variance						8,0%

Table 11

DATA FOR YEAR =	2019					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Tax revenues						
Taxes on income, profit and capital gains	925,50	829,80	833,5	-3,7	3,7	0,4%
Taxes on payroll and workforce	262,50	190,40	236,4	-46,0	46,0	19,5%
Taxes on property	110,00	81,60	99,1	-17,5	17,5	17,6%
Taxes on goods and services	3 610,35	3 302,40	3 251,6	50,8	50,8	1,6%
Taxes on international trade and transactions	365,00	276,60	328,7	-52,1	52,1	15,9%
Other taxes			0,0	0,0	0,0	#DIV/0!
Social contributions						
Social security contributions			0,0	0,0	0,0	#DIV/0!
Other social contributions (we have pension contribution)	12,00	9,00	10,8	-1,8	1,8	16,7%
Grants						
Grants from foreign governments	600	788,4	540,4	248,0	248,0	45,9%
Grants from international organizations			0,0	0,0	0,0	#DIV/0!
Grants from other government units			0,0	0,0	0,0	#DIV/0!
Other revenue						
Property income	473,15	436,47	426,1	10,3	10,3	2,4%
Sales of goods and services	988,80	883,74	890,5	-6,8	6,8	0,8%
Fines, penalties and forfeits	73,50	49,91	66,2	-16,3	16,3	24,6%
Transfers not elsewhere classified	1 189,13	906,00	1 071,0	-165,0	165,0	15,4%

Total revenue	8 609,93	7 754,33	7 754,3	0,0	618,4	
overall variance						90,1%
composition variance						8,0%

Table 12

DATA FOR YEAR =	2020					
ECONOMIC HEAD	BUDGET	ACTUAL	ADJUSTED BUDGET	DEVIATION	ABSOLUTE DEVIATION	PERCENT
Tax revenues						
Taxes on income, profit and capital gains	1 051,00	892,20	862,9	29,3	29,3	3,4%
Taxes on payroll and workforce	216,00	211,40	177,3	34,1	34,1	19,2%
Taxes on property	96,00	46,80	78,8	-32,0	32,0	40,6%
Taxes on goods and services	3 957,00	3 533,90	3 248,9	285,0	285,0	8,8%
Taxes on international trade and transactions	331,00	274,40	271,8	2,6	2,6	1,0%
Other taxes			0,0	0,0	0,0	#DIV/0!
Social contributions						
Social security contributions			0,0	0,0	0,0	#DIV/0!
Other social contributions (we have pension contribution)	10,00	7,30	8,2	-0,9	0,9	11,1%
Grants						
Grants from foreign governments	806,89	790,80	662,5	128,3	128,3	19,4%
Grants from international organizations			0,0	0,0	0,0	#DIV/0!
Grants from other government units			0,0	0,0	0,0	#DIV/0!
Other revenue						
Property income	425,85	235,20	349,6	-114,4	114,4	32,7%
Sales of goods and services	1 020,05	634,10	837,5	-203,4	203,4	24,3%
Fines, penalties and forfeits	73,60	48,76	60,4	-11,7	11,7	19,3%
Transfers not elsewhere classified	573,50	354,04	470,9	-116,8	116,8	24,8%
Total revenue	8 560,89	7 028,90	7 028,9	0,0	958,6	
overall variance						82,1%
composition variance						13,6%

Table 13 - Result matrix

YEAR	TOTAL REVENUE DEVIATION	COMPOSITION VARIANCE
2018	92,3%	8,0%
2019	90,1%	8,0%
2020	82,1%	13,6%

Annex 5: Audit Bureau Comments on the PEFA draft report, together with responses by the Assessment Team

PI-8 Performance information for service delivery

INDICATOR/DIMENSION	2016 SCORE	2021 SCORE	AB COMMENTS AND CLARIFICATIONS
8.4 Performance evaluation for service delivery	D	D	<p>Although the score has been improved, we believe that it should be higher because we started from the beginning of the year 2018 conducting performance audit connected to SDGs in accordance with manuals and guidelines developed by a support of sound practices in collaboration with peers and partners such as National court of Audit-Netherlands.</p> <p>Response: Our initial proposal of a C score was questioned by PEFA Secretariat on the ground that we had not established that the Ministries subject to Performance Audit accounted for more than 25% of budget expenditure, as would be required for the score C. Furthermore, it was not clear that some of the audits concerned were directed at the efficiency and effectiveness of the delivery of public services, as required by the criteria.</p>

PI-30 External Audit

INDICATOR/DIMENSION	PI-30	2016 SCORE	2021 SCORE	AB COMMENTS AND CLARIFICATIONS
EXTERNAL AUDIT				
Overall score		D+	D+	<p>We think the overall score should be at least B+, notifying that 3 out of 4 sub-indicators have been improved.</p> <p>Response: For Performance Indicators where aggregation of Dimension scores is governed by Convention M1, the score depends on the lowest Dimension, with + added to show that other Dimensions are scored higher. PI-30 is governed by M1, but the improvement in the position of the Head of AB, although recorded in the text, is not sufficient to justify a score higher than D for Dimension 30.4. The overall score therefore remains D+.</p>
30.1 Audit coverage and standards		D	B	No comment
30.2 Submission of reports to legislature		D	C	<p>AB Also submits Seasonal Summary report (every 4 month) and also every year submits a special report about the Final Accounts of the General Budget Laws within 6 months from the end of the fiscal year to the Legislature (House of Representatives). So, we think the score should be A.</p> <p>Response: This Dimension is addressed to the main report produced each year about the execution of the previous year's Budget. Article 22(A)1 of the AB law requires the AB to submit this report at the beginning of each annual Parliamentary Session. Thus, the score depends on the timing required by the law rather than on the timing of the work done by AB. If the report were submitted at an earlier date, the score would be higher. The separate AB report on the accounting figures, which is published in advance of the main report,</p>

			does not address the reliability of the systems governing the underlying transactions, which is covered in the main report.
30.3 Audit follow-up	B	A	No comment
30.4 SAI independence	D	D	<p>The independence of AB has been improved through the amendments made to the AB law in 2018, so the improvement should be reflected on the score to be higher than in 2016.</p> <p>Response: The strengthening of the position of the Head of AB is acknowledged in the text. But the initiative for the appointment and removal of the Head of AB remains with the Executive, not the Parliament. As long as the initiative remains with the Executive, the score for Dimension 30.4 cannot be higher than D.</p>