JORDAN FISCAL ENVIRONMENT ASSESSMENT

FINAL REPORT

February 2014

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ACRONYMS

AEO	Authorized Economic Operator
AMEG	Asia and Middle East Economic Growth Best Practices project
ASEZA	Aqaba Special Economic Zone Authority
ATS	Audit tracking system
CBJ	Central Bank of Jordan
CIB	Credit Information Bureau
COC	Chamber of Commerce
COI	Chamber of Industry
CSO	Civil Society Organization
DB	Doing business
DISCO	Distribution company
ENRC	Energy Regulatory Commission
ERC	Electricity Regulatory Commission
ETI	Enabling Trade Index
FRP II	USAID-Jordan Fiscal Reform II project
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GENCO	Power-generating company
GFMIS	Government financial management information system
GoJ	Government of Jordan
GUC	Grants under contract
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISTD	Income and Sales Tax Department
JD	Jordanian Dinar
JFDA	Jordan Food and Drug Administration
JNCW	Jordanian National Commission for Women
JSMO	Jordan Standards and Metrology Organization
LGU	Local government unit
LPI	Logistics Performance Index
MEMR	Ministry of Energy and Mineral Resources
MENA	Middle East and North Africa Region

MOA	Ministry of Agriculture
MOF	Ministry of Finance
MoMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
NEPCO	National Electric Power Company
O&M	Operations and maintenance
OECD	Organization of Economic Cooperation and Development
PA	Performance agreement
PEFA	Public expenditure and financial accountability
PGA	Partner government agency
PPP	Public-private partnership
PTU	Program technical unit
RM	Risk Management
SBA	Stand-by arrangement
TAB	Trading across borders
TRS	Time release studies
TSPF	Technical Services Procurement Fund
UNCR	United Nations High Commissioner for Refugees
WEF	World Economic Forum

EXECUTIVE SUMMARY

USAID/Jordan engaged the Asia and Middle East Economic Growth Best Practices project (AMEG) to assess and propose recommendations related to Jordan's fiscal environment. In particular, the assessment team reviewed Jordan's public financial management processes and performance, the government financial management information system (GFMIS), local governance units, taxation, customs and trade facilitation, and socioeconomic considerations. AMEG assembled and deployed experts with regional experience in these fields and collaborated with technical officers from USAID/Jordan and the USAID/Middle East Bureau Technical Services Economic Growth Team. The four-week assessment process included desk research; three focus groups; more than 90 interviews with government officials, private sector stakeholders, industry associations, and nongovernmental organizations; and site visits to three governorates (i.e., Mafraq, Irbid, and Aqaba). The assessment team identified specific challenges and opportunities, and developed actionable recommendations to address them. In proposing their recommendations, the assessment team attempted to ensure each recommendation aligned with USAID objectives and programming, responded to stakeholder input, leveraged USAID or other donor efforts, and were achievable.

Below we provide a brief overview of each primary focal area—public financial management, taxation, customs and trade facilitation, and the energy sector—along with select recommendations. A comprehensive list of recommendations, which is accompanied by further details on expected impact, assumptions, and potential partners, is provided in Section IV, Recommendations.

PUBLIC FINANCIAL MANAGEMENT

During the past decade, Jordan's overall fiscal conditions have deteriorated as a result of external and domestic economic and political events. Jordan's expanding central government deficits, higher levels of public debt, and large, persistent recurring expenditures point to structural issues and that could lead to future challenges. The country's budget deficit increased by a compound annual rate of 15.4 percent during the period 2008 to 2013, reaching 9.8 percent of GDP in 2013. Total public debt, which includes external and domestic debt, has grown by more than 14.1 percent per year since 2007. And the high share of current expenditures relative to capital expenditures was a recurring concern of government officials and private sector stakeholders: recurrent expenditures accounted for more than 80 percent of the 2012 fiscal budget, while capital investment outlays accounted for just over 10 percent. Local government units (LGUs), which are bearing the burden for much of the operational costs of managing the Syrian refugee crisis, are also running deficits driven by current expenditures. Donor funding, such as grants available from the Gulf Cooperation Council (GCC), that could support capital investment projects remain largely untapped. Nevertheless, the government has been making impressive strides in public financial management (PFM) processes. The recommendations detailed in this report represent opportunities for further progress.

OVERVIEW OF PUBLIC FINANCIAL MANAGEMENT RECOMMENDATIONS

Jordan's government does not have a robust forum for soliciting and integrating input on economic policy issues from key stakeholders or the wider public. As a result, social order has been relatively volatile in response to numerous economic reform efforts.

- Recommendations – Facilitate national dialogue and consensus building on economic policy issues and help build capacity to integrate stakeholder input.
  - In collaboration with the European Union, conduct an updated PEFA assessment to inform dialogue and needs.
  - Support the development or use of existing analyses to examine and quantify the costs and benefits, including political risks, of policy options on specific issues of current public interest .
  - Support the conversion of technical analyses into targeted communication products to inform a structured dialogue .
  - Build capacity of lead government ministry in the areas of strategic communications, targeting, distribution channels, and methods of receiving and communicating stakeholder feedback throughout the budget lifecycle; strengthen agency capacity to communicate and respond to inputs.
  - Initially work separately with government entity or entities and with the relevant nongovernment stakeholders before bringing them together for formal discussions. After building their knowledge of mechanisms and approaches to engage in constructive dialogue, connect relevant stakeholders and government entities.
- Outcomes – Short- and medium-term
  - Increased public-private dialogue and consensus building on economic policy issues
  - Increased citizen participation and inputs on economic policy decisions
  - Increased consideration of public input on economic policy decisions
  - Development of Government of Jordan (GoJ) agencies' institutional capacity and processes related to targeted strategic communications throughout the budget lifecycle

While GoJ has made positive strides in reporting and standardizing central government and autonomous institution budget data, it does not produce a consolidated budget that includes LGUs, autonomous institutions, and the central government. As such, the total level of public debt is not known, restricting the ability of the public, GoJ, and donors to take data-driven actions.

- Recommendations – Provide assistance to MOF and autonomous entities to establish, make publicly accessible, and lead public discussions of annual consolidated fiscal positions. This effort should include:
  - An inclusive dialogue process to bring together affected entities to ensure buy-in
  - Disaggregated data that includes separate consolidated totals for the central government, autonomous entities, and LGUs

    - An end goal of incorporating consolidated fiscal position releases into the budget calendar
- Outcomes – Short-term
    - Consolidated annual financial GoJ fiscal position available
    - Improved transparency of public financial management (PFM)
    - Greater public understanding of Jordan's total fiscal position and constraints

GoJ does not have a centralized body or units within line ministries to solicit, evaluate, and award compliant GCC projects that could serve as a major source of capital investment funding. As a result, GoJ is unable to meet GCC requirements for project vetting and compliance. Similarly, GCC funds are not being used to fund much needed capital investment in LGUs.

- Recommendations
    - Work with MOF, MOPIC, MoMA, and CBJ to conduct a joint feasibility and design assessment to establish a central project technical unit and, subsequently, establish such a unit.
    - The technical unit should support project preparation, monitoring, and evaluation of small- to medium-size capital investment projects. The assessment should include:
        - Mission, operational, and staffing needs; measurable objectives; key results; and performance indicators, including leveraging capital investment funds through PPPs for the LGUs
        - In-depth analysis of alternative sustainability models including risk analysis of each model, initial funding commitments, recommended business model, and a three-year business plan
        - Delineation of tasks between (anticipated) PPP unit being established at MOF and technical unit, particularly as it relates to PPPs for LGUs
        - Institutional focus of unit to provide continuity, predictability, and network of nongovernmental technical support institutions (universities, think tanks, consulting firms, and related stakeholders)
- Outcomes - Short- and medium-term
    - Data-driven design and creation of a project technical unit
    - GoJ ability to develop and support projects and PPPs through project proposals, prefeasibility analyses, cost-benefit analyses, continued pipeline of LGU PPP projects, detailed feasibility analysis and transaction structuring assistance, and monitoring of project progress

Few ministries use macroeconomic models, and fewer still have the institutional capacity to develop them. These models aid in forecasting and analysis, particularly in examining trade-offs among alternative policy options, and are useful tools in budget formulation and oversight. Additionally, the absence or insufficiency of macroeconomic models inhibits most ministries from developing accurate multi-year budgets.

- Recommendations – Consolidate efforts to develop, build, maintain, and promulgate a new macroeconomic model. Support institutional continuity of macroeconomic modeling. Efforts to include:

  - An assessment to understand key variables and functionality that each participating ministry would require
  - Evaluate feasibility of incorporating a macroeconomic model into the GFMIS. If feasible, integrate a macroeconomic model that can be customized by each government entity. Integration in GFMIS will promote use of existing data, ensure uniform data is used, and reduce duplication of effort in data entry.
  - Release and maintain a publicly available model that can be accessed and used online, downloaded, and modified by the public and policymakers to examine trade-offs and impacts of policy options
  - Training for individuals that will update and maintain the model
- Outcomes – Medium-term
  - Consistency within model in data and general assumptions across ministries
  - Increased consideration of gender-specific needs and forecasted outcomes
  - Improved capacity of CBJ, MOF to develop, maintain, and facilitate access to model through user-friendly, internet-enabled interface

Some current bank regulations and supervision measures encourage distortionary access to credit.

- Recommendations – Provide technical assistance to CBJ on bank regulation and supervision policies to improve non-distortionary access to credit to foster private sector investment and inclusive economic growth.
  - Assist CBJ to introduce, manage, and monitor impact of policy instruments to support non-distortionary access to credit for businesses
  - Ensure inclusive approach that welcomes credit access for women and refugees by integrating gender considerations into supervision measures
- Outcomes – Short- and medium-term
  - Increased access to credit, including for women and vulnerable populations
  - Increased credit provision in line with market fundamentals
  - Increased economic activity leading to higher government revenues
  - Improve Jordan's ranking of 170 in 2014 in the World Bank's Doing Business indicator on Getting Credit

Jordan's current credit information ecosystem is fragmented, with the CBJ's registry of credit data inaccessible to the Credit Information Bureau (CIB). Efforts to migrate the data have been slow. Additionally, the CIB requires additional technical capacity to meet its mandate.

- Recommendations
  - Assist CBJ to prepare and migrate borrowers' data available in CBJ's current public registry to the newly established private CIB, per recent agreement between CBJ and CIB
  - Ensure sex-disaggregated and other data is measured and can be used to design better access to credit programs for women and vulnerable groups
- Outcomes – Short-term
  - Improved data migration between CBJ and CIB
  - Increased economic activity leading to higher government revenues

    - Improved rank (from 170) for Jordan in 2014 in the World Bank's Doing Business indicator on Getting Credit
    - Increased credit information availability for lenders

OVERVIEW OF GFMIS RECOMMENDATIONS

GoJ's GFMIS exhibits several performance and procedural challenges, including the following. (1) Users must over-rely on MOF for GFMIS troubleshooting and data revision. Users expressed the need for improved, timelier, and more effective customer service. (2) Users require more in-depth training, which should be delivered to a larger set of GFMIS ministerial staff users. (3) GFMIS cannot interface with Central Bank of Jordan's (CBJ) system requiring the MOF and CBJ to exchange data by hand ledger. (4) The GFMIS lacks an application for donor project funding, decreasing the transparency of large grants and projects from audits and oversight.

- Recommendations
    - Enhance MOF GFMIS "customer service" capacity by conducting needs assessment of line ministries, appropriately allocating MOF resources, analysis of the most common form of issues, standardization of protocols for the most common issues, and development of incentives for staff performance to align with user needs
    - Build GFMIS training capacity of MOF staff by conducting train-the-trainer courses, and providing technical assistance for development of online tutorials on GFMIS and select public financial management topics
    - Develop GFMIS interface to provide internet access to other government-related institutions such as the CBJ to improve the flow and rate of information sharing and reduce data quality issues resulting from manual exchange and entry of data
    - Offer technical assistance in developing an application for GCC and other donor-funded project funding
- Outcomes – Short- and medium-term
    - Upgrades to GFMIS software and ministry hardware to support current and expanded user requirements
    - Increased effectiveness of MOF staff to assist with GFMIS-related issues, reduced delays in implementation, increased pace of adoption of GFMIS
    - Increased MOF capacity to train line ministry staff, resulting in increased line ministry self-sufficiency and use of GFMIS features
    - Increased availability and standardization of data on autonomous entities, and subsequent improved oversight by policymakers
    - Standardized tracking of GCC and other donor-funded projects

OVERVIEW OF LGU RECOMMENDATIONS

There have been few recent efforts to systematically assess and provide recommendations to a majority of LGUs and recommend large-scale (i.e. non-ad hoc) reforms.

- Recommendations – Conduct a PEFA or PEFA-like assessment of Jordan's LGUs to evaluate PFM-related processes, systems, and needs to yield specific, actionable recommendations.

- Outcomes – Short- and medium-term
    - Thorough analysis of a majority of LGU PFM processes, systems, and needs, and a specific action plan to address them

LGUs lack the systems, processes, and skilled staff to successfully formulate and execute budgets and other PFM functions.

- Recommendations – After conducting PEFA or PEFA-like assessment, implement action plan with goal of establishing a long-term capacity within LGUs to conduct PFM activities, including through the establishment of appropriate systems, procedures, training regimes, and staffing.
    - Efforts should include robust and systemic capacity building
    - Integration of best practices in procedures, and systems
- Outcomes - Medium-term
    - Improved capacity at LGU level to execute PFM
    - Increased transparency and accountability at local level

Municipalities lack the tax base and funding to adequately invest in productive capital projects, creating a national economy that is dependent on only a small number of geographic areas. High current expenditures, partially driven by a massive influx of Syrian refugees that are primarily the charge of municipalities, are also depleting local resources for productive capital investment

- Recommendations – Structure USAID assistance to identify and support one to two PPP transactions in LGUs that can be completed within a year. Consider a particular focus on the northern governorates, such as Mafraq and Irbid, that are severely affected by the Syrian crisis, and can serve as a model for replication in other LGUs. Activities could include:
    - Working with a newly established project technical unit (see PFM recommendations above) to leverage private investment and GCC grant funds
    - Collaborate with proposed project technical unit technical expertise to help identify, examine feasibility, prioritize, and structure potential PPP transactions with LGUs and GCC grant funds
    - Strengthen local capacity to foster local ownership and build financial management capacity of LGUs
    - Engage with donor community and CSOs to solicit temporary relief and needed services to LGUs, citizens, and refugees
    - Test and adapt PPP structuring models for LGU services that can be scaled
- Outcomes – Short- and medium-term
    - At least one “model” PPP LGU transaction closed within a year that could be replicable in other LGUs
    - A portfolio of prioritized PPP LGU projects, with at least three projects in advanced stages for completion in a second year
    - A pipeline of potential LGU PPP projects at different stages of feasibility and structuring

TAXATION

As a percentage of revenues collected, taxes on goods and services have steadily increased in Jordan during the past 20 years, reaching 45 percent in 2012. This rise mirrored a similarly steady decline in the proportion of revenues derived from customs and other import duties resulting from trade liberalization. During the past four years, Jordan has experienced a decline in tax revenues as a percentage of GDP, dropping from 17.0 percent in 2009 to 15.3 percent of GDP in 2012, which has reduced the fiscal space for capital investment to improve long-term growth prospects. Jordan's current tax ratios, which are below the Middle East and North Africa Region (MENA) average, indicate a need for improved performance of taxation as a source of budget revenues. Moreover, tax expenditures continue to serve as contributor to deficits. Estimates suggest revenue losses of 6.3 percent of GDP in 2012 as a result of tax expenditures, equivalent to approximately 40 percent of collected revenues in 2012. These and other areas of tax administration and tax policy offer opportunities for USAID engagement.

OVERVIEW OF TAXATION RECOMMENDATIONS

Jordan's tax system includes fragmented and inefficient investment promotion schemes, which lead to less investment than could otherwise be achieved and inefficient investment outcomes.

- Recommendations – Conduct analyses of investment promotion incentives imbedded in the tax code, conduct economic and financial cost-benefit analyses of alternative investment promotion incentives, propose a consolidated promotion scheme with fewer narrowly defined special treatment provisions, and develop targeted communications products to serve as inputs for public-private dialogue
- Outcomes – Medium-term
    - Identification of and reduction in inefficient investment schemes
    - Greater discussion and public input on tax policy issues
    - Expansion of the tax base
    - Reduced fiscal cost of tax expenditures

SMEs and individuals are disproportionately and negatively affected by tax procedures and business regulatory compliance, adversely impacting the business enabling environment and discouraging compliance and business expansion

- Recommendations – Work with relevant tax administration agencies, particularly ISTD, to cut the number of tax payments per year and simplify tax reporting requirements
- Outcomes – Short- and medium-term
    - Fewer regulatory and tax payment burdens on SMEs and individuals
    - Move Jordan from its rank of 35 to rank of 30 in the Paying Taxes indicator of the World Bank's Doing Business index

Jordan's aspiring business owners face obstacles in registering a business, as evidenced by Jordan's rank of 117th on the World Bank's Ease of Starting a Business index, well below the country's income peer group.

- Recommendations – Reduce the impediments to business registration by conducting a targeted assessment to determine and implement the most cost effective means to:
    - Reduce the number of procedures to register (from seven)
    - Reduce the time in days to register for a vocational license, which imposes approximately 75 percent of the time required to register
    - Reduce the cost of registering (currently more than 20 percent of average annual income) by, for example, reducing the vocational license fee and the Ministry of Trade and Industry's registration processing fee
    - Ensure aspiring women business owners are culturally accepted at registration windows
- Outcomes – Short-term
    - Move Jordan from its rank of 117 to rank 70 in Starting a Business indicator of World Bank's Doing Business index due to reduced time and cost of registration

CUSTOMS AND TRADE FACILITATION

Jordan remains one of the region's most open and highly integrated economies where trade has been increasing in recent years to levels within 150 to 200 percent of GDP. A successful process of trade liberalization and the impact of free trade agreements have led to a steady decline of the proportion of revenues derived from customs and other import duties, from a high point of 46.9 percent in 1992 to 8.1 percent in 2012. Jordan performs well on the Enabling Trade Index (ETI) of the World Economic Forum, ranking 42 among 132 countries included on the 2012 ETI, above the average rank of 62 for MENA countries. By contrast, Jordan's ratings in the Logistics Performance Index of the World Bank have declined in the past five years, from a score of 2.62 in 2007 to 2.27 in 2012 — the lowest in the MENA region. The assessment team identified several targeted areas of opportunity for improvement, though note that other focal areas may warrant greater prioritization over trade activities given the sector's strong performance.

OVERVIEW OF CUSTOMS AND TRADE FACILITATION RECOMMENDATIONS

Businesses engaged in international trade are challenged by some import and export compliance requirements, particularly in required documents and time.

- Recommendations – Reduce the burden of regulatory compliance for traders, businesses, and the economy by decreasing the number of documents and time required to import and export. Activities should include:
    - Assess primary bottlenecks in import and export time and address those as top priorities (detailed recommendations noted below)
    - Provide assistance to customs authorities to streamline required documentation
- Outcomes – Short- and medium-term
    - Move Jordan from rank 57 to rank 45 in Trading Across Borders indicator of World Bank's Doing Business index due to fewer documentation and time requirements for import/export

Importers are challenged by an average waiting time of 15 days, which is 50 percent greater than OECD comparators.

- Recommendations
  - Reduce the time required to clear imports by accelerating coordination of inspections of government agencies and delegation of authorities for inspections to Customs
  - Reduce the time required to clear imports by accelerating implementation of coordinated risk management of inspections by government agencies
  - Reduce the time required to clear imports by accelerating implementation of coordinated and ongoing Golden List of companies and implement an Authorized Economic Operator (AEO) program
- Outcomes – Short- and medium-term
  - Reduce the time required to inspect and clear imports
  - Improved customer service orientation of GoJ agencies involved in inspections of imports
  - Reduce the time required to inspect and clear imports while preserving the integrity of revenue and security
  - Improved customer service orientation of GoJ agencies involved in inspections of imports
  - Continued monitoring and evaluation process of the collaboration between Customs and semi-independent entities such as ASEZA.
  - Reduce the time required to inspect and clear imports while preserving the integrity of revenue and security
  - Improved customer service orientation of GoJ agencies involved in inspections of imports

ENERGY

The high cost of energy and scarcity of water resources are binding constraints to economic growth in Jordan. The country imports about 97 percent of its fuel needs and is among the four countries in the world with the poorest endowment of known water resources. “Solve the energy problem” was the unequivocal answer the team most often heard when interviewees were asked their most pressing concerns for the country. And with due reason: according to the World Bank, energy expenditures constitute about 10 percent of household expenditures in Jordan and the wide gap between the tariffs consumers pay and the cost of energy produced through the state-supported National Electric Power Company (NEPCO) for distribution is a major driver of budget expenditures and fiscal imbalance, amounting to an estimated 6.25 percent of GDP in 2011. Losses from NEPCO have ballooned since 2011 and account now for 40 percent of budget expenditures, as the government has not been able to develop a working national consensus to raise tariffs to cover increases in the cost and mix of fuel that its power-generating companies require. In the absence of higher tariff rates, NEPCO’s books contain a mounting fiscal debt that the GoJ has had to assume and impacts all facets of the economy.

OVERVIEW OF ENERGY SECTOR RECOMMENDATIONS

With energy costs accounting for approximately 40 percent of budget expenditures and substantially contributing to budget deficits and increased debt, efforts to curb subsidies provided by the government have been met with stiff popular resistance. There is a need to improve GoJ's alignment with international regulatory best practices to reduce costs and improve performance, transparency, and accountability. To start this process, launch a public-private dialogue is recommended on rationalizing the sector through the preparation of a concept paper that would address the following.

- Recommendations
    - Transform the current Electricity Regulatory Commission (ERC) into a broader Energy Regulatory Commission (ENRC)
    - Revise legal and regulatory framework to establish ENRC as an independent sector regulator. Assist the ENRC to create an appropriate mission, scope of responsibilities, procedures for appointing independent and representative regulators to its board, etc. Fund its budget through licensee companies' regulatory fees in accordance with international best practice
    - Use cost-benefit analysis to evaluate options for restructuring NEPCO's functions into separate entities and bringing their operations closer to market forces and competition
    - Once public- private dialogue reaches a working consensus on the concept paper, its implementation should aim to:
        - Align incentives to improve performance of GENCOs and DISCOs through performance agreements with sector regulator
        - Bring sector regulation closer to international regulatory best practices
        - Increase transparency and accountability in the energy sector
- Outcomes – Long-term
    - Implementation of concept paper facilitated through public-private dialogue should lead to:
        - Increased public awareness and consensus on future energy policy, leading to less political volatility
        - New ENRC with broader and more cohesive regulatory power
        - More rationalized and cohesive legal and regulatory framework

SECTION I

INTRODUCTION

A. PURPOSE OF ASSESSMENT

Just two years after a deep global financial crisis, demonstrations throughout the Middle East and North Africa have exposed deep-seated frustrations that have led to political and economic reform and conflict. A relative island of stability, Jordan continues to cope with the ramifications of its own popular demonstrations, the Syrian crisis, hundreds of thousands of newly arrived refugees compounded by more than a million long-term refugees, lingering effects of the global financial crisis, and domestic economic reform challenges. It is within this context that the USAID Mission in Jordan conducted an in-depth assessment of Jordan's fiscal environment through the Asia and Middle East Economic Growth Best Practices project (AMEG). The purpose of the assessment was to identify and address critical questions about the country's fiscal health and trajectory, focusing on challenges and opportunities.

Starting in November 2013 and concluding in January 2014, AMEG conducted the assessment in two phases. First, the assessment team carried out a literature review of Jordan's fiscal disposition and factors affecting its status and trajectory. Second, through interviews, focus groups, and surveys, the team conducted a field assessment to identify and inform challenges, opportunities, and recommendations. The field assessment team drew insights from key stakeholders such as policymakers, government ministries and ministers, economists, implementing partners, businesses and business associations, and international cooperation partners. This report represents the assessment team's main findings and recommendations from the field assessment and literature review.

B. ABOUT AMEG

AMEG is designed to support USAID missions in developing effective and efficient economic growth programs that address technical and strategic challenges that are specific to countries in which USAID operates in Asia and the Middle East. Through AMEG, USAID is able to conduct rapid and strategic economic growth assessments, pilot innovative approaches in economic growth programming, and consolidate and disseminate best practices in economic growth projects learned from USAID implementation throughout the world.

C. ORGANIZATION OF REPORT

After an introductory section that offers a brief overview of Jordan's macroeconomic performance and structure, this report is organized around the field assessment's key lines of inquiry: fiscal environment, taxation, customs and trade facilitation, the energy sector, policy analysis, and political economy environment. The report's concluding section outlines key challenges and opportunities, and offers recommendations. Several notable documents are included as annexes, including a bibliography and data sources (Annex A), summary results from focus groups (Annex B), and the assessment team's literature review (Annex G attached).

D. ASSESSMENT TEAM AND ACKNOWLEDGEMENTS

The field assessment was conducted from November 14 to December 12, 2013, by a team that included Dr. Fernando Bertoli, Dr. Robert Walker, Dr. Hashim Al-Ali, Asma Abu-Taleb, and Blerta Picari-Siler. The team would like to thank Sharon Hester of USAID's Middle East Bureau Technical Services Unit, Jason McNabb of USAID/Jordan, and Paul Bruning of USAID/Jordan for their expertise, insight, and assistance throughout the assessment. The team also wishes to acknowledge and thank USAID/Jordan for its kind assistance, Andrew Batchelor for his technical input to the assessment and written contributions to this report, and Bill Baldridge, of the USAID Middle East Bureau's Technical Services Unit, and Melissa Scudo of AMEG for their contributions to the design and execution of this assessment.

SECTION II

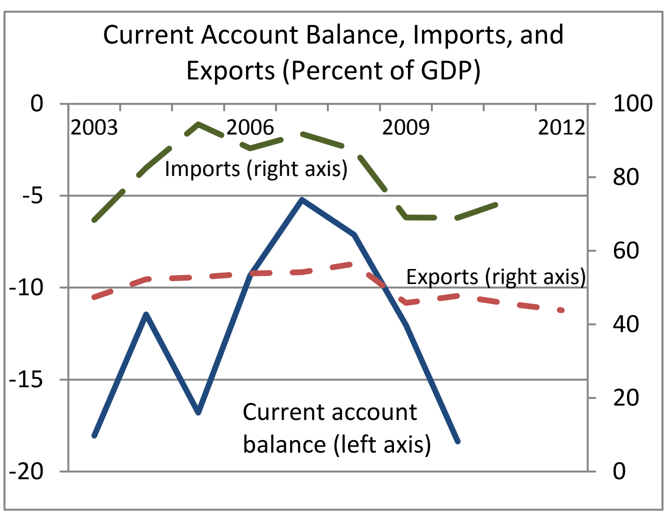
COUNTRY PROFILE

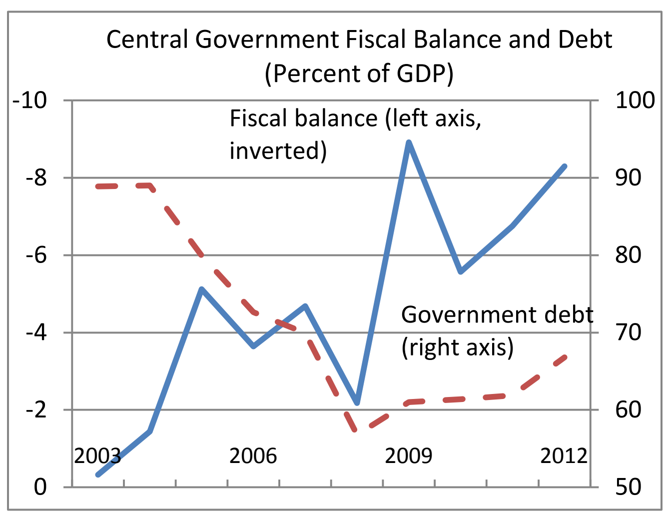
A. ECONOMY

Just two years after a deep global financial crisis, demonstrations throughout the Middle East and North Africa have exposed deep-seated frustrations that have led to political and economic reform and conflict. A relative island of stability, Jordan continues to cope with the ramifications of its own popular demonstrations, the Syrian crisis, hundreds of thousands of newly arrived refugees compounded by more than a million long-term refugees, lingering effects of the global financial crisis, and domestic economic reform challenges. This section provides a brief overview of key economic and social considerations. For a detailed analysis of these issues, please see Annex G, Jordan Fiscal Environment Assessment – Literature Review, attached separately to this report.

A1. MACROECONOMIC PERFORMANCE AND STRUCTURE

Macroeconomic performance. Despite outperforming its peers in the Middle East and North Africa (MENA) region over the past 10 years, Jordan's economic growth has slowed since 2008, due in large part to lower export demand and regional unrest that has contributed to reduced tourism activity, foreign direct investment, and remittances[1] (see graphs below). As an open economy with strong ties to the region, Jordan's fortunes are inextricably tied to external drivers of its economic performance. The country's current account deficit (18.4 percent in 2012) is largely driven by expensive fuel imports that are substituting for the near collapse of Egyptian natural gas supplies.[2] Disruptions in trade routes through Syria and labor strikes in key manufacturing sectors have further contributed to trade imbalances.[3]





Source: World Bank, World Development Indicators

Structure. Services represent 67 percent of Jordan's economic activity and account for 75 percent of employment.[4] Tourism-related subsectors, such as hotels, restaurants, transport, and communication, are important sources of growth and jobs. Industry contributes approximately 30 percent of GDP, with manufacturing, as well as potash and phosphate production representing key export sectors. Possessing some of the fewest water resources in the world, Jordan's agricultural industry accounts for less than 3 percent of GDP.

While structural reform efforts developed in collaboration with the World Bank and International Monetary Fund (IMF) are ongoing, expenses have continued to grow, increasing from 28.0 percent in 2011 to 29.5 in 2012. Popular protests slowed the pace of some economic reforms, and initiatives to eliminate fuel subsidies have yet to yield substantial results.[5] Revenue generating measures, such as reducing sales tax exemptions and modifying mining royalties, have yielded results in narrow tax arenas. Yet, by Jordan's historical standards, government revenue, and taxes in particular, remain relatively low as a percent of GDP.[6] Excluding transfers to the National Electric Power Company (NEPCO), the central government's deficit stood at 8.3 percent in 2012. And while the central government has held external debt levels to around 60 percent over the past five years, Jordan's total debt stock nearly doubled over the same time period, reflecting large increases in domestic debt.[7] The chart below illustrates these trends.

Indicator	2007	2008	2009	2010	2011	2012
Revenue, excluding grants (% of GDP)	29.9	25.8	24.8	22.7	20.5	21.5
Grants and other revenue (% of revenue)	24.1	41.3	35.8	35.5	43.1	33.2
Expense (% of GDP)	33.9	31.4	30.1	25.3	28.0	29.5
Interest payments (% of expense)	7.8	7.7	7.7	7.9	7.1	9.0
Subsidies and other transfers (% of expense)	26.3	32.8	29.8	29.3	37.1	38.4
Cash surplus/deficit (% of GDP)	(4.7)	(2.2)	(8.9)	(5.6)	(6.8)	(8.3)
External debt stocks (% of GNI)	84.2	61.6	59.3	63.6	61.5	59.8

Source: World Bank, World Development Indicators

A2. INTERNATIONAL BENCHMARKS

Competitiveness. The World Economic Forum's Competitiveness Report for 2013-2014 ranks Jordan as the 68th most competitive economy out of 148, and suggests it is an efficiency-driven economy, with peers such as Morocco, China, and South Africa.[8] Among other efficiency-driven economies, Jordan scores well in areas such as institutions, infrastructure, and education, though dropped significantly in its ranking of macroeconomic environment performance. While Jordan is ranked highest among its regional peers in labor market efficiency, the region as a whole performed very poorly compared with other parts of the world and income groups.

Economic freedom. Freedom House's economic freedom index scores Jordan as "mostly free" and among the top countries in the world in economic freedom, ranking 13th out of 152 countries.[9] Among its regional peers, Jordan is considered the most economically free of all MENA developing countries.

B. BUSINESS ENVIRONMENT

B1. BUSINESS ENABLING ENVIRONMENT BENCHMARKING

At the enterprise level, Jordan's business enabling environment, as measured in the World Banks's Doing Business annual reports, leaves substantial room for improvement. Of 189 countries, Jordan ranks 119th in overall ease of doing business, below the MENA regional average of 107. In particular, Jordanian businesses face substantial hurdles in obtaining credit, protecting investors, and enforcing contracts. For women seeking entrepreneurship as a means of employment and economic empowerment (women already face substantial cultural hurdles to operate a business and are more likely to operate micro-businesses rather than high growth potential businesses) this adds another layer of challenges due to the interconnected relationship between property rights, access to credit, and ease of doing business. While Jordan has made substantial improvements in absolute terms in a number of enabling environment areas (e.g., reducing the number of days required to register a business from 79 in 2004 to 12 days in 2014), economies across the globe are reforming at a faster pace.

B2. TRADE AND INVESTMENT

As previously discussed, external shocks have negatively affected the Jordanian economy, particularly the country's balance of payments. According to the Central Bank, the current account deficit dropped from 19.0 percent of GDP in 2012 to 17.3 percent in 2013, though this compares unfavorably with a current account deficit of 12.0 percent in 2011 and 7.1 percent in 2010. Driving this trend was an 11.1 percent rise in the trade balance deficit which, in turn, was driven by two distinct influences: the increase in petroleum product imports to offset the decline in Egyptian gas flows used to generate electricity, and a decline in total exports of 1.5 percent.

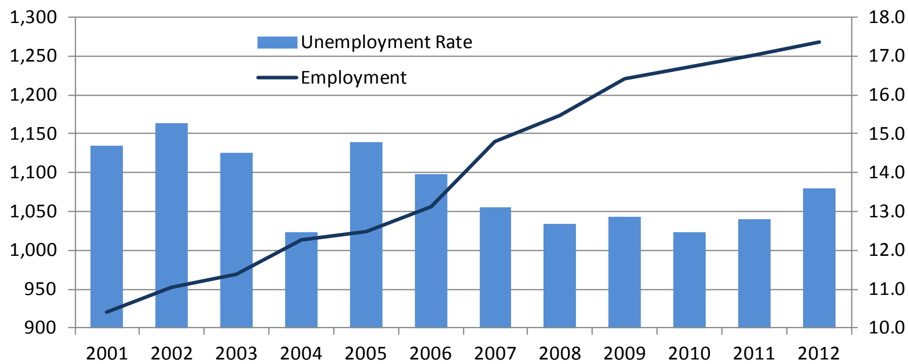
C. SOCIOECONOMIC FACTORS

C1. EMPLOYMENT

Despite relatively strong economic growth over the past decade, Jordan's economy continues to face high unemployment and low labor force participation rates. Employment grew by an annual average of 3 percent from 2001 to 2012, which did not outpace labor force growth. The unemployment rate stood at 13.2 percent in 2012, and has ticked up in the early months of 2013, partially due to the influx of refugees and the availability of cheap labor from Egypt and Syria.[10] The Syrian conflict's impact on employment in Jordan is discussed in detail in section C3. Current Regional Context: Syrian Civil War ad Egyptian Political Conditions.

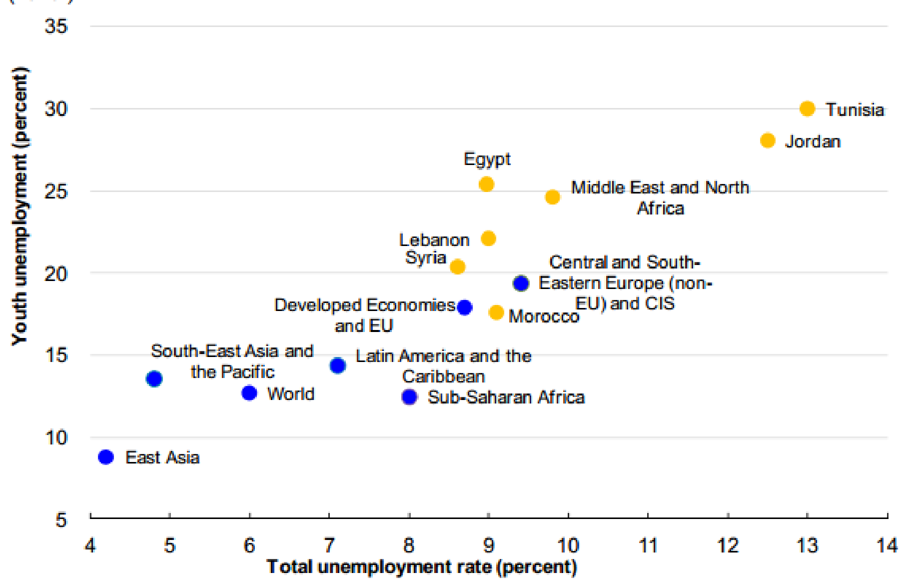
Interviewees in some government offices described the presence of disguised unemployment (see box) in government offices. Additionally, women are disproportionately employed in the government sector as a job there is considered a safe and socially acceptable, although as noted by an interviewee, "provides no incentives to advance and compete." Several focus group participants, particularly those in the private sector, highlighted that the labor market continues to exhibit serious mismatches between the supply and demand for given skill sets, which contributes to existing long-term and structural unemployment, as well as high youth unemployment.

Jordanian Labor Market (2001-2012)



Source: Department of Statistics, Employment and Unemployment Reports (Note: employment, 000s [left scale] — unemployment rate, percent [right scale])

Unemployment Rates by Region
(2010¹)



Sources: International Labor Organization, *Global Employment Trends* (2011), *Global Employment Trends for Youth* (2011); national authorities; and IMF staff estimates.
¹ 2007 data for Lebanon, 2008 youth unemployment rate for Egypt.

Source: IMF (2012), Jordan: Selected Issues; Country Report No. 12/120, 2012

The charts above provide a broad overview of Jordan's jobs market performance, with the second chart illustrating the extent to which youth are largely marginalized in terms of participation in the labor force and unemployment.

C2. GENDER ISSUES

This subsection provides a brief overview of major gender considerations and further context-specific information is integrated throughout the report.

Cultural context. Gender stereotypes persist throughout Jordanian society. The national perception of the role of females and males is changing but at a slow pace. Traditional norms and mores in Jordanian society emphasize the primacy of men as breadwinners and the role of women as caretakers of family and home.[11] These forces are manifested in laws and regulations, as well as hiring practices in the private sector and personal choices related to working.

Legal context. Legal frameworks significantly affecting gender issues include Jordan's constitution (equal protection under the law), the Personal Status Law (issues related to marriage, family, custody, property), and international laws ratified by Jordan. According to the World Bank, existing legislation and regulations continue to reflect norms and contradict the principle of equality under the law. The World Bank cites examples like restrictions on women from being employed in certain sectors and an inability to receive access to the same benefits as men.[12]

The government of Jordan has recognized the need for improved gender integration in policymaking. The Ministry of Planning and International Cooperation (MOPIC), as well as the Ministry of Labor and other line agencies, are integrating gender mainstreaming training, activities, and budgeting in their processes.[13] Nevertheless, documented and quantifiable results are not widely available, partly due to the infancy of these efforts and partly due to weak data collection efforts. MOPIC, with support from the donor community, is developing improved systems to strengthen gender disaggregated data collection and analysis.

The Jordanian National Commission for Women (JNCW) is a government-supported body focused on improving women's participation in economic, social, and political life. To accomplish this, the JNCW provides recommendations on legislation, monitoring of implementation, and strategy development. However, the commission lacks resources and a mandate for implementation.[14]

Key trends. Jordan offers a mixed picture of gender outcomes. In education and health, gender disparities have declined. Within education, the gender gap has largely been eliminated, with male and female enrollment at nearly the same rate at most levels, and more women than men enrolled in higher education.[15] Life expectancy for women has increased to 75, which is greater than males. Maternal mortality and fertility rates have declined.[16]

Yet these advances do not translate into improved economic outcomes for women. Only 14.9 percent of females aged 15 or older are economically active, while 64.8 percent of men of the same age are economically active.[17] Female unemployment rates are particularly high, at 21 percent, compared with males' rate of 11 percent. Younger females are even less likely to find employment: unemployment rates for women aged 15 to 29 is 35 percent.[18] As the government downsizes its workforce, women stand to be disproportionately affected due to their share of government jobs. Many interviewees also described substantial challenges for women to find employment in the private sector due to cultural norms. These outcomes are notable even in comparison with the MENA region. The World Economic Forum ranked Jordan 121 out of 135 countries in overall economic opportunities for women, well below others within its income peer group and regional peer group.[19]

C3. CURRENT REGIONAL CONTEXT: SYRIAN CIVIL WAR AND EGYPTIAN POLITICAL CONDITIONS

Egypt. Egypt's political unrest continues to negatively affect Jordan's budget. Prior to its January 2011 uprising, Egypt had provided Jordan with 80 percent of its natural gas needs. Because of political turmoil, frequent electricity shortages in Egypt evidenced by power cuts and fuel shortages, and pipeline attacks in the Sinai, this flow slowed significantly, violating a 2004 agreement between Jordan and Egypt's energy ministries that stipulated a minimum daily 240 million cubic feet. Current flows from Egypt to Jordan stand at approximately 100 million cubic feet, with Egypt charging approximately double the agreed to price from 2004. Because Jordan's government offers electricity to its citizens through NEPCO at subsidized rates, the price increases and expensive substitutes required to bridge the fuel shortfall have driven large unanticipated government expenditures.

Tourism is one area where instability in Egypt, similar to the conflict in neighboring Syria, is having a positive spillover on Jordan. This positive effect can be attributed mainly to the significant growth in tourism income from non-Gulf Cooperation Council (GCC) Arab tourists as well as a milder increase from GCC tourists, all of whom are likely to take multiday trips, and often have relatively higher purchasing power than Syrian tourists. These regional tourism flows may have been redirected to Jordan, replacing Egypt as a destination.

Syria. As the World Bank's "Jordan Economic Monitor" highlights, the aggregate economic impact of the Syrian crisis on Jordan was initially modest. As the Jordanian and Syrian economies are weakly integrated, the impact of the neighboring conflict had tended to be contained through sectoral impacts. The closure of Syrian export transit routes in 2012 and a rise in imports related to Syrian refugee demand hurt the country's exporting industries and trade balance. While the magnitude of exports to and imports from Syria is relatively small, transit trade volumes are large, accounting for about 11 percent of Jordan's exports and 30 percent of its imports. As a result, border closures and violence in Syria affected trade with Turkey, Lebanon, and Europe and led to an increase in transport costs due to the use of more expensive alternative routes, thereby hurting export price competitiveness.[20] This disruption contributed to the decline in export growth from 13 percent in 2011 to -1 percent in 2012 and notably disrupted agricultural exports. Growth in imports, partially due to increases in refugee populations since the start of the Syrian crisis, have compounded the contraction in exports. Indeed, goods and services imports grew by 22 percent in 2011 and 9 percent in 2012, putting increasing pressure on the fixed exchange rate and currency reserves.

From a social perspective, the Syrian conflict has brought about a massive influx of refugees into Jordan. Some 600,000 individuals, roughly equivalent to 10 percent of Jordan's population, have crossed the Syrian-Jordanian border into Jordan. Approximately 80 percent of these individuals have settled in urban areas, with the balance living in camps.[21] Refugee populations are concentrated in northern towns: a recent UN report estimates that 240,000 refugees (39 percent of the Syrian refugee population) are living in Irbid, 135,000 (22 percent) in Mafraq, 146,000 (24 percent) in Amman, 47,000 (7.5 percent) in Zarqa, and the remaining 47,000 (7.5) percent are scattered throughout other governorates.[22] Public finances and employment conditions in Jordan have deteriorated as a result of this massive infusion of refugees.

Given Jordan's open-door policy to refugees fleeing conflict areas, public finances have been significantly strained since the start of the Syrian war, particularly over the past 12 months when hostilities have intensified. The Jordanian government has increased its already disproportionate current expenditures to provide public services to the large and rapidly growing population of Syrian refugees. GoJ estimates that it expended $251 million to provide services and assistance to refugees in 2012, adding substantial pressure to an already difficult fiscal situation.[23] While the international community has contributed grants to ease this financial burden, the inflow of Syrian refugees persists and public service provision has outweighed donor assistance. Including grants, Jordan's budget deficit stood at 8.3 percent of GDP in 2012; excluding grants, its budget deficit was 9.8 percent. For 2013, GoJ estimated that Syrian refugee-related outlays will total approximately $493 million to offer product subsidies (34 percent), energy and health services (34 percent), security (9 percent), and education (4 percent).[24] Much of the direct cost of service delivery is borne by local government units, which do not have the revenue base to support the expenditures and are not receiving enough central government and donor assistance to cover refugee-related outlays.

The new refugee population has had a similar impact on employment. While official unemployment rates marginally declined in 2012, the presence of a large pool of relatively cheap labor has negatively affected indigenous population employment opportunities. These impacts are primarily occurring in the informal sector because, in most cases, Syrians are not legally permitted to work in Jordan's formal sector. As the informal sector is believed to account for a sizable 44 percent of Jordan's employed population, the impact on the Jordanian labor market is substantial.[25] For example, a recent UN report calculated that Jordan's Syrian refugee labor force represented approximately 108,000 individuals in Irbid, Mafraq, Amman, and Zarqa, or about 8.4 percent of these regions' workforces. The report further estimated that about 38,000 of these individuals are working, mostly in the informal sector.[26]

Surveys by local governments and donor organizations have found evidence of indigenous population communities losing employment opportunities to Syrians, particularly in occupations highly associated with the working poor, such as low-skilled manufacturing, handicrafts, and unskilled (e.g. seasonal) work.[27] With the working poor constituting 62.0 percent, 74.6 percent, and 53.6 percent of the employed populations of Irbid, Mafraq, and Zarqa, respectively, this competition for employment carries the potential for community friction and conflict. Of particular note, Jordanian women who earn wages in home-based occupations or are self-employed have been disproportionately affected by refugee competition. Syrian women are offering similar services at lower rates, negatively affecting host community women's ability to contribute to household earnings and disrupting household power dynamics. Finally, it is important to note that competition is not restricted to just employment. Refugee communities are contributing to depressed wages, as they have tended to accept lower wage rates for similar work, including in relation to other foreign workers. For example, interviews held by the AMEG assessment team revealed that Syrian refugee wage rates tend to be about 25 percent to 50 percent less than Egyptian refugee wage rates in some areas. As Syrian refugees build ties and establish themselves within host communities over the medium and long term, competition and sensitivities related to jobs and wage rates are expected to grow.

One small silver lining resulting from the conflict in Syria is an improvement in Jordan's tourism industry. As the onset of the Arab Spring affected regional tourism, the number of tourists visiting Jordan declined. Following a 16 percent drop in tourism income in 2011, a robust recovery in tourism income took place in 2012 with tourism income up 15 percent — close to its pre-crisis 2010 level. This recovery is largely due to the significant growth in tourism from non-GCC and GCC Arab tourists. These regional tourism flows may have been redirected to Jordan as a regional substitute for conflict-ridden Syria. An increase in the number of medical tourists from Yemen and Libya also boosted 2012 performance.

D. INTERNATIONAL COOPERATION PARTNERSHIPS

Jordan's open economy and outward orientation contribute to its strong international relationships, including with bilateral partners, regional trade groups, and multilateral institutions. The country receives robust assistance from bilateral partners, such as the United States and Japan, and has signed numerous free trade agreements, including with the United States, Canada, the European Free Trade Association, and Turkey, among others. Regionally, Jordan is well-regarded for its stability and openness toward refugee communities, contributing to critical regional ties and grant assistance from regional institutions. Finally, the World Bank and IMF are significant partners in Jordan's development and reform effort. For example, Jordan signed a three-year, stand-by arrangement with the IMF in August 2012 for approximately $2 billion to support economic reforms.

Donor coordination. MOPIC is charged with donor engagement, donor coordination, and solicitation of assistance. The Kingdom receives three primary types of assistance: grants, soft loans, and technical assistance, amounting to $2.1 billion, $0.9 billion, and $3.1 billion, respectively in 2012. The international cooperation map below — a document produced and regularly updated by MOPIC — maps donor assistance across a broad spectrum of sectors and functional areas. On its website, MOPIC tracks, records, and makes publicly available a list of project activities by donor. Annex C provides a selection of economic growth and fiscal-related projects most relevant to this assessment. Analysis of recent projects suggests donors have been prioritizing general budget support (including for refugee assistance), water and the environment, energy, and vocational training and education. Most notably, international partners (e.g., European Union, World Bank, United States, and Japan) have provided substantial grant funding to support Jordan's management of the Syrian refugee crisis, while regional neighbors continue to provide substantial support for capital projects.

Donor coordination mechanisms. MOPIC coordinates among all line ministries and prepares a four-year national development agenda focusing on GoJ priority sectors. After internal discussion, external consultations, modification, approval, and public notification, MOPIC officials discuss GoJ development plans and financing needs with international partners and financing institutions. While deviations occur, many international partners attempt to align their own priorities and plans with those of the GoJ. Several government representatives noted that MOPIC has become less intensely involved in developing the national agenda in recent years, as more planning is centralized with the prime minister's office. Moreover, some GoJ representatives and business association leaders stated that donor coordination, even with increased centralization, remains a challenge.

PFM cooperation. USAID, the World Bank, IMF, and the European Commission are Jordan's most significant partners within the fiscal sector. USAID's Fiscal Reform Project I and II represent the donor community's greatest contribution to improved fiscal and public financial management outcomes at the central level. The two projects have supported the government in realizing major improvements in fiscal-related performance, transparency, accountability, and governance, particularly within the Prime Minister's office, the Ministry of Finance (MOF), line ministries, and customs and tax officials. The IMF's stand-by agreement provides liquidity during Jordan's reform efforts and the ongoing external challenges. Contributing to several reforms in the public financial management sphere, the World Bank recently completed its first development policy loan. The loan provided support to establish a new PPP unit, helped rationalize expenditures in the public health system, and streamlined some autonomous institution activities. The World Bank will continue supporting fiscal reform objectives, as fiscal issues remain a key pillar in its 2012 to 2015 Country Partnership Strategy. For example, the World Bank recently announced a new program to assist local governments with the Syrian refugee crisis. The European Commission provides similar support to local government units, particularly in the area of capacity building. Finally, it is important to note that Germany, which recently concluded a successful PFM program that embedded experts to assist with the successful rollout of PFM tools and processes (e.g., more unified chart of accounts, Treasury Single Account), has declared no immediate intentions to continue its efforts in the PFM sector.

International Cooperation Mapping (Source: MOPIC; http://www.mop.gov.jo/uploads/Donors%20Priorities%20by%20Sector%20(2).pdf)

Main Sectors supported by Foreign Aid based on Donors' Priorities

Sector / Donor	Water	Education & Research	Health	Energy/ Electricity	Transport	Public Financial Management	Poverty Alleviation/ Social Development	Local Development	Budget Support	Agriculture	Infrastructure and Housing	Capacity Building and Training*	Justice, Governance, Human Rights, & Media	Environment	Employment & Vocational Training	Gender	Private Sector Development& Investment Promotion,	Youth & Culture	ICT	Tourism	Public Sector Reform	Demining,	Support to Refugees	Microfinance
Abu Dhabi Fund for Development	X		X							X	X													
Arab Fund For Economic and Social Development	X	X	X	X				X			X											X		
Australia																						X		
Belgium																						X		
Canada		X					X								X	X		X						
China	X		X								X	X										X		
Denmark								X					X			X						X		
EIB	X	X		X							X						X							
EU	X	X		X	X	X		X	X			X	X		X		X	X				X		
France/AFD	X			X	X			X	X													X		X
GEF	X			X						X				X										
Greece	X																			X				
Germany/ KfW/GIZ	X	X		X		X	X					X			X									X
IFAD										X				X										
Islamic Development Bank		X	X	X						X	X	X			X				X			X		X
Italy	X		X														X			X			X	
Japan/JICA	X		X		X				X			X		X	X		X			X			X	
Korea/ KOICA	X		X									X			X		X		X			X		
Kuwait Fund For Arab Economic Development	X		X	X							X													
Norway	X			X										X		X						X	X	
OPEC Fund			X							X														
Saudi Fund For Development			X	X							X													
Spain	X	X	X	X				X						X					X	X				X
Sweden	X											X												
Switzerland/ SDC			X										X	X								X	X	
United Kingdom			X															X	X					
UN Agencies		X					X			X		X	X	X		X	X	X	X			X		
USAID	X	X	X	X		X	X		X				X	X		X	X	X	X	X		X	X	
USTDA	X		X	X	X																			
World Bank Group		X		X		X	X	X	X		X			X	X	X	X			X	X	X		X

*Including twining programs, supply of equipment, and expertise to build capacities of Jordanian institutions in a large number of fields.

SECTION III

FISCAL ENVIRONMENT

A. PUBLIC FINANCIAL MANAGEMENT STRUCTURE AND PERFORMANCE

A1. CENTRAL GOVERNMENT BUDGET REVENUES AND EXPENDITURES

Performance highlights. Over the past decade, Jordan's overall fiscal conditions have deteriorated as a result of external and domestic economic and political events discussed throughout Section I: Country Profile. Jordan's expanding central government deficits, higher levels of public debt, and large persistent recurring expenditures point to structural issues and portend future challenges. Jordan's budget deficit increased by a compound annual rate of 15.4 percent during the period 2008 to 2013. This deficit, inclusive of international grants, is expected to reach 9.8 percent of GDP in 2013. Total public debt, which includes external plus domestic debt, has grown by more than 14.1 percent per year since 2007. And, the high share of current expenditures relative to capital expenditures was a recurring concern of government officials and private sector representatives during the consultants' assessment. Interviewees were alarmed that recurrent expenditures accounted for more than 80 percent of the fiscal budget in 2012, while outlays for productivity-enhancing capital investments accounted for just over 10 percent of the budget. The IMF estimates that this ratio will improve slightly in 2013, though structural issues will prevent substantial improvement.

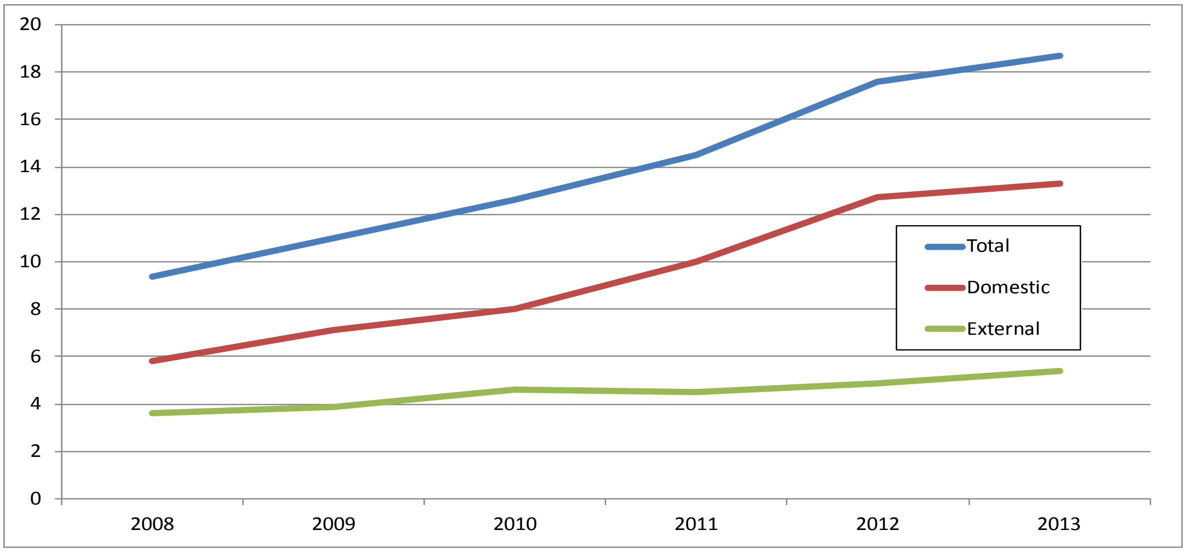
On the Books: Consolidating Jordan's Budget

Currently, Jordan's reported debt and deficit figures account only for the central government, with no consolidated fiscal reporting that includes local governance units or autonomous institutions.

Public debt. Jordan's total nominal public debt — domestic and external — has more than doubled in five years, primarily through domestic debt issuance (see graph below). In relative terms, Jordan's total public debt has also climbed from approximately 60 percent in 2009 to 67 percent in 2012. The IMF, World Bank, USAID, and other development partners are collaborating with the government of Jordan to address fiscal issues and policy reform. Accordingly, in 2011 Jordan implemented a medium-term debt management strategy that is currently being updated. Comprehensive debt management reports are issued regularly. However, with the availability of increased debt management instruments like Eurobonds, enhanced analysis and forecasting tools and associated human capacity are needed in the MOF and Central Bank.

Inclusiveness. The government's process for budget development remains a concern for many in the private and civil society sectors. Representatives from both groups highlighted that the government does not systematically consult with stakeholders and when it does, it is often done in a perfunctory manner. Consultations rarely reference independent analyses when

Total Government Debt in 2012 (Billions of Dinars)



formulating budgets. On occasions when input had been sought and received by the government, officials criticized the input and stakeholders when disagreements arose. This lack of inclusiveness suggests a culture that could do more to welcome diverse or differing viewpoints from nongovernment entities. Further, some stakeholders noted their perception of frequent changes in laws made without stakeholder consultation and arbitrary enforcement, creating uncertainty about government-imposed financial burdens.

A2. MAJOR REVENUE STREAMS AND EXPENDITURE DRIVERS

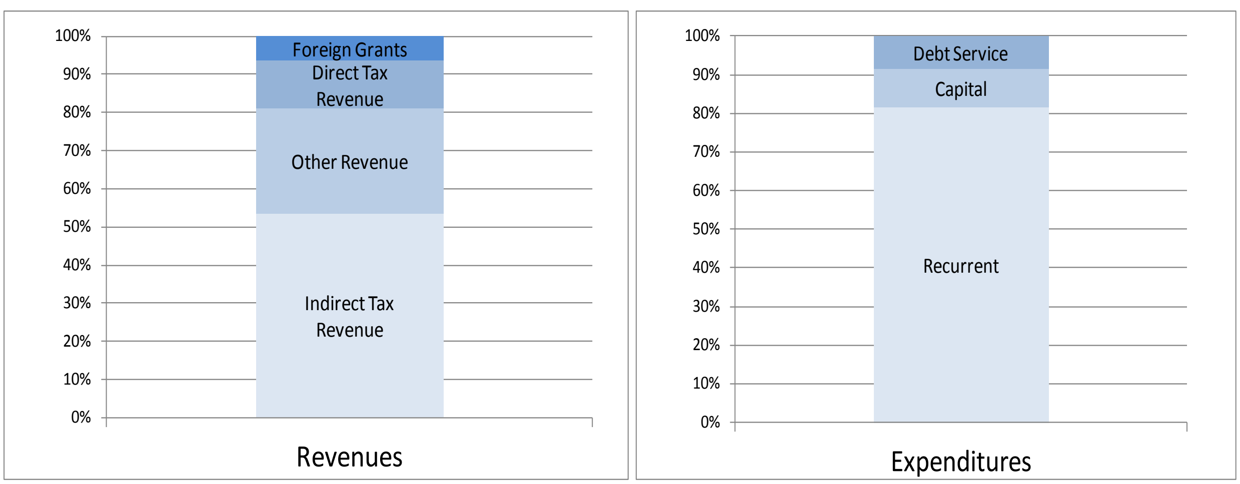
Revenue. Taxes serve as the main revenue stream in Jordan, accounting for approximately 70 percent of total revenues. Revenues from the general sales tax increased 11.9 percent in 2012, compared with a growth rate of 2.3 percent in 2011, to reach a total of Jordanian Dinar (JD) 2,274.7 million in 2012.[28] The income and profits tax has slipped by 3.1 percent of total revenue, to stand at JD 688.4 million. Meanwhile, growing at 7.1 percent, the corporate income tax accounted for 80.9 percent of the overall income and profit tax revenue, with a relatively small number of firms paying the majority of these taxes. By contrast, the tax on individuals and employees accounts for only 19.1 percent of the income and profit tax revenues, reflecting the implications of numerous special privileges. These special provisions are further discussed below in subsection B, Taxation. A proposed tax law being considered by Parliament for final approval has strong potential to enhance revenues from income and profits from 2014 onward. The proposed new law is based on the principle of progressive rates of taxation, tightening punishment on tax evaders, and addressing the problems and imbalances characterizing the law currently in effect.

Foreign grants totaling 1.5 percent of GDP in 2012 continue to flow into Jordan and tend to be dedicated for one of two purposes: general budgetary support, or development project support. Most budgetary support comes from bilateral partners, such as Saudi Arabia, Kuwait, and Qatar. The GCC has taken a lead role in providing support (currently $5 billion pledged) for development-related projects, which require a level of quality assurance and oversight that the Jordanian government has yet to address. The government's efforts to access these development-related project funds will be further discussed below in A3. Public Financial Management Performance.

Expenditures. Salaries, wages, pensions, and subsidies, among other current expenditures, account for more than 80 percent of government outlays. The ratio of capital to current expenditures continues to deteriorate: capital expenditures declined from 8.5 percent in 2009 to 3.1 percent of total expenditures in 2012, while current expenditures increased from 27.1 to 28.2 percent over the same time period. As such, Jordan is unable to adequately invest in capital investment projects that would improve total factor productivity and future growth prospects.

Structural issues persist. For example, AMEG's consultants confirmed a consistent opinion across the public and private sectors that the government's workforce is larger than needs dictate. The government is consolidating its workforce, though political pressure is mounting to protect employment, particularly for the women that constitute a large portion of government staff and tend to face private sector employment resistance. Similarly, while employment expenses constitute the largest structural component of expenditures, the share of subsidies and transfers — driven by high energy import prices — has been increasing in recent years, surpassing its high of 38.2 percent of expenditures in 2005, to reach 38.4 percent in 2012.

Main Revenue and Expenditure Streams in 2012, Percent of Central Budget



Source: MOF, General Government Finance Bulletin, Vol. 15, No. 2

A3. PUBLIC FINANCIAL MANAGEMENT PERFORMANCE

Public Expenditure and Financial Accountability (PEFA) Assessment. The PEFA framework was developed by seven donor agencies and international financial institutions in 2001 to serve as a standard method for assessing — and developing a plan to address — a country's systems for public expenditure, procurement, and financial accountability. Jordan's most recent PEFA assessment was funded by the European Union in 2011. As a result of reforms, the assessment's findings indicated an overall positive trend from 2007 to 2011, though highlighted the negative effect of short-term political factors on several indicators.

The six areas highlighted by the assessment, including areas for improvement, are noted in the following table. A comprehensive table with PEFA scoring is included in Annex D.

Areas of Performance	PEFA Assessment Notes
Credibility of the budget	• Systemic overestimation of revenues and midyear changes • Cash flow not adequately tracked leading to delays in payments • Budget did not account for universities or Social Security Corporation, accounting for approximately 10% of revenue for 2010
Comprehensiveness and transparency	• Lack of consolidated fiscal report that includes income and expenditures from grants or municipalities • Internal reports are not comparable across government units/ministries due to non-standardized formats • Substantial improvement due to adoption of international standards in chart of accounts and budget classification
Policy-based budgeting	• Budget calendar approval yielded more transparency in timing and strengthened link between strategic planning and budgeting • Multiyear budget linked to annual budget ceilings are released to public
Predictability and control of budget execution	• Recent media and communications strategy makes information on tax legislation, forms, and administrative procedures available to public • Internal auditing functions are generally lacking and should be improved
Accounting, recording, and reporting	• GFMIS has improved Treasury account recording and reconciliation • Underperformance continues in availability of information on resources received by service delivery units, as well as timeliness and availability of internal budget execution reports
External scrutiny and audit	• Substantial improvements by Audit Bureau on external dimensions of assessment, with less marked improvements on internal audit

The assessment team noted improvement in some of these areas, but also concluded that the GoJ must continue to address these challenges. Most importantly, the assessment team found that cash flow tracking continues to be insufficient, fiscal reports are not consolidated for grants or municipalities, and internal auditing functions continue to be insufficient. Section IV offers recommendations that will contribute to these outcomes.

Policymakers and donors could make more informed decisions if Jordan's PEFA was updated by the European Union. Any update should include a consolidated and detailed table showing the progression of grading from one PEFA to the next to facilitate analysis of trends in progress. And, if possible, PEFA assessments — or PEFA-like assessments and grading — of LGUs would offer much needed details on specific functional areas within local government public financial management that should be addressed by the donor community and policymakers. Any efforts at the LGU level should be led by or coordinated with the European Commission and World Bank, both of which are working with LGUs on capacity building.

Macroeconomic modeling. Among other considerations, the consultants reviewed budgeting processes and institutional capacity. These areas, in particular, revealed overlapping challenges where small resource investments could yield high-impact results. The consultants surmised that few ministries use macroeconomic models, and fewer still had the institutional capacity to develop them. These models aid in forecasting and analysis, and are thus useful tools in budget formulation and oversight. For example, the Budget Department of the MOF is currently using a spreadsheet for analysis, modeling of debt calculations, and informing financing decisions. This lack of more powerful modeling and forecasting tools has prevented most ministries from developing accurate multiyear budgets as part of standard budgeting processes. Currently, five ministries are participating in a pilot program to conduct budget forecasting for total expenditures, revenues, and human resource requirements. Several others are developing medium-term budgets (e.g., three-year time horizon), though these ministries are an exception rather than the rule.

Development of an appropriate macroeconomic model that could be customized and used across a wide array of government institutions may help to improve budgeting accuracy, sensitivity analysis, medium- and long-term planning, cash flow tracking, and financing decisions. The model could be equipped to use gender- and other disaggregated data that can be fed into budget planning and implementation within individual ministries. To develop such a model, an assessment would be needed to understand the key variables and functionality that each participating ministry would require. Some GFMIS platforms incorporate macroeconomic modeling and this could be explored by the GoJ. As a GFMIS add-on, such a model would draw upon data that has been processed and is standardized across ministries. Moreover, regression and other statistical analysis can have standardized reporting to provide all ministries with commonly agreed upon significance testing. Meeting minimum rigor standards is essential before using the forecasted information for budget or other decisions. The assessment team was not able to discuss the integration of such a model with GFMIS experts. If a macroeconomic model is pursued, evaluating the feasibility of developing an add-on to the GFMIS should be explored with appropriate experts.

Other general performance considerations. The consultants identified further needs in two important, albeit unrelated, areas: project management for mobilizing GCC funds and general economic and fiscal training for policymakers and government officials. With its provision of $5 billion of funds for development projects, the GCC has required quality assurance actions — such as feasibility studies — before ministries can access GCC project funds. Yet, the government does not have a centralized body or units within line ministries to solicit, evaluate, and award compliant GCC projects that could serve as a major source of much-needed capital investment funding. The government lacks the ability to meet GCC requirements for vetting and compliance, resulting in only a relatively small proportion of available funding having been deployed by December 2013. Separately, to better oversee and contribute to the public financial management process, many government officials and policymakers expressed a view that they would appreciate some basic and advanced training in economics, fiscal issues, and government management, a call echoed by private and civil sector representatives. Such applied training would be particularly helpful for those officials most heavily involved in the development, execution, and oversight of the government's budget (e.g., Parliamentary oversight committees). This effort would provide an excellent opportunity to provide support to the JNCW's initiatives in gender-sensitive budgeting at the MOF and other line ministries.

A4. FISCAL ENVIRONMENT OF LOCAL GOVERNMENT UNITS (LGUs)

Structure and performance. Jordan has 12 governorates that are administered by governors appointed by the Council of Ministers. The Ministry of Interior allocates governorate budgets and most ministries have departments or regional offices within each of the 12 units.[29] Among their responsibilities, governors coordinate ministries' regional activities, select and prioritize projects, and approve budgets of municipalities (excluding Amman).The Ministry of Municipal Affairs (MoMA) is the focal point between the Central Government and LGUs. The MoMA-funded City and Village Development Bank for Municipalities provides loans for capital projects through a six percent surcharge on oil products. MoMA also performs audits, though this function is typically performed after a significant delay. With few or late audits and a lack of a consolidated budget, it is challenging to determine the extent of local government unit debt when aggregating total government debt. It is also important to note that governorates are not currently using the GFMIS (see box).

Jordan's system of decentralized government also comprises districts, sub-districts, and chief towns. Additionally, a direct municipal system of 100 municipalities also operates with some autonomy in local laws and budgets. Municipalities provide civil services to local residents, from trash collection to education. In general, municipal revenue can be categorized by source: (1) transfers from the central government, (2) own-revenues collected by the municipalities (e.g. fees, taxes, and royalties), and (3) debt finance. In 2010, the increasing debt load of municipalities stood at over $125 million, with average debt servicing rates standing at approximately 26 percent of expenditures.[30] According to the UNDP, in 2013 two-thirds of municipalities had debt service payments above 15 percent of total expenditures.[31] The Syrian civil war and refugee crisis has put an onerous burden on Jordan's LGU resources. Local governments are responsible for much of the everyday management of the more than 600,000 Syrian refugees, ranging from education, to health and basic needs (e.g., hospitals and access to food and water), to economic support (e.g., energy subsidies). For the northern governorates and municipalities hosting approximately 80 percent of Syrian refugees these expenditures have greatly impacted local budget. Among the key refugee issues for municipalities, the UN notes that waste management is one of the biggest challenges, as "a recent assessment reveals that solid waste management issues ranks first of current priorities of communities in 33 of 36 municipalities in the northern governorates."[32] The AMEG assessment team received similar feedback. For example, officials interviewed from Irbid noted that Irbid alone has 240,000 refugees, of which 170,000 are registered with UNCR, and 70,000 unregistered. The amount of waste to collect has more than doubled from 200,000 tons to 450,000 tons, without proportionate increases in funding levels. To help municipalities offset the costs incurred due to the Syrian crisis, the GoJ has provided an additional 75 million JD in 2013, which will be doubled to 150 million JD for 2014.

Policy, administrative, and institutional environment. Staff capacity and PFM processes within LGUs, particularly municipalities, remains a key concern. While some local government units, such as Aqaba, are well regarded for their institutional capacity and policies, many municipalities lack the skilled staff and appropriate tools and processes (e.g. training procedures, linking general planning to budget planning) to effectively formulate and manage budgets. During interviews, the team repeatedly heard from government officials and local business leaders that local budget technicians are not well versed in economic analysis, budget design, formulation, execution, monitoring, or forecasting. Similarly, they are unfamiliar with gender and vulnerable group budgeting. As such, they are not applying primary and advanced economic concepts, budget formulation and execution techniques, or sufficiently engaging in rigorous monitoring and oversight. As cited in an FRP II report on decentralization, many of these problems are exacerbated by broader issues, such as weak hiring practices that are not necessarily based on merit and qualifications.

Staff capacity and process concerns from the field assessment were corroborated by the literature review. Local-level projects funded in the late 2000s by the EU, Millennium Challenge Corporation (MCC), and French Development Agency identified staff capacity and insufficient processes to be major constraints in local governance, particularly for PFM. As such, each of the three respective projects conducted assessments of LGU capacity in various functional areas, including budget planning and execution. A common finding among all projects were organizational and skills deficiencies that severely impacted municipalities' ability to carry out fiscal duties. For example, some municipalities lacked codified organizational structure, position descriptions, or functional unit delineation of responsibilities. Many municipalities were also staffed with personnel that did not have relevant education or experience. Accordingly, the projects incorporated activities to address these issues, several of which achieved results. For example, the MCC's project developed basic tools that could be expanded upon, as well as associated workshops and training events, that yielded rapid results. However, with a two-year project duration and a lack of ongoing support to fully engrain these tools and training into LGU culture and systems, long-term impact has been marginal.

The most recent publicly available study related to LGU PFM capacity and processes was conducted in 2010 by the FRP II project (see separately attached Annex G: Literature Review for more details). Given that activities in this particular functional area may yield impressive results, a comprehensive, standardized assessment of targeted LGUs could shed light on the most urgent needs. A PEFA or PEFA-like assessment adapted for LGUs could be one option to thoroughly review practices and capabilities, particularly if a longer-term plan to conduct follow-on PEFA or PEFA-like assessments for LGUs was planned after three to five years.

Another key concern of local government representatives and business leaders was the relatively high proportion of LGU current to capital expenditures. According to USAID's FRP II project, from 2007 to 2009, approximately 70 percent of municipal expenditures were allocated to current expenditures while only 30 percent were allocated for capital projects. As a result, local government services, future growth prospects, and competitiveness suffer. The most recent local-level development projects (noted above) attempted to address these challenges through PPP conceptualization assistance, capacity building at the local level and central level for municipal-related ministries, and increased evidence-based decision making through the incorporation of best practice processes and tools. Each project noted some successes employing these activities. Future efforts would do well to continue codify these types of activities into LGU systems, particularly in the development of standardized tools, processes, and associated capacity building regimes.

Finally, the assessment team noted that capital investment shortages suggest that external funding, such as grants and PPPs, could be used to supplement LGU capital expenditures, particularly for municipalities most heavily affected by regional crises. These LGUs have had to increase their relative share of current expenditures. Yet block grants from the central government and grants from international donors have been insufficient to meet needs. In order to acquire grant funding for the purposes of capital expenditure, as well as attract private sector involvement for PPPs, LGUs must have — or have access to — appropriately skilled staff to conceptualize, prioritize, and vet projects. Any donor activities at the local level should incorporate capacity building in these areas, and incorporate substantial coordination efforts with the central government, most notably the new PPP unit and this assessment's recommended project technical unit.

A5. STATUS OF AND PROSPECTS FOR THE GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM (GFMIS)

Overview. To digitize the budget life cycle, from preparation to execution and monitoring, the government of Jordan worked toward soliciting a standardized management information system beginning in 2004. By 2008 an international consulting firm was awarded the GFMIS contract. The firm conducted government needs surveys, developed the system, and subsequently rolled out the GFMIS starting in late 2010 to six pilot budget institutions, including MOF, MOPIC, General Budget Department, Ministry of Education, and Zarqa'a Regional Finance Center, with 25 line ministries and 14 regional centers to be integrated over the subsequent 18-month period. When fully implemented, GFMIS will be used by 55 central government offices and 28 regional financial centers. Autonomous institution budgets are not part of GFMIS. By law, they are a part of a separate budget. The Central Bank of Jordan does not use a GFMIS-compatible system, nor do quasi-government institutions, which may undermine the quality of data exchanged through the use of workarounds, such as hand ledgers and manual data entry.

The system is Oracle-based and has four components: 1) functional (budgeting and accounting); 2) information technology (e.g., infrastructure, data, and administration); 3) change management (e.g.; processes, training); and 4) project management (e.g., planning and monitoring). AMEG's consultants focused on implementation issues across each component through in-depth discussions with many government officials and technicians using the system. Annex E includes a detailed table on implementation of the GFMIS, including modules used by the ministries of finance, education, and health, and MoMA.

Training and MOF GFMIS "customer service." Overall, the GFMIS has experienced a wide range of successes and challenges in implementation. Several ministries continue to employ a parallel system, and will do so until the GFMIS is more fully integrated and operational. MOF, which has taken the lead in rolling out the system and serves as the central point of coordination, continues to offer training and courses on proper application of the system. However, GFMIS users in line ministries suggested that more MOF trainers were needed for a longer period of time to train more users, many of whom are unfamiliar with Oracle environments. Many users also highlighted that the system requires near complete uniformity of data. Ministries find it difficult to provide the absolute consistency of data needed for the system to perform correctly, noting that even when they catch major errors, they cannot fix them within their own office.

Major data fixes must be done by MOF. This centralized structure ensures a level of quality control and uniformity of application across ministries. However, dependency on a single ministry with insufficient resources allocated for timely responses is causing delays in operability. As such, increased MOF GFMIS "customer service" capacity could greatly speed rollout, implementation, and line ministry buy-in.

System enhancements: forecasting, data, hardware, and project tracking. The GFMIS lacks an explicit forecasting tool, a common reported shortcoming. Without the ability to forecast and manipulate key variables to conduct sensitivity analysis, ministries are challenged to estimate future needs and develop medium-term plans. Similarly, users highlighted that they did not have access to a single source for their data needs, and that a data warehouse would enhance analysis, budget formulation, and budget execution. Most offices using GFMIS also noted that hardware running the system was outdated (most noted an age of approximately five-year-old systems), which slowed processing times and decreased operability.

Finally, the GFMIS does not include a large project tracking feature. This reduces the transparency and efficiency of oversight of major projects, such as large PPPs or grant-funded projects. This increases the time and complexity to conduct project audits, and complicates the inclusion of major projects in GoJ budgets.

Compatibility with independent organizations. The central government relies on the Central Bank and independent service providers for a variety of tasks, from analytical to functional. Yet, the GFMIS is not able to "talk" to these organizations because their systems are not compatible. This inhibits information sharing, reduces efficiency, requires manually recording and re-entering data, and increases opportunity for corruption, among other risks and challenges. For example, representatives from the CBJ noted that the CBJ's informational technology system was not compatible and is not able to exchange data and information with the GFMIS. As such, the organizations are forced to exchange critical data via hand ledger. This practice increases the risk for data entry errors and the time required to share information. The CBJ and ministries, particularly MOF, would benefit from system compatibility due to increased efficiency, accuracy, and volume of data sharing.

Autonomous institutions and the GFMIS. Currently, by law, autonomous institutions such as the National Electric Power Company (NEPCO) are part of a separate government budget process and use their own financial information management systems. This situation creates an opaque information environment where budgeting and reporting are not standardized or fully consolidated. To increase transparency, efficiency, and accountability, GFMIS could be rolled out to autonomous institutions. This effort could be integrated into the World Bank and IMF's collaborative efforts with the central government to bring off-balance sheet, autonomous institution expenditures under a greater degree of understanding and control.

Integrating gender and vulnerable group data. Incorporating gender and other disaggregated data that is produced as part of MOPIC's and other line agencies' efforts to collect disaggregated data within the GFMIS will allow MOF and the GoJ to properly plan, monitor, measure, analyze, and/or allocate government spending for women and vulnerable groups. In light of the Syrian refugee crisis, tracking expenditures, revenues, and gender disaggregated data, can serve as a primary tool for GoJ to identify gender and vulnerable group trends and subsequently budget for and design targeted programs to promote jobs and economic growth.

B. TAXATION

B1. STRUCTURE AND PERFORMANCE

Taxes on goods and services have steadily increased in Jordan over the past 20 years as a percentage of revenues collected, reaching 45.0 percent in 2012, from a low point of 14.6 percent in 1991. This rise mirrored a similarly steady decline in the proportion of revenues derived from customs and other import duties resulting from trade liberalization, from a high point of 46.9 percent in 1992 to 8.1 percent in 2012.

There has also been a decline in tax revenues as a percentage of GDP in the past four years, reducing the fiscal space for capital budget expenditures to improve long-term growth prospects and service provision, such as health, education, and infrastructure. As a percentage of GDP, tax revenues declined to 15.3 percent in 2012, from highs of 21 to 24.7 percent during 2004-2007.

Jordan's current tax ratios, below the average of 21.1 percent for MENA countries and a world average of 20.0 for the same year, indicate a need for improved performance of taxation as a source of budget revenues. Performance on tax-related World Bank Doing Business indicators is uneven. Jordan ranks well — 34 out of 189 countries for 2014 — on the Paying Taxes indicator, outperforming the average rank of 64 for the MENA countries, but lags in the Starting a Business indicator where it ranks 117 and below the MENA average of 112. Jordan's worst rank — 170 out of 189 countries in the 2014 World Bank's Doing Business survey and an average of 133 for MENA — is on the Getting Credit indicator. Recent passage of a Credit Information Bureau (CIB) Law and an imminent announcement of an agreement being finalized to establish a private sector-run CIB provide hope that Jordan's rank on this indicator may improve within two to four years. [33] Addressing these areas of underperformance would likely lead to a larger tax base.

Estimates of the fiscal cost of tax expenditures (i.e., exemptions, zero-rating, rate reductions, and investment incentives) range between 6.3 percent of GDP in 2012 to 8.4 percent in 2010.[34] Therefore, foregone revenues represented approximately 40 percent of collected revenues in 2012. The largest tax expenditure comes from exemptions from customs duties equivalent to 2.7 percent of GDP, as shown in the summary table on the next page. Zero ratings and exemptions from domestic sales tax was the second most costly tax expenditure, amounting to 1.5 percent of GDP and increasing from JD 191 m. to 342 m. from 2010 to 2012. Deductible allowances from the personal income tax were also a significant source of forgone revenues, equivalent to 1.6 percent of GDP or JD 354 m. The estimated tax expenditures of the deductible allowances implied in the draft Income Tax Law circulated in early fall of 2013 were significantly higher, at JD 987 m., as shown in the same table.[35]

B2. POLICY, ADMINISTRATIVE, AND INSTITUTIONAL ENVIRONMENT

The Income and Sales Tax Department (ISTD) is charged with administering tax laws and regulations in Jordan. The primary laws governing taxation, including exemptions, allowances, credits, preferential rate relief, and tax deferrals include:

- The “temporary” Income Tax Law of 2009 that became effective on January 1, 2010
- The General Sales Tax Law of 2009
- The Customs Law of 1998
- The Building and Lands Tax Law of 1998
- The Free Zones Corporation Law of 1994
- The Jordan Industrial Estates Corporation Law of 1985
- The Investment Promotion Law of 1995 and its amendments for the year 2000
- Incentives under the Qualified Investment Zone Agreement between Israel and Jordan
- The Aqaba Zone Economic Zone Authority beginning in 2002
- The Investment Law of 2003

Summary of Tax Expenditures, by type of tax (2010-2012)

	2012		2010/2011		Draft Income Tax Law
	Tax expenditure (in JD million)	As % GDP	Tax expenditure (in JD million)	As % GDP	Tax expenditure (in JD million)
Total, All Taxes	**1,397**	**6.30%**	**1,578**	**8.4%**	
Total, Indirect Taxes	**1,043**	**4.70%**	**846**	**4.5%**	
GST Domestic	**342**	**1.50%**	**191**	**1.0%**	
Due to Zero Rating	263	1.2%	132	0.7%	
Due to Exemptions	79	0.4%	59	0.3%	
GST Imports	**112**	**0.5%**	**127**	**0.7%**	
Due to zero-rating and exemptions	112	0.5%	127	0.7%	
SST Domestic	**0.6**	**0.003%**	**0.2**	**0.001%**	
Due to zero-rating and exemptions	0.6	0.003%	0.2	0.001%	
Custom Duty	**589**	**2.7%**	**528**	**2.8%**	
(1) Due to Zero Rating	219	1.0%	195	1.0%	
(2) Due to trade agreements	90	0.4%	84	0.4%	
(3) Special agreements:	40	0.18%	42	0.2%	
Investment Promotion Law	17	0.08%	18	0.10%	
Development Zones/Areas	2.5	0.01%	3	0.01%	
Council of Ministers	10	0.05%	11	0.06%	
(4) Oil Derivatives	239	1.1%	207	1.10%	
Total, Direct Taxes	**354**	**1.6%**	**732**	**3.9%**	
Personal Income Tax	***296***	***1.3%***	***526***	***2.8%***	***987***
Personal and family deduction	265	1.2%	265	1.4%	491
Personal and family deduction	118	0.5%	118	0.6%	462
Capital gains exemption (stocks)	31	0.1%	261	1.4%	33
Corporate Income Tax	***10***	***0.05%***	***8***	***0.04%***	***11***
Agricultural exemption (company)	0.9	0.00%	0.9	0.005%	1.0
ASEZ	7.8	0.04%	6.8	0.04%	8.4
Development Zones/Areas	1.7	0.01%	0.5	0.002%	1.9
Real property taxes	***48***	***0.2%***	***198***	***1.1%***	
GAM municipal, education, vacant land, depreciation allowance)	41	0.2%	41	0.2%	
All other municipalities	6.8	0.0%	6.8	0.04%	
DLS incentive - all municipalities	-		150		

Source: USAID- Fiscal Reform II Project. "Evaluating Tax Expenditures in Jordan." 2013, p.35.

It is not unusual for tax laws and regulations, over time, to become a complex web of provisions that are difficult to disentangle and, in Jordan's case, evolve into a Balkanized system of tax policies often enacted in response to narrow interests. Tax administration's difficult role is to support and enforce these policies.

ISTD, with USAID assistance, released in 2013 the results of a comprehensive benchmarking of Jordan's tax system conducted in 2010 that used 175 indicators that ranged from tax policy, to structure and organization, planning, revenue, audit, compliance and enforcement, anti-tax fraud, taxpayer services and communication, information technology, and human and financial resources.[36] A selection of broad recommendations from the benchmarking study relevant to the ISTD administrative and institutional environment include:

1. Continued updating and cleaning of the taxpayer registry
2. Centralizing processing of all declarations and forms, and shifting payment of taxes exclusively to the banking system
3. Improving the taxpayer appeals process and reducing internal conflicts of interest
4. Consolidating the Tax Compliance and Debt Management Directorates and improving their role in setting policies and procedures for audit, collections, and enforcement
5. Making further reductions in the number of taxpayers subject to audit and prioritizing audits according to risk management techniques
6. Strengthening audit through the full deployment of the Audit Tracking System (ATS)
7. Reviewing and re-delegating more authority for approving common transactions, allowing ISTD leadership to focus on planning and management
8. Streamlining and automating procedures for processing refunds, tax clearances, and other common transactions, reducing ISTD's administrative workload, while reducing face-to-face contact between ISTD staff and taxpayers
9. Helping the MOF and ISTD draft a new, uniform tax procedure code, consolidating administrative provisions for all taxes in one law
10. Dedicating more resources to addressing non-compliant taxpayers, while rewarding law-abiding taxpayers by making the process of filing and paying taxes consistent, transparent, and easy.

Recommendations 2, 3, and 8 are relevant to improve transparency; recommendations 5, 9, and 10 should help simplify taxpayer compliance and enhance customer focus of ISTD, while recommendation 7 on delegation of authority should improve internal management. All of the recommendations would benefit from developing action plans with performance indicators and targets to gauge progress.

Through development and measurement of specific indicators and relevant international comparisons, the benchmarking study can serve as a baseline and manageable blueprint for improving ISTD's performance in tax administration. This function for the study is particularly relevant, as no such blueprint is available to address the overall tax policy environment, from formulation and cost-benefit analysis of alternative tax policies to transparent public dialogue mechanisms.

B3. CHALLENGES AND OPPORTUNITIES

While coping with the impact of the cost of energy is the main item on the expenditure side of the budget, coping with low tax collections is a major component on the other side of the equation that will improve Jordan's fiscal disposition. Additional returns to be gained in providing technical assistance in tax administration would be dependent on the GOJ making further reform efforts. Facilitating a broad political consensus to align tax policy with fiscal realities would prove most effective, but would likely prove challenging as changes in tax policy will alter the current self-serving arrangement based on Jordan's political economy. To help build working political alliances and consensus for these changes, the GoJ would have to remove some special treatment provisions. For example, the tax code includes numerous fragmented and special treatment investment promotion provisions. To identify all provisions, an analysis of investment promotion schemes would be needed, along with an economic and financial cost-benefit analysis of each. From this analysis, the GoJ could consolidate its investment promotion schemes with fewer narrowly defined special treatment provisions. These actions would reduce tax expenditures, improve transparency of the tax system, and rationalize the tax code's fragmented investment promotion provisions.

Additionally, the GoJ should continue its work with donors to simplify and improve its tax policies with respect to SMEs, which are disproportionately affected by tax procedures and business regulatory compliance. These efforts should include working with ISTD to cut the number of tax payments per year and simplify tax reporting requirements, with the ultimate goal of decreasing tax procedures, expanding the tax base, and thereby increasing government revenue. Section IV of this report contains more detailed recommendations for consideration to address identified weaknesses in the tax policy life cycle and, more broadly, to expand such an approach to economic policy issues.

C. CUSTOMS AND TRADE FACILITATION

C1. STRUCTURE AND PERFORMANCE

Jordan Customs operates under the Customs Law of 1998 (Law No. 20) that regulates the functions of 21 offices, laboratories, and bonded warehouses of an open and highly integrated economy where trade has been increasing in recent years to levels within 150 to 200 percent of GDP. A successful process of trade liberalization and the impact of free trade agreements have led to a steady decline of the proportion of revenues derived from customs and other import duties, from a high point of 46.9 percent in 1992 to 8.1 percent in 2012. International indices of trade liberalization and efficiency gauge Jordan's performance in this process.

Jordan performs well on the Enabling Trade Index (ETI) of the World Economic Forum, ranking 42 among 132 countries included on the 2012 ETI, above the average rank of 62 for the 20 MENA countries used for comparison.[37] By contrast, Jordan's ratings in the Logistics Performance Index (LPI) of the World Bank have declined in the past five years, from a score of 2.62 in 2007 to 2.27 in 2012 — the lowest in the MENA region for that year.

Jordan has been outperforming its Middle East and North Africa Region regional peers consistently in all World Bank Trading Across Borders (TAB) indicators, with a rank of 57 against a MENA's average rank of 89 for 2014.[38]

United Nations Conference on Trade and Development Findings. To assess Jordan's progress in implementing the WTO's trade facilitation agreement, the United Nations Conference on Trade and Development (UNCTAD) reviewed 39 measures related to the agreement and found more than half of the measures to be fully implemented and compliant. For nearly all of the 15 measures flagged as areas requiring action, the Ministry of Trade and Industry and the Customs Department are well-positioned to continue leading this effort. Implementation is already underway for the majority of measures — with existing activities focused on increasing efficiency of border agency cooperation and ease of cross-border transactions. An area of potential assistance is the upgrade of both ministries' information communication technology systems, which could help further streamline work processes and make trade information more accessible. While this is an area of potential donor support, UNCTAD notes the presence of a wealth of capable information technology firms that could assist with upgrading and process re-engineering.

Time Release Studies (TRS). Jordan Customs has undergone a series of TRS. The three most recent studies include one conducted by the Millennium Challenge Corporation in 2008 under its Customs Program.[39] USAID-Jordan Fiscal Reform II (FRP II) completed another in 2010[40] and Customs, with assistance from FRP II, is currently completing another. A summary comparison of average release times found in the 2008 TRS and a prior one (no date indicated) for the green, yellow, and red lanes of each of the seven Customs centers examined shows a general improvement, with some exceptions.[41]

Regrettably, the published 2010 TRS did not provide a summary table comparing its results with those of the 2008 TRS, making it difficult to determine at this stage where (by Customs centers and lanes) and by how much average release times changed. The studies document their methodologies, sampling frame, and procedures but changes of performance over the years are difficult to assess using the published data to inconsistent aggregation of data.[42]

C2. POLICY, ADMINISTRATIVE, AND INSTITUTIONAL ENVIRONMENT

Implementation of new procedures such as risk management, a "Golden List" of companies, and authorized economic operators (AEO) to facilitate trade typically face problems of inter-institutional coordination as border control agencies with different missions and mandates are involved. Jordan is no exception.

As is typical in other countries, Customs in Jordan has taken the lead in introducing risk management and a Golden List of companies and other border control agencies involved in foreign trade need to improve their capacities, revise their procedures, and coordinate with Customs. USAID, through FRP II, is currently providing assistance to facilitate inter-instructional cooperation of border control agencies involved in trade. For the Golden List of companies program, Customs works with two partner government agencies (PGAs), the Jordan Standards and Metrology Organization (JSMO), and the Jordan Food and Drug Administration (JFDA). The program seeks to expedite clearance of imports and exports for companies and traders who are prequalified as compliant.

Customs and partner government agencies such as JSMO, JFDA, and MOA are also involved in developing their capacities to implement risk management (RM) programs to facilitate trade and expedite clearance of goods. As with the AEO and "Golden List" programs, PGAs started their RM programs at different times with diverse institutional capacities and have made progress at different rates.

In the absence of *integrated* border management, where one agency has the legal mandate and capacity to integrate all these functions, progress toward *coordinated* border management is made through inter-institutional negotiations and coordinating "policy" and "technical" committees. Jordan, with USAID support through FRP II, is following this path.

C3. CHALLENGES AND OPPORTUNITIES

Status of Golden List of Companies. While the negotiated process of coordinated border management to facilitate trade is nascent, regular consolidation of data from the three GPAs participating in the Golden List of companies would permit better tracking of progress and could serve as a stimulus for expediting implementation. If, in addition to these data, the agencies could agree on operational definitions of the companies and/or traders that could potentially apply and/or participate in the programs, a ratio of outreach or coverage of companies could be computed and tracked by each agency to improve the marketing of the program, gauge its attractiveness, and make any needed improvements.[43]

Status and progress of risk management program. Like with the Golden List of companies, regular tracking of progress of risk management implementation, for example on a quarterly basis, will make performance more transparent and may accelerate implementation. Internally to Customs, a disaggregation of red, green, and yellow lanes over time by consignment and by custom center would highlight top performers for recognition and identify laggards requiring further assistance.[44]

Use of Time Release Studies as a management tool. While Jordan Customs has been fortunate to have access to resources to conduct at least three TRS, completing the ongoing USAID FRP II-supported TRS offers the chance to use them more effectively for management purposes. Customs could benefit from setting up a system to document interventions and results to address identified bottlenecks and report on progress as an integral part of regular management reporting.

Efforts of Customs and partner government agencies to increase the pace of coordinated border management and improve focus on meeting requirements of international indices that purport to measure trade facilitation performance should help Jordan bridge the current gap between rankings and observed performance. Given the substantial assistance that Jordan has received in the area of customs and trade, as well as the resulting improvement in Jordan's trade performance, the assessment team believes that any further trade facilitation assistance should be highly targeted. The relative marginal utility of prioritizing other issues (e.g. addressing the energy sector, LGU capacity building) would outweigh the gains in the trade realm.

D. ENERGY SECTOR

D1. STRUCTURE AND PERFORMANCE

The high cost of energy and scarcity of water resources are binding constraints to economic growth in Jordan. The country imports about 97 percent of its fuel needs and is among the four countries in the world with the poorest endowment of known water resources.

"Solve the energy problem" was the unequivocal answer the team most often heard during meetings held in answer to the question on major problems the country faced. And with due reason: energy expenditures constitute about 10 percent of household expenditures in Jordan and the wide gap between the tariffs consumers pay and the cost of energy produced through the state-supported National Electric Power Company (NEPCO) for distribution is a major driver of budget expenditures and fiscal imbalance, amounting to an estimated 6.25 percent of GDP in 2011.[45]

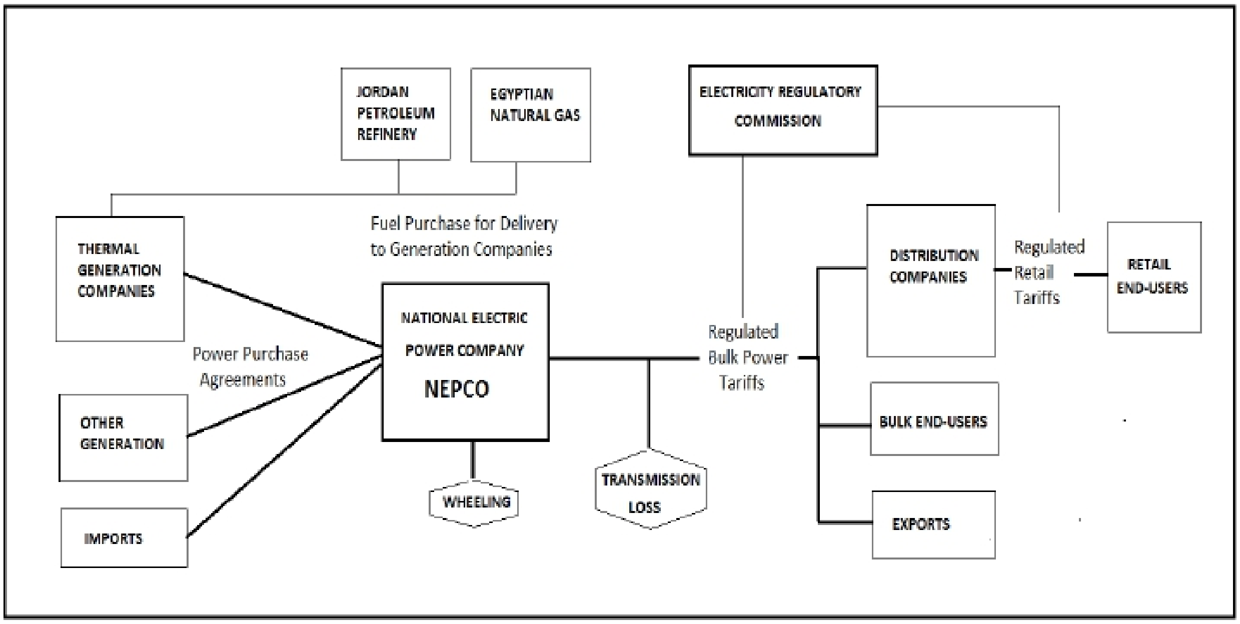
A Stand-By Arrangement (SBA) signed with the IMF in 2012 commits the GoJ, *inter alia*, to reduce financial losses of NEPCO to zero by the end of 2017, from a December target loss of JD 1,568 million. These losses have ballooned since 2011 and account now for 40 percent of budget expenditures, as the government has not been able to develop a working national consensus to raise tariffs to cover increases in the cost and mix of fuel that its power-generating companies (GENCOs) require.[46] In the absence of higher tariff rates that could have been achieved through strong consumer education, intensive public advocacy, negotiations, and political consensus, NEPCO's books thus contain a mounting fiscal debt that the GoJ has had to assume.

The Electricity Regulatory Commission (ERC) regulates bulk tariffs — prices at which NEPCO sells power to the distribution companies (DISCOs) — and retail tariffs that DISCOs charge end-users. In the Jordanian electric power sector (see exhibit next page), NEPCO:

- Acts as a single buyer of bulk power from four main GENCOs
- Purchases and pays for all fuel used by the GENCOs
- Operates transmission
- Controls dispatching of power
- Acts a single seller of bulk power to three DISCOs, large industrial customers, and neighboring countries

DISCOs' performance. Regulation of natural monopolies consonant with international best practices would require a process that begins by setting bulk tariffs that meet the cost of bulk power, determining allowable costs and losses, and setting retail tariffs that provide for a rate of return based on performance criteria negotiated with each DISCO — typically through Performance Agreements (PAs). This is not currently the case in Jordan. Technical losses of the DISCOS are typically above 11 percent and run as high as 16 percent — above the 9 percent level generally considered reasonable for distribution.

OVERVIEW OF THE JORDAN ELECTRIC POWER SECTOR



Source: USAID-Fiscal Reform Project II. "NEPCO Debt Recovery Forecast." 2012, p. 6.

Transmission performance. Transmission energy losses were relatively high, between 2.1 to 2.6 percent, compared with averages of 1.5 percent in similar systems. Frequency of interruptions was higher, but duration of interruptions was around average relative to comparable transmission systems, albeit much higher than best-performing systems in both cases.[47] As the cost of energy has now risen significantly, capital and operation improvements to improve transmission efficiency are likely to become more cost-effective.

GENCOs' performance. In a proper regulatory environment, GENCOs are the subject of customary regulatory audits. As natural monopolies, GENCOs draw public interest in verifying costs, improving performance, and protecting the consumer while providing for a fair return to investors. The sector regulator, the ERC in this case, should have the institutional capacity to perform scheduled regulatory audits to verify acceptable costs and indicators of performance as they may be negotiated between the GENCO and the regulator. For example, regular ERC audits should be able to verify reported increases of 283 percent of the cost of fuel during 2009-2011 and of 183 percent in the associated costs of power generation during the same period. This is not currently the case.

D2. POLICY, ADMINISTRATIVE, AND INSTITUTIONAL ENVIRONMENT

The current policy, administrative, and institutional environment of the energy sector evolved in an era of relatively low costs of natural gas from Egypt, but conditions have changed. Disruptions and uncertainties of supply of natural gas from Egypt and the Syrian crisis have led to changes of fuel type and sources of supply to generate power, with an attendant significant increase in costs. As these conditions are likely to persist in the near future, Jordan needs to effect changes in its energy policies, administration, and institutions.

First, to close the fiscal gap and meet SBA targets, these changes need to support the institutionalization of a targeted national public education program on energy issues and facilitation of a working consensus among stakeholders and the public. A regular but intensive public education program, coupled with a targeted strategic communications program, should focus on a gradual, predictable, and orderly increase of tariffs to bring them closer to the cost of generating, transmitting, and delivering power.

Second, policy and institutional changes must create an enabling environment to improve sector performance, and promote market competition, and transparency and accountability. With USAID assistance, Jordan can access and apply well-known norms and standards to bring this environment into closer compliance with these international practices, duly localized and adapted to local requirements. Improving sector performance, transparency and accountability, and public awareness of government efforts in this regard will help elicit much-needed consumer and public support for the difficult decisions that must be taken. To achieve these goals, strengthening of an independent sector regulator that is publicly perceived to protect consumer interests, effectively regulate natural monopolies (e.g., DISCOs and GENCOs), and restructure NEPCO's different business lines will improve public perceptions of transparency, fairness, and accountability. These actions should go hand in hand with a productive dialogue to build consensus to raise tariffs while preserving social order.

D3. CHALLENGES AND OPPORTUNITIES

One of Jordan's most pressing challenges is to address the financial gap in the energy sector that drives budget expenditures and significantly reduces the fiscal space for the provision of services and capital investments to sustain economic growth. Conditions and performance targets to achieve this are set in the SBA that Jordan negotiated with the IMF. Recent USAID work has provided the technical tools and modeled scenarios to achieve these targets.[48] The technical and financial requirements to meet these targets are clear and well laid out. The processes and their sequence are not.

Effective implementation of processes required to implement these technical options and close this fiscal gap must begin with a strong, focused, government-led, national public-private dialogue to educate citizens on energy issues and options to facilitate a working political consensus on measures required to bring energy tariffs in line with energy costs. Sustainability concerns should inform USAID assistance in this area from the very beginning. Assistance should focus the development of a network of service providers to convert technical studies into communications products to serve as inputs to the national public dialogue on energy issues. The institutional focus for developing this strategic communications capability and spearheading the national dialogue on energy issues will likely be ERC — as part of a process of development of an independent sector regulator — with endorsement and support from the Ministry of Energy and Mineral Resources (MEMR) and the Office of the Prime Minister.

Initial processes to rationalize the sector should focus on results that are achievable in the short term and highly visible for the public to perceive that the government has the public interest as a high priority to increase sector efficiency, transparency, and accountability. Bringing the sector into closer alignment with international regulatory best practices should aim to:

1. Align incentives to improve performance of GENCOS and DISCOS through performance agreements with the sector regulator
2. Bring sector regulation closer to international regulatory best practices
3. Increase transparency and accountability in the energy sector

A starting point for the public-private dialogue on rationalizing the sector would be the preparation of a concept paper examining, *inter alia*:

- Lay out the current and projected financial realities of generation, transmission, and distribution, including its relative expenditures compared to the GoJ's budget and other programs.

- A plan to reform the sector.

    - Transforming the current ERC into a broader Energy Regulatory Commission (ENRC) in order to broaden regulatory powers of a single entity to include more aspects of the energy generation, transmission, and distribution system. As mentioned above, this new entity should have the ability to conduct regulatory audits to verify acceptable costs and performance, and ensure greater accountability and transparency.

    - Revise the legal and regulatory framework to establish ENRC as an independent sector regulator, and revise its mission, scope of responsibilities, procedures for appointing independent and representative regulators to its board etc., and its budget funding through licensee companies' regulatory fees. Each of these steps would place Jordan in closer accordance with international best practices, and promote greater long-term stability and planning.

    - Illustrative goals of ENRC could include the following:

        - Develop an accounting and auditing system that has common standards across licensees (e.g., GENCOs and DISCOs) for comparison of performance, tariff setting, and regulatory cost accounting. Accounting standards should be in line with International Financial Reporting Standards (IFRS).
        - Improve the capacity of financial departments, including auditors, of licensees by providing training and appropriate tools (e.g., manuals)
        - Develop data capture and manipulation capacity to examine required mix of tariffs to ensure appropriate recovery of costs and return on investment
        - Develop capacity of ENRC personnel to propose, negotiate, and set standards of customer service for licensee companies
        - Make information publicly and regularly available on all its technical and financial operations. Consider public meetings and forums.
        - Develop a strong institutional capacity in strategic and targeted public communications to educate consumers on energy issues and support regular communications with consumers.

    - Options for restructuring NEPCO's functions into separate entities and bringing their operations closer to market forces and competition.

- Options to mitigate the impact of price increases on the general population and business, with a particular focus on the vulnerable and poor.

It is also important to note that a public-private dialogue to reach a working consensus on energy issues and policies would provide insights and experiences that can be used to expand the dialogue to other pressing economic issues such as tax policy reform.

E. CSO POLICY ANALYSIS, PUBLIC-PRIVATE DIALOGUE, TRANSPARENCY AND ACCOUNTABILITY ENVIRONMENT

Jordan's CSOs range from chambers of commerce and industry, think tanks, social service providers, to (semi) governmental bodies such as the Economic and Social Council. Overall, a select number of organizations exhibit the capacity, funding sources, and drive to mobilize policy advocacy and contribute to substantive dialogue on major economic policy issues. While most organizations are small groups with limited resources, few explicit goals, and limited coordination with like-minded organizations, Jordan does benefit from a sophisticated civil society sector. For example, chambers of commerce and industry tend to be robust institutions with active members and capacity at the national and local level, and among their members. The table below offers an illustrative list of notable CSOs that have active roles in major economic policy discussions or offer systemic services that could support activities related to economic policy issues.

E1. CHALLENGES

Facilitating national dialogue and consensus building on economic policy issues. In general, the GoJ and CSOs are not engaged in a robust discussion of economic policy issues. While fora and discussions occur, they do not typically result in substantive results. Requirements for the facilitation of a productive national dialogue and consensus building on economic policy issues will require, among other things:

- Development of analyses, or use of existing work, to examine and quantify the costs and benefits, including political risks, of policy options on issues of current public interest,
- Support for the conversion of technical analyses into targeted communication products to inform a structured dialogue, and
- Assistance of government entities to engage in dialogue to develop capacity for strategic communications, messaging, targeting, channels of distribution and logistics, and emphasizing agency capacity to communicate and respond to inputs.

USAID is uniquely positioned in Jordan to facilitate and institutionalize ongoing national, regional, and local dialogues among Jordanians to help foster a working national consensus on options and localization of international best practices to address current difficult fiscal policy issues, intertwined as they are with political economy forces. Outcomes of this dialogue may not be totally predictable but will improve transparency and accountability, and enhance ownership of the solutions.

E2. OPPORTUNITIES

Strengthening technical capacities in government economic policy. Development of institutional capacity at the national and sub-national level has traditionally used five broad models — whether alone, in combinations, or in sequence, depending on circumstances:

1. Direct provision of technical, administrative, and management capacity building to the government entity and its staff,
2. Embedded advisors within government entity,
3. Technical unit within government agency,
4. Dedicated private think tank created and/or supported outside government, or
5. National network of think tanks, universities, business associations, etc. created and/or supported outside government.

The direct provision of assistance to the entity (model 1) is the typical entry point for capacity building and often kept in combination with other modes of assistance. The embedded advisors approach (model 2) is often used to assist the entity with more technical matters. USAID's FRP II project has been using it successfully.

Implementation experience of technical units within government agencies (model 3) shows that success is largely dependent on two main factors: political independence and funding that allows them to attract and retain qualified technical staff. Central banks and sector regulatory agencies — when the latter's budgets are funded from fees from licensee companies — are typical examples. When these prerequisites for success are not met, the sustainability of technical units is usually weak, in spite of efforts from international cooperation partner assistance that may succeed while the unit is funded but typically wanes once the assistance comes to an end.

The dedicated private think tank model (model 4) has generally been more successful as a way to address low institutional technical capacity of government entities because, properly structured and assisted in its initial phases, it can leverage core technical assistance funds by seeking other contracts and funds to build on the financial base that these core funds can provide.[49]

Through the mechanism of grants under contract (GUC), subcontracting and, as needed, direct technical assistance, USAID is uniquely qualified and positioned to promote the fifth model: fostering a national network of think tanks, universities, business associations, etc. that is responsive to:

- Sustainability and continuity concerns for technical analysis, development of policy options and targeted communications products to inform national discussion on a range of issues and broaden the nascent public-private dialogue in Jordan
- The need to facilitate structured and informed recurrent mechanisms of national dialogue and consensus building on difficult policy issues, for example, raising and restructuring electricity tariffs to bring them closer to recovery of O&M while preserving social order
- Supporting private sector development by helping lead the growth of market demand for technical analyses and communications products[50]
- *USAID Forward* objectives to foster sustainable local institutional capacity through partnerships

Strengthening capacities in CSOs. To improve the availability, quality, and dissemination of independent economic research, analysis, and strategies, capacity at CSOs must be increased in general, and specifically targeted for economic and fiscally oriented organizations. International donors have begun addressing capacity needs. For example, USAID's Civil Society Program is working to address capacity limitations across a wide breadth of civil society groups. In addition to working directly with a number of promising CSOs, the project has a developed a thorough library of publicly available resource materials tailored to the Jordanian context that provide critical tools in capacity development. These include needs assessment toolkits, training manuals, communications workshops, and numerous advocacy toolkits and case studies. These efforts and any expanded programs will contribute to overall capacity development. Further targeted assistance to economically focused groups – such as some of the illustrative organizations found on the following page – may be warranted.

For example, the Irbid Chamber of Industry was active in the business community and within the municipality council. The chamber was working closely with the municipality to enable Syrian businesses (e.g. Durran Food Company, Kollen, Al-Raeda) to bring investment and skilled workers into the area. The organization used outsourcing mechanisms for feasibility studies and is in need of technical expertise. Conducting an organizational analysis of the chamber's needs and providing capacity building and introduction of standardized toolkits (e.g. using the Civil Society Program's toolkits) could yield significant results. Partners Jordan offers a strong example of potential results. Established by an international organization, the Jordanian entity had established strong partnerships with local governments and collaborated with LGUs on planning and executing yearly budgets and training on fiscal administration.

ILLUSTRATIVE LIST OF POTENTIAL CSO PARTNERS / BENEFICIARIES

Name	Mission	Organization type
American Chamber of Commerce in Jordan	Promotion of U.S.-Jordan regional trade and investment, public policy advocacy, human resources development, and business community outreach.	Foreign association
Association of Banks	Provide services to members, coordinate among members to establish industry standards, coordination with Central Bank	Association
Center for Strategic Studies, University of Jordan	Conducts studies on political, economic, and social issues that interest Jordan and the Arab world. Opinion polling. Knowledge dissemination and dialogue forums	Part of GoJ-supported university
Economic Development Forum	Promote dialogue on economic issues through the independent research and study of economic issues. Provision of economic consultation services (e.g. specialized research, policy advice), short/medium/long-term economic visions, and coordination of efforts with GoJ, LGUs, CSOs, and other stakeholders.	Non-profit (think thank)
Economic and Social Council	Advisory body to GoJ on economic and social issues and policies	Government think tank
Information and Research Center, King Hussein Foundation	Promote social and economic development through provision of objective analysis and evidence-based information. Conduct research and make recommendations to practitioners and policymakers in Jordan and the Middle East	Non-profit
Jordan Chamber of Commerce	Represent the interest of the business community, provide information/statistics/advice to members, and promote economic development, foreign investment, and trade	Association
Jordan Chamber of Industry	Promote business friendly environment, particularly for industry	Association
Local chambers of commerce (16 local entities)	Represent local business interests; coordination with national chamber	Associations
Local chambers of industry	Represent local industry interests; coordination with national chamber	Associations
Partners Jordan	Promote dialogue and civil capacity through technical assistance and training, developing tools and publications, conducting needs assessments, and offering training-of-the-trainers	Non-profit
Visions Center for Strategic and Development Studies	Promote economic and social development through provision of technical services, studies, training courses, and organizational assessments	Non-profit

SECTION IV

RECOMMENDATIONS

<table>
<tr><th>Problem Statement</th><th>Recommendations</th><th>Expected Impact and Outcomes</th><th>Assumptions</th></tr>
<tr><td colspan="4">Public Financial Management</td></tr>
<tr><td>1. Jordan’s government does not have a robust forum for soliciting and integrating input on economic policy issues from key stakeholders or the wider public. As a result, social order has been relatively volatile in response to numerous economic reform efforts.</td><td>Facilitate national dialogue and consensus building on economic policy issues and help build capacity to integrate stakeholder input
• In collaboration with EU, conduct an updated PEFA assessment to inform dialogue and needs
• Support the development or utilization of existing analyses to examine and quantify the costs and benefits, including political risks, of policy options on specific issues of current public interest
• Support the conversion of technical analyses into targeted communication products to inform a structured dialogue
• Work separately with government entity or entities and with the relevant nongovernment stakeholders
• Build capacity of lead government ministry in the areas of strategic communications, targeting, distribution channels, and methods of receiving and communicating stakeholder feedback throughout the budget lifecycle; strengthen agency capacity to communicate and respond to inputs

Potential partners. MOF, ISTD, Customs Department, MEMR, Electricity Regulatory Commission, Parliament, businesses, associations, think tanks, academic institutions, and CSOs</td><td>Impact (short- and medium-term)
• Citizens better informed about economic policy issues and trade-offs
• Increased citizen participation and input on economic policy decisions
• Increased transparency, accountability, buy-in, and legitimacy of government decisions
• Increased long-term capacity of GoJ agencies, business associations, academic institutions, and CSOs to engage in structured public-private dialogue

Outcomes
• Increased public-private dialogue and consensus building on economic policy issues
• Increased citizen participation and inputs on economic policy decisions
• Increased consideration of public input on economic policy decisions
• Development of GoJ agencies’ institutional capacity and processes related to targeted strategic communications throughout the budget lifecycle</td><td>• Political will and capacity exists within GoJ partner agency to lead in dialogue
• Academic institutions, business associations, and CSOs committed to participate in a structured public-private dialogue
• At least a three-year commitment from USAID and/or international cooperation partners to support public-private capacity building and national dialogue</td></tr>
</table>

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
2. While GoJ has made positive strides in reporting and standardizing central government and autonomous institution budget data, it does not produce a consolidated budget that includes LGUs, autonomous institutions, and the central government. As such, the total level of public debt is not known, restricting the ability of the public, GoJ, and donors to make data-driven actions.	Provide assistance to MOF and autonomous entities to establish, make publicly accessible, and lead public discussions of annual consolidated fiscal positions. This effort should include: • An inclusive dialogue process to bring together all affected entities to ensure buy-in • Disaggregated data that includes separate consolidated totals for the central government, autonomous entities, and LGUs • An end goal of incorporating consolidated fiscal position releases into the budget calendar *Potential partners*. Prime Minister's Office, MOF, CBJ, and autonomous government institutions, Parliament committees, businesses, associations, and CSOs	*Impact (short-term)* • Increased transparency, accountability, and performance of public financial management • Citizens better informed about fiscal needs and increased ability to respond to government financial disposition *Outcomes* • Consolidated annual financial GoJ fiscal position available • Improved transparency of PFM • Greater public understanding of Jordan's total fiscal position and constraints	• Support from Prime Minister's Office • Under MOF lead, CBJ and autonomous government institutions share data in a timely manner, collaborate, and agree to technical assistance from USAID

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
3. GoJ does not have a centralized body or units within line ministries to solicit, evaluate, and award compliant GCC projects that could serve as a major source of capital investment funding. As a result, GoJ is unable to meet GCC requirements for project vetting and compliance. Similarly, GCC funds are not being used to fund much-needed capital investment in LGUs.	• Work with MOF, MOPIC, MoMA, and CBJ to conduct a joint feasibility and design assessment to establish a central project technical unit. Subsequently establish a project technical unit. • The technical unit should support project preparation, monitoring, and evaluation of small- to medium-size capital investment projects. The assessment should include: o Mission, operational, and staffing needs; measurable objectives; key results; and performance indicators, (leveraging capital investment funds through PPPs for LGUs) o In-depth analysis of alternative sustainability models including risk analysis of each model, initial funding commitments, recommended business model, and three-year business plan o Delineation of tasks and responsibilities between (anticipated) PPP unit being established at MOF and technical unit, particularly as it relates to PPPs for LGUs o Institutional locus of unit to provide continuity, predictability, and network of nongovernmental technical support institutions (universities, think tanks, consulting firms, and related stakeholders) *Potential partners*. MOF, MOPIC, MoMA, academic institutions, think tanks, consulting firms, associations' research units, related stakeholders	*Impact (short- and medium-term)* • Development, updating, and continual movement in pipeline of capital investment projects prioritized according to established and agreed-upon criteria • Improved GoJ capacity and transparency to perform economic and financial feasibility analysis and benefits of capital investment projects • Increased absorption and appropriate application of donor funds, especially GCC funds • Enhanced investment in LGUs through the PPPs and projects in governorates • Increased efficiency of capital investment projects *Outcomes* • Data-driven design and creation of a project technical unit • GoJ ability to develop and support projects and PPPs through project proposals, prefeasibility analyses, cost-benefit analysis, continued pipeline of LGU PPP projects, detailed feasibility analysis and transaction structuring assistance, and monitoring of project progress	• Support from Prime Minister's Office • Under MOF lead, MOPIC, MoMA, academic institutions, think tanks, consulting firms, research units of associations, and related stakeholders collaborate and work together, with technical assistance from USAID • Project technical unit is created in selected ministry and proposed unit can effectively collaborate with the ministry o If creation of PPP unit at MOF is delayed, technical unit may proceed with development of project proposal forms, financing requirements for PPPs, and education on PPPs at selected LGUs

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
4. GFMIS performance and processes i. GFMIS hardware systems are outdated (5 years old or older) and inefficient. ii. Overreliance on MOF for troubleshooting and data revision of GFMIS is inefficient. Users expressed need for improved and more timely and effective customer service iii. Need for more in-depth training to a larger set of GFMIS ministerial staff users iv. GFMIS is not being utilized by and cannot interface with GoJ autonomous entities	[Note: GFMIS recommendations correspond to problem statement numbering; S refers to short-term outcome and M refers to medium-term outcome] i. Assist MOF in assessing GFMIS hardware upgrade needs across ministries. Conduct a needs assessment of software upgrades (in addition to those noted below) (S) ii. Enhance MOF GFMIS "customer service" capacity by conducting needs assessment of line ministries, appropriately allocating MOF resources, analysis of the most common form of issues, standardization of protocols for the most common issues, and development of incentives for staff performance to align with user needs (S) iii. Build GFMIS training capacity of MOF staff by conducting train-the-trainer courses, and providing technical assistance for development of on-line tutorials on GFMIS and select public financial management topics (S) iv. After conducting discussions with stakeholders, facilitate Cabinet and Parliament approval to require autonomous institution budget integration into the GFMIS and/or develop an interface that allows information exchange between systems; develop software modules to accommodate this, seeking support from the World Bank and IMF (S, M)	*Impact (short- and medium-term)* • Increased adoption, effectiveness, and efficiency of GFMIS • Increased GoJ transparency and accountability on fiscal issues across ministries and autonomous institutions • Increased availability and standardization of information for more informed decision-making by policy-makers • Enhanced budget consolidation, transparency, oversight, and accountability of autonomous institutions • Enhanced efficiency and collaboration among line ministries, the Central Bank, and government service providers • Increased collaboration with the efforts of the JNCW and other women's-focused groups to use GFMIS data to establish mid- and long-term gender budgeting practices *Outcomes* • Upgrades to GFMIS software and ministry hardware to support current and expanded user requirements	• Support from MOF, line ministries, and autonomous GoJ institutions, based on a concept/design discussion paper • Backing from Prime Minister's Office, Cabinet, and Parliament • Technical, financial, and institutional support from the World Bank and IMF • Potential financial support from GCC to leverage resources • Dedicated and ongoing effort to measure the effectiveness of responsive gender-budgeting initiatives • Continued support from USAID

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
v. GFMIS cannot interface with CBJ's system vi. The GFMIS lacks an application for donor project funding vii. GFMIS users do not utilize gender-based factors to develop gender-sensitive budgeting	v. Develop GFMIS interface to provide internet access to other government-related institutions such as the CBJ (M) to reduce data-quality issues resulting from hand entry of data, vi. Offer technical assistance in developing an application for GCC and other donor-funded project funding (S) vii. Assess how gender disaggregated data can be incorporated into GFMIS and financial models to develop more gender-sensitive budgeting (S) *Potential partners*. Prime Minister's Office and Cabinet, Parliament, MOF, ministries, autonomous institutions, CBJ, World Bank, IMF, GCC, and JNCW	• Increased effectiveness of MOF staff to assist with GFMIS-related issues, reduced delays in implementation, increased pace of adoption of GFMIS • Increased MOF capacity to train line ministry staff, resulting in increased line ministry self-sufficiency and utilization of GFMIS features • Increased availability and standardization of data on autonomous entities, and subsequent improved oversight by policymakers • Standardized tracking of GCC and other donor-funded projects	
5. Jordan's fiscal and monetary policies are not well coordinated (where appropriate). Some monetary policy changes are not appropriately responded to by GoJ, and vice versa.	While respecting the CBJ's independence from the executive branch, broaden current core assistance on fiscal policy to include monetary policy and improve their coordination in specific and appropriate areas. These efforts should include: • Promoting improved data sharing (see integration of CBJ into GFMIS in GFMIS recommendations) • Providing technical assistance to fiscal and monetary policy-makers on assessing policy areas that are complementary, monetary policies that substantially affect fiscal conditions (and vice versa), and can be better coordinated or independently responded to while maintaining complete CBJ autonomy *Potential partners*. Prime Minister's Office, MOF, CBJ, MOPIC, IMF, and World Bank	*Impact (short- and medium-term)* • Improved capacity of CBJ to manage monetary policy instruments introduced to the market and respond to fiscal conditions • Strengthened fiscal and monetary policy coordination and policy responses *Outcomes* • Improved data sharing and coordination among CBJ, MOF, line ministries, and GoJ autonomous agencies • Assist CBJ to introduce, manage, and monitor impact of monetary policy instruments introduced into the market • Improved understanding of monetary and fiscal policy interaction by policymakers	• Support from Prime Minister's Office • MOF, CBJ, MOPIC, and participating GoJ agencies are able to appropriately coordinate policies and collaborate while maintaining CBJ autonomy

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
6. Few ministries utilize macroeconomic models, and fewer still have the institutional capacity to develop them. These models aid in forecasting and analysis, particularly in examining trade-offs among alternative policy options, and are useful tools in budget formulation and oversight. Additionally, the absence or insufficiency of macroeconomic models inhibit most ministries from developing accurate multiyear budgets.	• Consolidate efforts to develop, build, maintain, and promulgate a new macroeconomic model. Support institutional continuity of macroeconomic modeling. Efforts to include: o An assessment to understand key variables and functionality that each participating ministry would require. o Consider incorporating a basic model, though one able to be tailored, into the GFMIS. Integration in GFMIS will promote utilization of existing data, ensure uniform data is utilized, and reduce duplication of effort in data entry and analysis. o Release and maintain a publicly available model that can be accessed and utilized online, as well as downloaded and modified by the public and policy-makers to examine trade-offs and potential impacts of alternative policy options. o Training for individuals that will continually update and maintain the model *Potential partners*: CBJ, MOF, Prime Minister's Office, academic institutions, think tanks, Parliament Committees, MOPIC, women's CSOs	*Impact (medium-term)* • Improved analysis of economic policy options and assessment of potential alternative impacts, including gender-specific outcomes • Increased public understanding of and participation in economic decision-making *Outcomes* • Consistency within model in data and general assumptions across ministries • Increased consideration of gender-specific needs and forecasted outcomes • Improved capacity of CBJ, MOF to develop, maintain, and facilitate access to model through user-friendly, Internet-enabled interface	• Support from Prime Minister's Office • Under CBJ's coordination, MOF, MOPIC, other relevant GoJ agencies, academic institutions, think tanks, and nongovernment entities and women's organizations collaborate to develop, maintain, and facilitate use of macroeconomic model, with technical assistance from USAID

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
7. Some current bank regulations and supervision measures encourage distortionary access to credit.	Provide technical assistance to CBJ on bank regulation and supervision policies to improve non-distortionary access to credit to foster private sector investment and inclusive economic growth • Assist CBJ to introduce, manage, and monitor impact of policy instruments to support non-distortionary access to credit for businesses • Ensure inclusive approach that welcomes credit access for women and refugees *Potential partners*. CBJ, MOPIC, Chamber of Industry (COI), Chamber of Commerce (COC), business and trade associations, women's and vulnerable groups organizations.	*Impact (short- and medium-term)* • Improved capacity of CBJ to manage non-distortionary policy instruments introduced into the market to support improved access to credit *Outcomes* • Increased access to credit, including for women and vulnerable populations • Increased credit provision in line with market fundamentals • Improved Jordan's rank of 170 in 2014 in the World Bank's Doing Business indicator on Getting Credit	• MOF, CBJ, MOPIC, relevant GoJ agencies, and women's and vulnerable groups organizations involved take the lead, coordinate policies and work together, with technical assistance from USAID
8. Jordan's current credit information ecosystem is fragmented, with the CBJ's registry of credit data inaccessible to the Credit Information Bureau (CIB). Efforts to migrate the data have been slow. Additionally, the CIB requires additional technical capacity to meet its mandate.	• Assist CBJ to prepare and migrate borrowers' data available in CBJ's current public registry to the newly established private CIB, per recent agreement between CBJ and CIB • Ensure sex-disaggregated and other data is measured and can be used to design better access to credit programs for women and vulnerable groups *Potential partners*. CBJ, Bankers Association, CIB	*Impact (short-term)* • Improved availability of credit information and increased ability by lenders to make informed risk-adjusted credit decisions *Outcome* • Improved data migration between CBJ and CIB • Improved Jordan's rank of 170 in 2014 in the World Bank's Doing Business indicator on Getting Credit • Ensure sex-disaggregated and other data is measured and can be used to design better access to credit programs for women and vulnerable groups • Increased credit information availability for lenders	• Assistance provided to CBJ as requested and appropriate • Assistance provided to newly established private CIB and Bankers Association under negotiated terms and as requested and deemed necessary • Willingness to measure sex-disaggregated and other data to design inclusive programs.

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
Local Government Units			
There have been few efforts to systematically assess and provide recommendations related to LGUs	Conduct a PEFA or PEFA-like assessment of Jordan's LGUs to evaluate PFM-related processes, systems, and needs to yield specific, actionable recommendations.	*Impact (short- and medium-term)* • Trend analysis availability to GoJ and donor community • Improved targeting of assistance. *Outcomes (short- and medium-term)* • Thorough analysis of LGU PFM processes, systems, and needs, and a specific action plan to address them.	• EU is willing to update their assessment
LGUs lack the systems, processes, and skilled staff to successfully formulate and execute budgets and other PFM functions	After conducting PEFA or PEFA-like assessment, implement action plan with goal of establishing a long-term capacity within LGUs to conduct PFM activities, including through the establishment of appropriate systems, procedures, training regimes, and staffing. • Efforts should include robust and systemic capacity building • Integration of best practices in procedures, and systems	*Impact (medium and long-term)* • Improved fiscal position of LGUs • Increased economic performance and investment at local level *Outcomes (medium-term)* • Improved capacity at LGU level to execute PFM	• LGUs are willing to take part on PEFA-like assessment • Local CSOs and public advocate for improved LGU performance and transparency

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
9. Municipalities lack the tax base and funding to adequately invest in productive capital projects, creating a national economy that is dependent on only a small number of geographic areas. High current expenditures, partially driven by a massive influx of Syrian refugees that are primarily the charge of municipalities, are also depleting local resources for productive capital investment.	Structure USAID assistance on identifying and supporting one to two PPP transactions in LGUs that can be completed within a year. Consider a particular focus on the northern governorates, such as Mafraq and Irbid that are severely affected by the Syrian crisis, and can serve as a model for replication in other LGUs. Activities could include: • Working with a newly established project technical unit (see PFM recommendations above) to leverage private investment and GCC grant funds • Collaborate with proposed project technical unit technical expertise to help identify, examine feasibility, prioritize, and structure potential PPP transactions with LGUs and GCC grant funds • Strengthen local capacity to foster local ownership and build financial management capacity of LGUs • Engage with donor community and CSOs to solicit temporary relief and needed services to LGUs, citizens, and refugees • Test and adapt PPP structuring models for LGU services that can be scaled up and replicated for use in other LGUs *Potential partners*. MOF, LGUs, PPP unit to be created in MOF, PTU, MOPIC, MoMA, academic institutions, think tanks, consulting firms, research units of associations, and related stakeholders	*Impact (short- and medium-term)* • Increased economic and sectoral diversification of Jordanian economy • Increased long-term growth capacity of governorates • Increased local participation of residents • Enhanced project and financial management capacity at the LGUs *Outcomes* • At least one “model” PPP LGU transaction closed within a year that could be replicable in other LGUs • A portfolio of prioritized PPP LGU projects, with at least three projects in advanced stages for completion in a second year • A pipeline of potential LGU PPP projects at different stages of feasibility and structuring	• PPP unit is created in selected ministry and proposed project technical unit can collaborate with it • Viable potential PPP transactions can be identified and LGU provide tangible support • Under MOF lead, MOPIC, MoMA, academic institutions, think tanks, consulting firms, research units of associations, and related stakeholders can collaborate and work together, with technical assistance from USAID

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
Taxation			
10. Jordan's tax system includes fragmented and inefficient investment promotion schemes, which lead to less investment than could otherwise be achieved and inefficient investment outcomes.	Conduct analysis of investment promotion incentives imbedded in the tax code. Conduct economic and financial cost-benefit analysis of alternative investment promotion incentives, propose consolidated promotion scheme with fewer narrowly defined special treatment provisions, and develop targeted communications products to serve as inputs for public-private dialogue.	*Impact (medium-term)* • Rationalization and consolidation of investment promotion schemes • Enhanced legitimacy of investment promotion schemes • Improved transparency of tax system • Reduced tax expenditures *Outcomes* • Identification of and reduction in inefficient investment schemes • Greater discussion and public input on tax policy issues • Expansion of the tax base • Reduced fiscal cost of tax expenditures •	• Results of technical analyses are converted into user-friendly communications products • Political will exists to reduce tax loopholes and special treatment • Institutional GoJ partners take the lead in PP dialogue, with assistance from USAID • A working national consensus on tax policy on investment schemes can be facilitated
11. SMEs and individuals are disproportionately and negatively affected by tax procedures and business regulatory compliance, adversely impacting the business enabling environment and discouraging compliance and business expansion.	Work with relevant tax administration agencies, particularly ISTD, to cut the number of tax payments per year and simplify tax reporting requirements *Potential partners*. MOF, ISTD, COC, COI	*Impact (short- and medium-term)* • Improved business enabling environment • Reduced the aggregate transaction costs of regulatory compliance for businesses • Reduced size of informal economy • Improved customer service orientation of ISTD *Outcomes* • Fewer regulatory and tax payment burdens on SMEs and individuals • Move Jordan from rank of 35 to rank of 30 in Paying Taxes indicator of World Bank's Doing Business	• Legal and normative changes made • Effective PP dialogue • Institutional GoJ partners take the lead and continue follow through to ensure procedural and cultural change in tax administration agencies

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
12. Jordan's aspiring business owners face obstacles in registering a business, as evidenced by Jordan's rank of 117th on the World Bank's ease of starting a business index, well below the country's income peer group.	Reduce the impediments to business registration by conducting a targeted assessment to determine and implement the most cost effective means to: • Reduce the number of procedures to register from seven • Reduce the time in days to register for vocational licenses, which impose approximately 75% of the time required to register • Reduce the cost of registering (currently more than 20% of average annual income) by, for example, reducing the vocational license fee and the Ministry of Trade and Industry's registration processing fee • Ensure aspiring women business owners are culturally accepted at registration windows *Potential partners.* MOF, ISTD, COC, COI	*Impact (short-term)* • Expanded tax base • Increased business activity and employment • Reduced size of informal economy • Reduced burden of regulatory compliance • Increased number of women-owned and vulnerable-group owned businesses *Outcomes* • Move Jordan from rank 117 to rank 70 in Starting a Business indicator of World Bank's Doing Business due to reduced time and cost of registration	• Regulatory champion to lead legal and normative changes • ICT resources and support effectively delivered • Governmental support and emphasis on women-owned and vulnerable-group owned businesses
Customs and Trade Facilitation			
13. Businesses engaged in international trade are challenged by some import and export compliance requirements, particularly in required documents and time.	Reduce the burden of regulatory compliance for traders, businesses, and the economy by cutting down the number of documents and time required to import and export. Activities should include: • Assess primary bottlenecks in import and export time and address those as top priorities (detailed recommendations noted below) • Provide assistance to customs authorities to streamline required documentation *Potential partners*. MOF, Customs Department, COC, COI	*Impact (short- and medium-term)* • Increased international competitiveness • Reduced aggregate transaction costs of regulatory compliance for businesses with potential decreases in prices for consumers • Reduced prices paid by consumers • Improved customer service orientation of Customs Department *Outcomes* • Reduced time and cost to import and export • Move Jordan from rank 57 to rank 45 in Trading Across Borders indicator of World Bank's Doing Business due to fewer documentation and time requirements for import/export	• Regulatory champion to lead legal and normative changes • ICT resources and support effectively delivered

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
14. Importers are challenged by an average waiting time of 15 days, which is 50% greater than OECD comparators.	Reduce the time required to clear imports by accelerating coordination of inspections of government agencies and delegation of authorities for inspections to Customs *Potential partners*. Prime Minister's Office, MOF, Customs Department, JSMO, JFDA, MOA, brokers, businesses, and trade associations	*Impact (short- and medium-term)* • Improved international competitiveness • Time and documentation requirements to clear imports reduced *Outcomes* • Reduce the time required to inspect and clear imports • Improved customer service orientation of GoJ agencies involved in inspections of imports	• Support from Prime Minister's Office • Advocacy from brokers and trade associations • GoJ agencies involved in inspections take the lead, with technical assistance from USAID
15. Importers are challenged by an average waiting time of 15 days, which is 50% greater than OECD comparators.	Reduce the time required to clear imports by accelerating implementation of coordinated risk management of inspections by government agencies *Potential partners*. Prime Minister's Office, MOF, Customs Department, JSMO, JFDA, MOA, brokers, businesses, and trade associations	*Impact (short- and medium-term)* • Improved international competitiveness • Time and documentation requirements to clear imports reduced *Outcomes* • Reduce the time required to inspect and clear imports while preserving the integrity of revenue and security • Improved customer service orientation of GoJ agencies involved in inspections of imports	• Support from Prime Minister's Office • Advocacy from brokers and trade associations • GoJ agencies involved in inspections take the lead, with technical assistance from USAID
16. Importers are challenged by an average waiting time of 15 days, which is 50% greater than OECD comparators.	Reduce the time required to clear imports by developing performance-based informed action plans using time-release study findings. Integrate findings and recommendations in the management and operational plans of agencies, and track and report progress *Potential partners*. Prime Minister's Office, MOF, Customs Department, JSMO, JFDA, MOA, brokers, businesses, and trade associations	*Impact (short- and medium-term)* • Improved international competitiveness • Time and documentation requirements to clear imports reduced *Outcomes* • Continued monitoring and evaluation process of the collaboration between JC and semi-independent entities such as Aqaba Special Economic Zone Authority (ASEZA). • Reduce the time required to inspect and clear imports while preserving the integrity of revenue and security • Improved customer service orientation of GoJ agencies involved in inspections of imports	• Support from Prime Minister's Office • Advocacy from brokers and trade associations • GoJ agencies involved in inspections take the lead, with technical assistance from USAID • Continued dialogue between central government and semi-independent entities (ASEZA) on performance

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
17. Importers are challenged by an average waiting time of 15 days, which is 50% greater than OECD comparators.	Reduce the time required to clear imports by accelerating implementation of coordinated and ongoing Golden List of companies and implement an AEO program *Potential partners*. Prime Minister's Office, MOF, Customs Department, JSMO, JFDA, MOA, brokers, businesses, and trade associations	*Impact (short- and medium-term)* • Improved international competitiveness • Time and documentation requirements to clear imports reduced *Outcomes* • Continued monitoring and evaluation process of the collaboration between JC and semi-independent entities such as ASEZA. • Reduce the time required to inspect and clear imports while preserving the integrity of revenue and security • Improved customer service orientation of GoJ agencies involved in inspections of imports	• Continued refinement and marketing of Golden List and AEO programs to make them attractive • Support from Prime Minister's Office • Advocacy from brokers and trade associations • GoJ agencies involved in inspections take the lead, with technical assistance from USAID • Continued dialogue between central government and semi-independent entities (ASEZA) on performance

Problem Statement	Recommendations	Expected Impact and Outcomes	Assumptions
Energy			
18. With energy costs accounting for approximately 40% of budget expenditures and substantially contributing to budget deficits and increased debt, efforts to curb the popular subsidies provided by the government have been met with stiff popular resistance.	Improve GoJ's alignment with international regulatory best practices to reduce costs and improve performance, transparency, and accountability. To start this process, launch a public-private dialogue on rationalizing the sector through the preparation of a concept paper that would address the following. • Transform the current Electricity Regulatory Commission (ERC) into a broader Energy Regulatory Commission (ENRC) • Revise legal and regulatory framework to establish ENRC as an independent sector regulator. Assist the ENRC to create an appropriate mission, scope of responsibilities, procedures for appointing independent and representative regulators to its Board, etc. Fund its budget through licensee companies' regulatory fees in accordance with international best practices • Utilize cost-benefit analysis to evaluate options for restructuring NEPCO's functions into separate entities and bringing their operations closer to market forces and competition Once public- private dialogue reaches a working consensus on the concept paper, its implementation should aim to: • Align incentives to improve performance of GENCOs and DISCOs through performance agreements with sector regulator • Bring sector regulation closer to international regulatory best practices • Increase transparency and accountability in the energy sector	*Impact (long-term)* • Reduced government deficit and debt • Increased transparency and accountability in the sector • Less volatility in government fiscal disposition • Improved services and regulation of energy sector • Increased reliability and performance in sector • Increased public buy-in and acceptance of energy sector reform *Outcomes* Implementation of concept paper facilitated through public-private dialogue should lead to: • Increased public awareness and consensus on future energy policy, leading to less political volatility • New ENRC with broader and more cohesive regulatory power • More rationalized and cohesive legal and regulatory framework *Potential partners*. MOF, MEMR, Electricity Regulatory Authority, Parliament, businesses, associations, think tanks, consulting firms, academic institutions, and CSOs	• Support from Prime Minister's Office • Broad coalition and acceptance of need to make sweeping changes to the sector • Backing and agreement by donor community • Public engagement and input into reform process leads to less political pressure to slow reform • Lowest possible cost of energy for consumers • Independent sector regulator operating closer to best international regulatory practices

ANNEX A

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ANNEX B

FOCUS GROUP FINDINGS

IRBID, DECEMBER 1, 2013	
ATTENDEES	**FINDINGS**
JFEA Team: Fernando Bertoli Sharon Hester Asma Abu Taleb Hashim al-Ali Robert Walker **Irbid Municipality Team:** Finance Officer, Omar Al Shermaan Assistant Governor for Development, Bassam Fureihat Industry and Trade Director, Maher Khasawneh Director of the LDU in Irbid, Mohammad Rifai	• Irbid municipal officials provided a candid and detailed picture of the economic context, challenges, opportunities, and needs of the Irbid governorate. They described a situation of opportunity that could be exploited with technical assistance and investment in agriculture, industry, and tourism. • Officials discussed: 1) transparency required to attract international investment; 2) budget and projects needing donor funding (e.g., olive oil pressing, currently done mostly in small family businesses, and solid waste recycling; 3) the Jordanian advantage in human resources and that it is agriculturally competitive (especially Irbid); 4) disguised unemployment in government offices, including municipalities; 5) and the need for a handbook for prospective investors in industry. • They pointed out there is no regulation of arrangements between government and private sector in joint activities apart from the contracts themselves. • They noted local development units (LDUs) need a better vision for planning for development. Challenges: • Lack of investment guidance • Lack of skilled manpower in LDUs • Inadequate use of land • Absence of regulatory structure for PPPs • Inadequate production for export • High rate of unemployment, particularly among youth • Accommodating the needs of the Syrian refugees • Lack of standards and measures, particularly for industry • High energy costs Opportunities: • Agriculture, industry, tourism Institutional resources/capacity required: • Support of the technical training institutes to fill manpower gaps • Technical assistance in exploiting alternative energy • Establishment of well-defined measures for industrial quality

AMMAN, DECEMBER 10, 2013	
ATTENDEES	**FINDINGS**
JFEA Team: Fernando Bertoli Asma Abu Taleb Robert Walker Blerta Picari-Siler **Think Tank Representatives:** President of Rosefinch Consulting, Omar Kurdi Chairman of Visions Center for Strategic and Development Studies, Khaled Awamleh CEO of Talal Abu Ghazaleh Group, Mustafa Nasereddin Member, Economic Policy Development Forum, Fadi Daoud	• The Economic Policy Development Forum is being used as a platform for think tank activities. • Capacity building and technical assistance for the public sector is needed to address: 1) culturally driven lack of consultation; 2) administrative inefficiency; 3) overemployment, which preempts budget for projects; 4) absence of multiyear budgeting and strategic planning; 5) lack of technical capacity within ministries to perform the technical functions needed to utilize billions of dollars of donations for projects; 6) a similar absence of technical capacity in the Parliament; 7) corruption in the ministries and corruption and mismanagement in the municipalities; 8) bureaucratic encumbrances that tend to discourage private investment even in feasible projects; and 9) uncertain laws, uneven enforcement of laws, and uncertain costs that the public sector will impose on the productive economy. Challenges: • Cultural climate in which the government does not listen or consult, and discourages even the most basic elements of stakeholder participation in policymaking, information dissemination, and critical analysis. • Corruption in ministerial projects and a total absence of public sector capability to assess project feasibility to the satisfaction of best practices used by the World Bank and GCC donors. • Heavy overemployment in the public sector, which absconds with the budget without providing adequate public administration services. • An enabling environment sufficiently attractive to motivate investors to participate in economically feasible projects. • Absence of strategic planning, multiyear budgeting; yearly budgets are formulated without consideration of the impact of the previous budget. • Uncertainty among businesses about the sum of government charges that will be levied on them (taxes and levies). • Rapid turnover in public sector leadership and frequent changes in laws that may be sporadically enforced. Opportunities: • Establishment of project selection and evaluation capability within the ministries to facilitate utilization of funds available, such as the GCC donation. • Public sector reform to address the challenges cited above. Institutional resources/capacity required: • Capacity building and technical assistance for ministries and Parliamentarians in their functional roles, including how to utilize available information relating to project feasibility.

ANNEX C

STATUS OF SELECT ECONOMIC GROWTH INTERNATIONAL COOPERATION PROJECTS

(As of December 14, 2013)

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Sustainable Achievement of Business Expansion & Quality Program (SABEQ)	USAID	Different line ministries	Different line ministries	Completed	Trade and Investment Promotion, PSD	Grant	USD 73.33M	2006	2011
AQABA Economic and Community Development	USAID	ASEZA	ASEZA	Completed	Trade and Investment Promotion, PSD	Grant	USD 22.92M	2007	2012
Maharat Employment and Training Program for Recent Graduates II	USAID	Maharat Training for Employment	Private Sector	Completed	Youth Economic Empowerment	Grant	USD 4.6M	2010	2012
FSVC-GDA	USAID	Jordan Securities Commission	Jordan Securities Commission	Completed	Trade and Investment Promotion, PSD	Grant	USD 286M	2008	2011
Jordan Fiscal Reform Project	USAID	GoJ	GoJ	Completed	Financial Reform	Grant	USD 38.539M	2009	2013
Economic Opportunities for Jordanian Youth III (INJAZ)	USAID	N/A	Youth	Ongoing	Youth Economic Empowerment	Grant	USD 10M	2009	2014
Small Project Assistance (SPA)	USAID	Ministry of Education	Ministry of Education	Ongoing	Trade and Investment Promotion, PSD	Grant	USD .138M	1997	Present

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Management of Public Expenditure	GiZ	Ministry of Finance	Ministry of Finance	Completed	Financial Reforms	Grant	USD 2.32M	2009	2012
Public Private Partnership	European Union	Executive Privatization Commission	Executive Privatization Commission	Ongoing	Trade and Investment Promotion, PSD	Grant	USD 8.6M	2008	2014
Budget Support	European Union	Ministry of Finance, General Budget Department, Audit Bureau	Ministry of Finance, General Budget Department, Audit Bureau	Ongoing	Public Finance	Grant	USD 59M	2010	2014
Jordan Services Modernization Program (JSMP)	European Union	Jordan Enterprise	Jordan Enterprise	Ongoing	Trade and Investment Promotion, PSD	Grant	USD 22.6M	2008	2014
The Implementation of the Roadmap of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) (twinning project)	European Union	Jordan Standards and Metrology Organization	Jordan Standards and Metrology Organization	Ongoing	Trade and Industry Development	Grant	USD 1.72M and Euro 1.2M	2011	2013
Support to Enterprise and Export Development	European Union	Jordan Enterprise	Jordan Enterprise	Ongoing	Trade and Investment Promotion, PSD	Grant	USD 21.55M	2009	2015
Budget Support	European Union	Ministry of Finance	Ministry of Finance	Ongoing	Financial Reforms	Grant	USD 52.6M	2008	2014
Trade and Transport Facilitation Program	European Union	Ministry of Finance, Ministry of Transport, Jordan Customs	Ministry of Finance, Ministry of Transport, Jordan Customs	Completed	Trade and Transport	Grant	USD 42.3M	2009	2012
Enhancement of the Cadastral System in Jordan	European Union	The Department of Land and Survey	The Department of Land and Survey	Completed	Capacity Building	Grant	USD 1.147M and Euro .8M	2011	2012
Introduction of Project Portfolio Management System	European Union	Ministry of Planning and International Cooperation	Ministry of Planning and International Cooperation	Completed	Other	Grant	USD .091 and Euro 70,780	2011	2011
Amman Development Corridor Project (phase I)	World Bank	Ministry of Public Works and Housing	Ministry of Public Works and Housing	Completed	Infrastructure	Soft Loan	USD 71M	2003	2011

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Energy Efficiency Investment Support Framework	World Bank	Ministry of Energy and Mineral Resources	Ministry of Energy and Mineral Resources	Completed	Energy	Grant	USD 1M	2009	2011
Regional and Local Development Project	World Bank	Ministry of Municipal Affairs, Cities and Villages	Ministry of Municipal Affairs, Cities and Villages	Completed	Local Development and Poverty Alleviation	Soft Loan	USD 20M	2007	2011
Measuring the Impact of National Policies and Strategies on Gender Equality	World Bank	Ministry of Planning and International Cooperation	Ministry of Planning and International Cooperation	Completed	Gender	Grant	USD .294M	2009	2011
Amman Ring Road Project	European Investment Bank	Ministry of Public Works and Housing	Ministry of Public Works and Housing	Completed	Infrastructure	Soft Loan	USD 78M	2003	2011
Regional and Local Development	French Agency for Development (AFD)	Ministry of Municipal Affairs, Cities, Villages, Development Bank	Ministry of Municipal Affairs, Cities, Villages, Development Bank	Completed	Local Development and Poverty Alleviation	Soft Loan	USD 22.1M	2008	2011
Provide Concessional Financing through the French Agency for Development to several microfinance institutions via Societe General Bank	French Agency for Development (AFD)	N/A	Microfinance Institutions	Completed	Microfinance	Loan	USD 14.8M	2008	2012
Support to the Project Management Unit	French Agency for Development (AFD)	Prime Minister Office	Prime Minister Office	Completed	Capacity Building	Grant	USD 1.3M	2010	2012
Support to the Financial and Institutional Capabilities of the Development and Employment Fund	Islamic Development Bank	Development and Employment Fund	Development and Employment Fund, Microfinance Institutions	Completed	Microfinance	Grant	USD .3M	2009	2012
Technical Support to Development and Employment Fund	Islamic Development Bank	Development and Employment Fund	Development and Employment Fund, Microfinance Institutions	Completed	Microfinance	Grant	USD .35M	2009	2012
Refining the Strategic Approaches to Investment Promotion in Jordan	Government of South Korea	Jordan Investment Board	Jordan Investment Board	Completed	Investment	Grant	USD 1M	2010	2011

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Integrated Support to Small and Medium Enterprises	Government of Italy	Jordan Investment Board	Jordan Investment Board	Completed	SMEs	Soft Loan	USD 13.14M	2001	2011
Provide Long-Term Financing	Spanish Agency for International Cooperation for Development (AECID)		Microfinance Institutions	Ongoing	Microfinance	Loan	USD 22.2M	2008	2013
Program for Enhancing the Access to Financing for SMEs	Spanish Agency for International Cooperation for Development (AECID)	JEDCO	JEDCO	Completed	Microfinance	Grant	USD .679M	2011	2012
Institutional Strengthening and Capacity Building Program	Spanish Agency for International Cooperation for Development (AECID)	Economic and Social Council of Jordan	Economic and Social Council of Jordan	Completed	Capacity Building	Grant	USD .388M	2011	2012
Property Tax Management II	UNDP	Ministry of Finance	Ministry of Finance	Completed	Governance	Grant	USD 1.4M	2010	2012
Support to Poverty Analysis and Monitoring at MOPIC and DOS: Thinking Differently about Poverty and the Poor	UNDP	MOPIC, DOS, MOSD, UNFPA, UNICEF, ESCWA	MOPIC, DOS, MOSD, UNFPA, UNICEF, ESCWA	Ongoing	Poverty	Grant	USD .7M	2011	2014
Canada Fund for Local Initiatives	Canadian International Development Agency (CIDA)			Ongoing	Local Development and Poverty Alleviation	Grant	USD .163M	1986	Present
Al Mafraq Al Safawi Iraqi Borders Highway Feasibility Study	Kuwaiti Fund for Arab Economic Development	Ministry of Public Works and Housing	Ministry of Public Works and Housing	Completed	Infrastructure	Grant	USD 2.11M	2009	2011

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Expanding East Amman Power Conveyance Station	Kuwaiti Fund for Arab Economic Development	National Electricity Power Company	National Electricity Power Company	Completed	Energy	Soft Loan	USD 30M	2009	2011
Al Samara Power Station Phase III	Kuwaiti Fund for Arab Economic Development	Al Samara Electricity Power Station	Al Samara Electricity Power Station	Completed	Energy	Soft Loan	USD 64.6M	2010	2012
Framework for Energy Management in Industrial and Service Sectors	French Agency for Development (AFD)	Ministry of Planning and International Cooperation	Ministry of Planning and International Cooperation	Completed	Energy	Grant	USD 2.29M	2009	2012
Capacity Building in Wind Energy and Concentrating Solar Power in Jordan	European Union	National Center for Research and Development/Energy Program	National Center for Research and Development/Energy Program	Ongoing	Energy	Grant	USD 12.7M	2010	2016
Development and Implementation of Risk-based Environmental Inspection and Compliance System for the Development Zones	European Union	Development Zones Commission	Development Zones Commission	Completed	Regulatory	Grant	USD .285M	2011	2011
Institutional Strengthening of the Telecommunications of the Regulatory Commission in Jordan (twinning project)	European Union	Telecommunications Regulatory Commission	Telecommunications Regulatory Commission	Ongoing	ICT	Grant	USD 2.007M and Euro 1.4M	2011	2013
Development of Wadi Araba Region	Arab Fund for Economic and Social Development	Aqaba Special Economic Zone Authority	Aqaba Special Economic Zone Authority	Ongoing	Water and Wastewater	Soft Loan	USD 27.3M	2008	2013
Concentrated Solar Power Plant	USTDA	NERC	NERC	Completed	Energy	Grant	USD .738M	2009	2011
Shams Ma'an Photovoltaic (PV) Solar Power Plant	USTA	Ma'an Development Area	Ma'an Development Area	Completed	Energy	Grant	USD .617M	2010	2012
Establishing the Trade Finance Facility	EBRD	Investbank ($30M); Cairo Amman Bank ($35M)	Private Sector	Ongoing	Trade and Investment Promotion, PSD	Loan	USD 65M	2013	TBD

Description	International Cooperation Entity	Main GOJ Partner Entity(ies)	Main Target Beneficiaries	Current Status (Completed, Ongoing, Projected)	Broad Sector/Activity	Typology	Project Budget	Start-Up Date	End Date
Abdali Retail and Entertainment Center	EBRD	Abdali PSC	Private Sector	Ongoing	Trade and Investment Promotion, PSD	Loan	USD $80M	2013	TBD
Small Business Support Program	EBRD	Private Sector	Private Sector	Ongoing	Trade and Investment Promotion, PSD	Grant	EURO 90,000 and drawing on EURO 525,000 to support local business and attract international expertise	2013	TBD
Al Manakher Power Plan	EBRD	AES Corporation, GoJ	Private Sector	Ongoing	Energy	Loan	USD 1M	2013	TBD

ANNEX D

JORDAN DETAILED PEFA INFORMATION

Dimension	Credibility of the Budget	PEFA Evaluation	Department Expectations		
I. No.	The main indicator	**2011**	**2012**	**2013**	**2014**
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	A	A	A	A
(i)	The difference between actual primary expenditure and the originally budgeted primary expenditure	A	A	A	A
PI-2	**Composition of expenditure out-turn compared to original approved budget**	A	A	A	A
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	A	A	A	A
PI-3	**Aggregate revenue out-turn compared to original approved budget**	A	A	A	A
PI-4	**Stock and monitoring of expenditure payment arrears**	D			
(i)	Stock of expenditure payment arrears	NA			
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	C	C+	B
Comprehensiveness and Transparency					
PI-5	**Classification of the budget**	A	A	A	A
(i)	The classification system used for formulation, execution, and reporting of the central government's budget	A	A	A	A
PI-10	**Public Access to key fiscal information**	A	A	A	A
Policy-based Budgeting					
PI-12	**Multi-year perspective in fiscal planning, expenditure policy, and budgeting**		A	A	A
(i)	Preparation of multi-year fiscal forecasts and functional allocations	A	A	A	A
(ii)	Scope and frequency of debt sustainability analyses	A	A	A	A
(iii)	Existence of sectoral strategies with multi-annual determination of current expenditure and investment costs	A	A	A	A
(iv)	Linkages between the investment budget and future expenditure estimates	B	A	A	A
Predictability and Control in Budget Execution					

Dimension	Credibility of the Budget	PEFA Evaluation	Department Expectations		
PI-16	**Predictability in the availability of funds for commitment of expenditures**	B+	A	A	A
(i)	Extent to which cash flows are forecast and monitored	B	A	A	A
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditures	A	A	A	A
(iii)	Frequency and transparency of adjustments to budget allocations which are decided above the level of management of MDAs	B	A	A	A
PI-17	**Recording and management of cash balances, debt and guarantees**				
(i)	Quality of debt data recording and reporting	A	A	A	A
(ii)	Extent of consolidation of the government's cash balances	B	B+	B+	B+
(iii)	Systems for contracting loans and issuance of guarantees	A	A	A	A
PI-18	**Effectiveness of payroll controls**	C+			
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	A	A	A
(ii)	Timeliness of changes to personnel records and the payroll	A	A	A	A
(iii)	Internal controls of changes to personnel records and the payroll	A	A	A	A
(iv)	Existence to payroll audits to identify control weaknesses and/or ghost workers	C	C+	B	B
PI-20	**Effectiveness of internal controls for non-salary expenditures**	C+	B	B	B+
(i)	Effectiveness of expenditure commitment controls	C	C+	C+	B
(ii)	Comprehensiveness, relevance and understanding of other internal controls rules/procedures	B	B+	A	A
(iii)	Degree of compliance with rules for processing and recording transactions	A	A	A	A
PI-21	**Effectiveness of internal audit**	D+			
(i)	Coverage and quality of the internal audit function	D	C	C+	B
(ii)	Frequency and distribution of reports	C	C+	B	B+
(iii)	Extent of management response to internal audit findings	C	C+	B	B+
Accounting, Recording, and Reporting					
PI-22	**Timeliness and regularity of accounts reconciliation**	B+	A	A	A
(i)	Regularity of bank reconciliations	B	B+	A	A
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	A	A	A	A

ANNEX E

GFMIS IMPLEMENTATION

		Ministry of Finance (MOF)			Ministry of Education			Ministry of Municipal Affairs (MoMA)			Ministry of Health (MOH)			
		Not utilized	Partially utilized	Fully utilized	Not utilized	Partially utilized	Fully utilized	Not utilized	Partially utilized	Fully utilized	Not utilized	Partially utilized	Fully utilized	Comments
No.	Module													
1	Receivables		X				X		X		X			MOH has just started the system
2	Payables			X			X			X	X			
3	General ledger			X			X			X	X			Still using old ledger (MoMA)
4	Cash planning			X			X	X			X			
5	Cash management			X			X	X			X			
6	Procurement	X					X		X		X			MOF has no procurement
7	Budget preparation	X			X			X			X			
8	Budget execution			X			X			X		X		
9	Project management and position			X			X	X			X			
10	Business intelligence data warehouse	X						X			X			

ANNEX F

ENDNOTES

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[11] USAID/Jordan. (2012). "Gender Analysis and Assessment."

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[28] Ministry of Finance. (2013). "General Government Finance Bulletin." (Vol. 15, No. 2). (Note: includes all data for this paragraph).

[29] Millennium Challenge Corporation (2009). Municipalities Current Situation Analysis Final Version, Local Governance Development Program.

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[32] United Nations (2013). Needs Assessment Review of the Impact of the Syrian Crisis on Jordan. Host Community Support Platform.

[33] For a more detailed comparative analysis of Jordan's performance in taxation and related business environment indicators, see USAID's "Jordan Fiscal Environment Assessment: Literature Review," 2013.

[34] USAID Jordan Fiscal Reform II Project. "Evaluating Tax Expenditures in Jordan." 2013, pp. 4-5 and data from a similar analysis completed in 2011. Data on the summary table are from the 2013 report that revised estimates of the tax expenditures contained in the 2011 report.

[35] Deductible allowances in personal income in the draft law may continue to make it more attractive to conduct business through their personal rather than company accounts, an ongoing mechanism of tax evasion highlighted in interviews with bankers in Amman.

[36] ISTD and USAID Fiscal Reform II Project. "Benchmarking the Tax System in Jordan," 2013.

[37] World Economic Forum. (2012). "The Global Enabling Trade Report 2012." p. xv). A granular examination of indicators of the ETI sub-indexes where Jordan ranks below the top 100 performers provides opportunities for improvement in, among other things: complexity of tariffs, logistics competence, efficiency of the clearance process, openness to foreign participation, and ease of hiring foreign labor.

[38] With inputs from the USAID-funded Jordan Fiscal Reform II (JFR II) project, the World Bank in its 2013 Doing Business annual report revised the previously published Jordan's world rank from 58th place for 2012 to 51st in the Trading Across Borders indicator. The 2014 report, however, ranked Jordan in 57th place.

[39] Millennium Challenge Corporation and USAID. (December 2008). "Final Time Release Study." Jordan Customs Modernization Program.

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[41] The Amman Customs Center (all lanes), the red lane in the Jaber Center, and the green and red lanes in the Oman Customs Center showed no improvement in release times. The Aqaba Customs Center improved its release times but remains the center showing the highest release times for all lanes.

[42] See USAID's "Jordan Fiscal Environment Assessment: Literature Review," 2013, for a more detailed discussion.

[43] See USAID's "Jordan Fiscal Environment Assessment: Literature Review," 2013, for a suggested data template.

[44] See USAID's "Jordan Fiscal Environment Assessment: Literature Review," 2013, for proposed Excel data templates for data collection, analysis, and reporting.

[45] IMF estimates. See International Monetary Fund's "Jordan: Selected Issues." May 2012, pp. 3-4. These are estimates derived from the difference of wholesale prices of NEPCO to DISCOs and NEPCOs' cost recovery price as subsidies are not included in the central government budget.

[46] Faced with strong opposition from businesses and consumers in April 2012, the Government of Jordan was forced to rescind proposed increases in electricity tariffs, widening the gap between prices that consumers paid for power and the cost of generating, transporting, and distributing it.

[47] Per NEPCO-reported data for the 2009-2011 period presented in USAID-Fiscal Reform II Project. "NEPCO Debt Recovery Forecast," 2012, p. 13.

[48] See USAID Jordan Fiscal Reform II Project. "NEPCO Debt Recovery Forecast," 2012, including a simulator to perform sensitivity analyses of different scenarios to achieve the SBA targets.

[49] FIDE, in Honduras, is a successful example of this model. Founded in 1984 and with an initial

USAID endowment, it provides advocacy and services for foreign investment and export promotion.

[50] Interviews with private consulting firms highlighted the small market size of Jordan and relatively low demand for consulting services as constraints that USAID and international cooperation could address by expanding the use of local, open competition tenders for technical analyses, including technical areas that are new and technically demanding in the local market. Subcontracting and teaming requirements of the tender should be clearly specified as local firms can use these to expand their range of products and services.