

**PUBLIC FINANCIAL MANAGEMENT REFORM
2018 – 2021
IN
HASHEMITE KINGDOM OF JORDAN**

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ABBREVIATIONS AND ACRONYMS

AB	Audit Bureau
BEPS	Base Erosion and Profit Shifting
CVDB	Cities & Villages Development Bank
GBD	General Budget Department
GFMS	Government financial management information system
GOJ	Government of Jordan
GST	General Sales Tax
IACC	Integrity and Anti-Corruption Commission
IPSAS	International Public Sector Accounting Standards
ISTD	Income and Sales Tax Department
ISTD-PSD	Income and Sale Tax Department- Planning and Strategy Directorate
MAC	Mutual Administrative Assistance
MLI	Multilateral Instrument
MOF	Ministry of Finance
MOF-PAD	Ministry of Finance – Public Accounting Directorate
MOF-SEPD	Ministry of Finance – Studies & Economic Policies Directorate
MOMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
MOPIC-PIM	Ministry of Planning and International Cooperation – Public Investment Management

FORWARD

Let me start by thanking the international agencies who have been supporting Jordan's Public Financial Management. Their efforts and commitment are very much appreciated.

The Ministry of Finance has demonstrated its continuous commitment to developing its financial management for over a decade. The remarkable progress that has been achieved has grown out from a long-standing successful collaboration with international institutions and donors in the context of a comprehensive financial and economic reform agenda. As continuation of successive strategies, this document testifies the Ministry's ongoing and future commitment to achieving sustainable improvements in PFM policies and practices.

The strategy document presents our approach to reforming the Kingdom's financial management for the period 2018 -2021. Embedded in the overall strategy of the Ministry of Finance and its related departments, it sets out the path for improving the Government's financial operations to enhance its suitability for achieving the desired fiscal and budgetary outcomes. At the same time, the strategy assumes an important role in ensuring external funding for reforms and reflects Jordan's adherence to the new regulations for budget support.

To ensure the strategy's fit with fiscal policy objectives as well as the sustainability and quality of desirable outcomes, a specialized task force has been mandated with setting up the PFM strategy. The approach taken accounts for the importance of building on previous achievements consistently, prioritizing reform areas objectively and measuring and monitoring progress continuously. To that purpose, the strategy draws on the methodology and assessment results of two internationally renowned frameworks. The performance indicators of the *Public Expenditure and Financial Accountability* (PEFA) and the *Tax Administration Diagnostic Assessment Tool* (TADAT) serve as foundation for prioritizing reform areas to ensure the most effective and efficient utilization of resources.

Ensuring the successful implementation of the ambitious project requires continuous monitoring and evaluation. Aware of this need, we commit – for the first time – to the preparation of annual performance reports. Ensuring a reliable and continuous flow of information on the progress to all stakeholders, this new measure will increase confidence in achieving the long-term objectives by keeping track of the accomplishments and strengthen the ability to respond quickly and effectively to potentially arising challenges.

I wish to thank the team of experts who contributed to formulating the Strategy, which reflects our future commitment to financial management reforms. I would like to extend thanks to the colleagues from all ministries and government departments for their efforts and dedication in the preparation process.

We also wish to express our gratitude for the support of all our international partners facilitating our financial reform programs.

H.E. Dr. Ezzeddin Kanakrieh

Minister of Finance

EXECUTIVE SUMMARY

The following presents the Public Financial Management Reform Strategy 2018-2021 of the Hashemite Kingdom of Jordan. This strategy is based on previous reform efforts, which significantly contributed to the advancement of Public Financial Management. However, setting itself apart from previous reforms, this strategy recognizes the need to open a new chapter of reform in order to adjust the PFM system to a changed situation and enable it to support the type of fiscal policies Jordan requires now.

PFM reform is led by the Minister of Finance, who supervises and coordinates its implementation and ensures the alignment with national goals, the Jordan Vision 2025 and Jordan Economic Growth Plan 2018-2022. Reform efforts have been guided by the vision of developing a PFM system that contributes to enhancing economic and financial stability in the Kingdom and promoting the citizens' welfare. The four overarching objectives are (1) securing long-term aggregate fiscal discipline, (2) fostering policy-based budgeting and (3) enhancing the role of the private sector, as well as (4) giving due consideration to citizens' concerns.

The approach to developing the strategy reflects the adherence to three basic principles: The prioritization of reform needs based on objective criteria and refined by considering Jordan's PFM challenges and objectives, the measurability of targets and progress, and incorporating mechanisms for effective monitoring and reporting. Satisfying the first requirement, the strategy is organized along reform pillars that mark the main performance areas of a sound PFM system. Relying on the methodology and results of the PEFA and TADAT assessments 2017 allows to focus efforts on those areas that exhibit the highest need for improvement to ensure the best allocation of scarce resources in the reform process. Drawing on internationally recognized indicators and the scoring system of the two assessments, measurable improvement targets were identified, i.e. increasing each grade below B, by one grade. Key interventions were identified for each reform area; broken down into specific actions and activities to be performed over the time resulted in the Work Plan that will guide the reform process.

The strategy has been designed to effectively address the prevailing challenges, in particular the budget deficit, the level of public debt as well as tax avoidance and tax evasion. While the objectives of Jordan's PFM reform efforts have evolved over time, fiscal discipline has remained the predominant objective. Up until the 1980s, the focus of PFM was mostly on meeting expenditure needs. From the second half of the 1990s achieving Fiscal Discipline has taken over as leitmotiv. While the following two waves of PFM reforms broadened their focus towards Effective Resource Allocation and Consideration of Citizens' Concerns, the emphasis on fiscal discipline has prevailed. Though the current PFM reform strategy will maintain this focus, it stands out by putting special emphasis on measures that promote and support voluntary compliance as a corner stone to address tax avoidance and tax evasion effectively.

This strategic priority is in line with international good practice of tax administrations. So far, Jordan has not relied on voluntary compliance and ISTD has displayed a one-dimensional focus on collection. However, in view of limited control capacity, the collection function has to be complemented by efforts to facilitate the task of taxpayers to comply with their obligations. Voluntary compliance, however, requires a trustful relationship between tax administration and taxpayers and rule-based deterrence mechanisms. Strengthening those elements has received particular attention within this strategy. Further, the strategy takes into consideration the interdependent relationship between the main objectives to achieve fiscal discipline and the importance of the private sector and citizens' concerns. In concrete, effective and transparent communication about what goods and services

government spending buys and what efforts the government implements to avoid waste and abuse of collected taxes, affects voluntary tax compliance and thus indirectly impacts on discipline.

The following table offers a more detailed view of the strategic priorities and the respective pillars:

Strategic Priorities		Comments
1. Direct contributions to Fiscal Discipline		PFM Objective 1
1.1	Facilitate voluntary compliance <ul style="list-style-type: none"> Supporting voluntary compliance (POA 3) by improving the scope, currency and accessibility of information. Supporting timely filing of tax declarations (POA 4), by increasing the use of electronic filing. 	Create second strategic objective for revenue collection institutions: ‘to facilitate compliance, while respecting taxpayers rights’
1.2	Emphasize the respect of taxpayers’ rights <ul style="list-style-type: none"> Effective tax dispute resolution (POA 7), by increasing the degree to which dispute outcomes are acted upon. Fostering accountability and transparency (POA 9), by gradually introducing external oversight of the tax administration through yearly detailed performance audit. 	
1.3	Activate the deterrence effect of tax audit against fraudulent behaviour <ul style="list-style-type: none"> Improve the integrity of the registered taxpayer register (POA 1), by studying and regularly verifying economically inactive taxpayers (non-filers). Introduce effective risk management along the core functions of tax administration (POA 2), by identifying, assessing, ranking and quantifying compliance risks, and by assessing the efficiency and effectiveness of compliance measures. Foster accurate reporting in tax declarations (POA 6), with a result-oriented tax audit plan to detect and deter inaccurate reporting, with proactive measures, and with a regular evaluation of the tax gap and tax evasion. Prevent international tax avoidance and evasion (POA 10), by joining the MLI and the MAC. 	

Strategic Priorities		Comments
2. Indirect contributions to Fiscal Discipline		PFM Objective 1, through PFM Objectives 2, 3, and 4.
2.1	<p>Communicate effectively what goods and services are purchased with collected taxes</p> <ul style="list-style-type: none"> • Pillar 1: Transparency of public finances, by improving the performance plans for service delivery units (PI-8-1), by providing information about resources received by service delivery units (PI-8.3), and through performance evaluation (PI-8.4). • Pillar 3: Policy-based fiscal strategy and budgeting, by strengthening macro-economic forecasting (PI-14-1/2), by enhancing the fiscal strategy (PI-15), by improving the consistency of budgets with previous year's estimates (PI 16.4). 	
2.2	<p>Avoid waste and abuse of collected taxes</p> <ul style="list-style-type: none"> • Pillar 2: Management of assets and liabilities, by strengthening fiscal risk reporting (PI-10), and by strengthening public investment management (PI-11). • Pillar 5: Predictability and control in budget execution, by activating procurement complaints management (PI-24), by strengthening internal controls (PI-25), and by activating internal audits (PI-26). • Pillar 6: Accounting and reporting, with an improved mid-year budget execution report (PI-28). • Pillar 7: External scrutiny and audit, by improving external audit (PI-30) with effective and timely follow-up of audits and with financial independence of the AB, and by improving legislative scrutiny of audit reports (PI-31). 	

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Purpose and Organization of the Strategy

The Public Financial Management reform efforts in Jordan are led by the Minister of Finance, who supervises and coordinates the implementation of the financial reform projects and programs and ensures their alignment with national goals, the Jordan Vision 2025 and Jordan Economic Growth Plan 2018-2022. The reform agenda aims at improving the performance of public finance, strengthening fiscal discipline, enhancing the citizens' living standard and promoting economic growth. Financial agencies periodically update their plans in accordance with international developments to realize the priority objectives of Public Financial Management in order to contribute to the achievement of national goals. This strategy is based on previous reform strategies, which significantly contributed to the modernization of Public Financial Management in Jordan.

National Goals

- ✓ Maintain fiscal and monetary stability and control the fiscal deficit;
- ✓ Build an efficient and low-risk fiscal/financial system;
- ✓ Improve the level of service delivered to citizens in an equitable manner.

Public Financial Management at country level plays a crucial role in developing the national fiscal policy, supervising its implementation, and directing government investments, in addition to managing domestic and external public debt. Public Financial Management also seeks to achieve integration between the public fiscal policy and the monetary policy to strengthen the national economy.

The core responsibilities of the entities entrusted with public financial management are wide-ranging. They include collecting public revenue, preparing the state budget, managing and controlling public expenditure and managing borrowing and debt. In addition, PFM entails managing accounts, overseeing cash flows, studying and analysing financial, monetary and economic positions, evaluating tax policies and procedures, managing civil and military pension affairs, studying cases that give rise to rights for government and drafting financial legislations related to public revenues and expenditures.

1.2 Context and Background

PFM Reform as Infrastructure Development for New Fiscal Policy Options

The following document presents Jordan's Public Finance Management reform strategy. It deals not with fiscal policy or fiscal strategy in a strict sense. Fiscal policy, at the highest level, is concerned with the size of revenue or expenditure along the business cycle, with the allocation of expenditures, or with appropriate ways to contain the budget deficit etc. Public finance management encompasses the systems and organizations with their resources, which are required to prepare, decide, implement and review the fiscal policy.

Though different, fiscal policy and public finance management systems are tightly interconnected. Most importantly, in the short run, the state of a PFM system sets important limits on fiscal policy options that can be successfully decided and implemented. In the medium term, government

decisions can adjust and shape the PFM system so as to create new fiscal policy options. In short, PFM reform is akin to investing into the development of the ‘infrastructure’ required to implement additional or different fiscal policy options.

PFM Reform as Adjustment to New Requirements – a Historical Perspective

Jordan is a small country confronted with strong transformative forces. Some have a sudden character, like the multiple crises in the immediate region, which occurred on average more than once every decade since 1948. Others show a long-term nature, like population growth, which has been among the strongest in the world. From 1947 until 2016, the population grew from a factor of 1 to 20, with less than half a million at the beginning of the period to reach 9.5 million during the last census in 2015. Jordan’s Government has coped with these transformative forces with remarkable results. For instance, Jordan’s ability to scale up public services, like education and health, to such a fast-growing population constitutes an outstanding – though often overlooked – achievement by any standards.

An important aspect of Jordan’s approach to cope with altered situations has been to adjust its public financial management to new requirements. In particular, the growing population size has called for an increasingly sophisticated PFM. Until the late 1970s, Jordan had a total population of around 2 million inhabitants, which is now the size of a larger city. In 2017, Amman counted about 4 million inhabitants, while Irbid, in the North of the country, featured some 1.7 million. Thus, Jordan in 1980 had a population comparable to that of a city-state.

With a city-sized population, Jordan was able to function with a comparatively simple PFM. On the revenue side, main sources were taxes collected at the borders, remittances and fees. On the expenditure side, a small directorate within MOF sufficed to prepare the national budget, whereas today the General Budget Department has over 100 employees. On the treasury side, great emphasis was given to centralized expenditure control, with ex ante controls.

The 1980s brought the second oil shock, the dwindling of remittances and external aid from the Arab Peninsula. The loss of an important revenue source combined with expenditure pressure contributed to drive public debt to dangerous levels. As a consequence, Jordan decided a structural adjustment plan with the IMF in 1990 to redress imbalances. However, the implementation of the reforms was delayed by the effects of the first Gulf War.

The mid 1990s constitute the beginning of Jordan’s effort to reform its PFM. Just under 25 years ago, Jordan started to develop domestic tax revenue collection introducing a sales tax, which later evolved into a value added tax, now known as General Sales Tax. With the accession to the World Trade Organization and the EU association agreement, Jordan significantly reduced cross-border taxation and developed excises, so-called special taxes. This was accompanied by a thorough reform of the Customs Department. At the same time, efforts also addressed the taxation of real estate transactions, with the modernization of the institution in charge, the Department of Lands and Surveys (DLS).

From 2002, efforts to modernize budget preparation gained speed, with the introduction of several innovations like a medium-term fiscal framework, a medium-term expenditure framework, a revised budget classification, and the introduction of results-oriented elements into the budget documentation. These efforts significantly improved the transparency of the budget, as documented in the 2017 Open Budget Initiative (OBI) score of 63 out of 100, a particularly commendable result compared to a global average of 42.

From 2006, MoF launched a wave of reforms of the treasury functions, which included the introduction of a Government Financial Management Information System. Other elements addressed cash management and the revision of the chart of accounts. In parallel, work on external audit gained speed with reform efforts of the Audit Bureau (AB). In this context, the growing size of PFM – in the wake of scaled-up Government operations – showed the limits of the traditional approach to financial management control, which was highly centralized and relied on ex ante expenditure control with overlapping control layers. The Government also started to reform the internal control function with the aim of allowing the AB to withdraw from ex ante expenditure control.

Figure 1 offers an overview of the main PFM reform efforts against the backdrop of Jordan’s rapidly growing population.

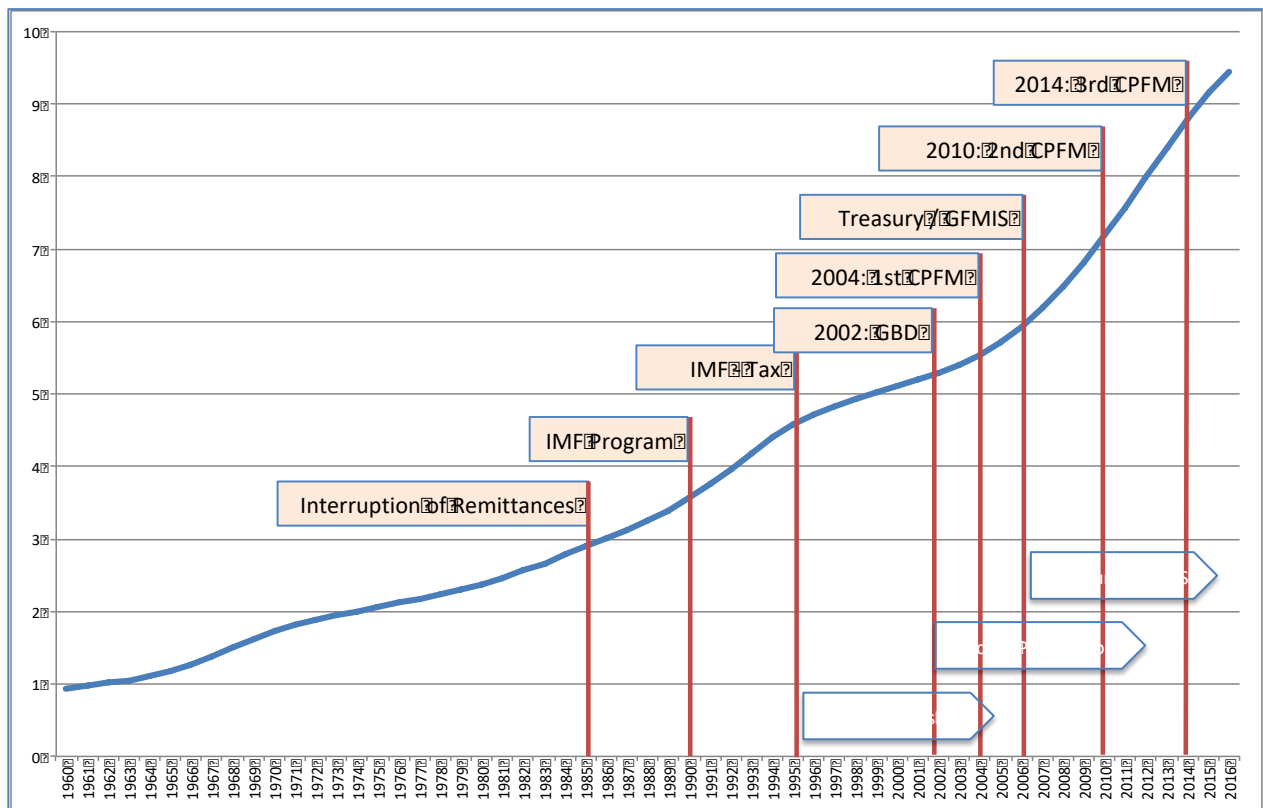


Figure 1: Population Size - Main PFM Reform Thrusts and Milestones

1.3 Vision and Objectives of the Strategy

Vision

“An excellent Public Financial Management at the regional level that contributes to enhancing economic and financial stability in the Kingdom and promoting the citizens' welfare.”

Mission

“Encouraging the mechanisms of Public Financial Management, enhancing strategic allocation of scarce financial resources across the government and improving the efficiency of service delivery.”

Challenges

1. Public budget deficit.
2. High level of public debt.
3. Evasion and avoidance of taxes and customs.
4. Development international tax legislation regarding to base erosion and profit shifting (BEPS).
5. Multiplicity of tax regimes and fees.
6. Rise of pension-related commitments.
7. Limited contribution of public investment to economic growth.
8. Structural fragility of Jordan's economy as a small and open economy.
9. Impact of Syrian refugees on the state budget.
10. Existence of separate and parallel public procurement systems.
11. Civil service system faces difficulties to attract and retain qualified employees.

Objectives

1. Secure long-term aggregate **fiscal discipline**.
2. Foster **policy-based budgeting**.
3. Enhance the role of the **private sector** as the main driving force of sustainable economic growth.
4. Give due consideration to **citizens' concerns**.

1.4 Reform Pillars and Priorities

1. Reform Pillars and Principle Underlying Prioritization

Jordan's PFM strategy is organized along reform pillars that mark the seven main performance areas. The basic principle underlying this strategy is to focus efforts on the areas requiring most improvements. To limit the subjectivity associated with selecting performance areas, the strategy adopts performance indicators that are internationally recognized as most important to gauge the performance of a PFM system. The internationally accepted performance indicators are taken from the PEFA (*Public Expenditure and Financial Accountability*) and TADAT (*Tax Administration Diagnostic Assessment Tool*) methodologies.

The reform pillars are as follows:

- **Pillar 1:** Transparency of Public Finances – PEFA
- **Pillar 2:** Management of Assets and Liabilities – PEFA
- **Pillar 3:** Policy-based Fiscal Strategy and Budgeting – PEFA
- **Pillar 4:** Predictability and Control in Budget Execution – Tax Administration (TADAT)
- **Pillar 5:** Predictability and control in Budget Execution – PEFA
- **Pillar 6:** Accounting and Reporting – PEFA
- **Pillar 7:** External Scrutiny and Audit – PEFA

This strategy builds explicitly on the two most recent assessments, PEFA 2016 and TADAT 2016, but also recognizes the improvements realized since those assessments. However, using internationally recognized performance indicators is not sufficient to prioritize efforts. Together PEFA and TADAT count some 40 main indicators and 150 sub-indicators. In view of limited resources and time to conduct reforms, this strategy identifies priority areas.

Different layers are used to prioritize reform efforts:

- First, the strategy focuses on indicators in which the PEFA and TADAT evaluations yielded scores lower than B, whereby A is the highest grade and D the lowest. The performance areas, where Jordan received a score of A or B are categorized as achievements and consequently not object of explicit reform efforts in the context of this comprehensive PFM strategy.
- A second layer of prioritization relies on tracking the contribution of different pillars of PFM to the identified four objectives of Jordan’s PFM in the specific context of the identified challenges.

This latter prioritization process on the backdrop of Jordan’s reform history is outlined in the following.

2. Defining Priorities for the New Strategy

Determining priorities in the context of identified challenges

The objectives of Jordan’s PFM reform efforts have evolved over time. Up until the 1980s, the focus of PFM was mostly on meeting expenditure needs. From the second half of the 1990s and increasingly after the turn of the century, achieving objective 1 *Fiscal Discipline* has taken over as leitmotiv since the importance of fiscal imbalances received more attention. This corresponded to the first major reform thrust listed before. The following two waves of PFM reforms contributed towards objective 2 *Effective Resource Allocation*, and objective 4 *Address Citizens’ Concerns*. In spite of this broadening perspective, fiscal discipline has remained the predominant objective.

The first five challenges listed in the previous section underline the importance of the revenue side. The first two, *public budget deficit* and *high level of public debt*, are at the centre of the program negotiated with the IMF in 2014, which stressed tax reform. The following three, *tax and customs avoidance and evasion*, *developments in international taxation*, *multiplicity of tax regimes and fees*, come to reinforce the critical importance of the revenue side for the current period.

The current PFM reform strategy identifies strategic priorities, which build on earlier achievements. They take the full measure of the prevailing challenges, in particular of the budget deficit, the level of public debt as well as tax avoidance and evasion. Consequently, they give a central importance to long term fiscal discipline. While maintaining the focus on fiscal discipline, this PFM reform strategy recognizes the need to open a new chapter of reform, to adjust the PFM system to a changed situation and enable it to support the type of fiscal policies Jordan requires. In this context, **fostering voluntary compliance** plays the central role. Similarly, taking the **concerns of citizens and private sector** into consideration will play an equally important part to support tax compliance.

Figure 2 offers a historic perspective on the strategic priorities of this new reform chapter.

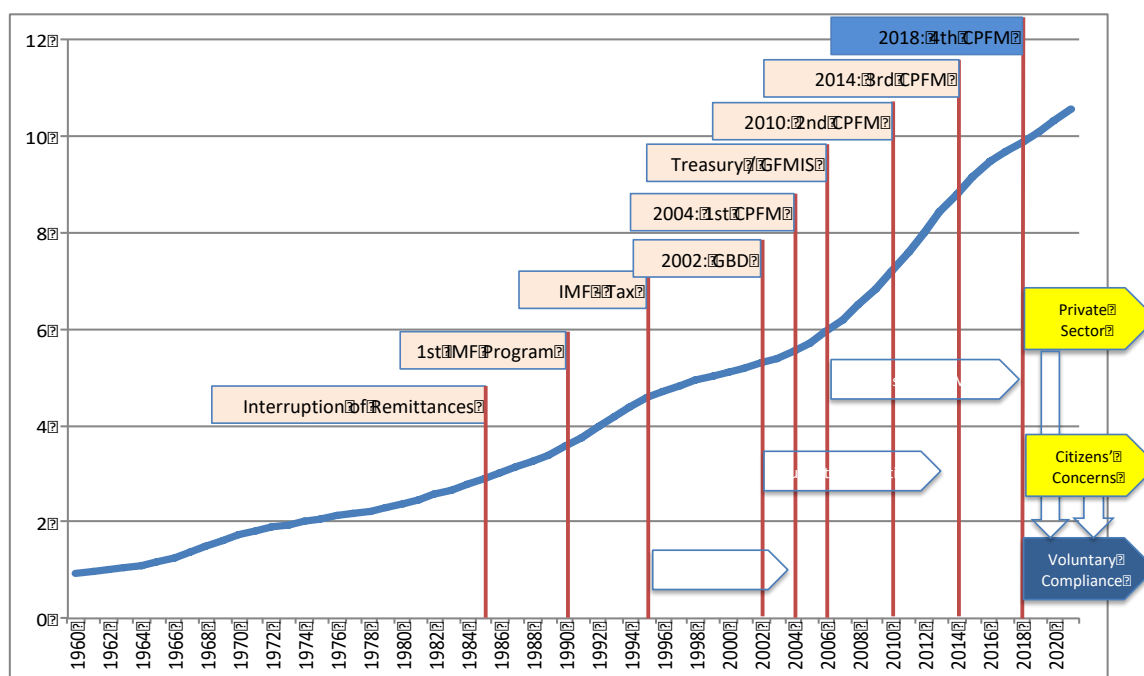


Figure 2: 2018-21 PFM Strategy Priority Areas in Historical Context

The rationale for this new focus and the contribution of private sector and citizen’s concern considerations will be explained in the following.

Emphasis on Voluntary Compliance as Distinguished Strategic Objective

The Income and Sales Tax Department is a central pillar of Jordan's revenue administration, with a key role in the implementation of the IMF program. Its declared objective is to collect revenue for the Government. ISTD's strategic orientation has been in line with Jordan's general objective until the 80s, which was to meet expenditure needs. It has also been compatible with the general objective of maintaining fiscal discipline, introduced from the mid 1990s. However, in recent years, Jordan's PFM, and ISTD in particular, have encountered difficulties. Tax avoidance and tax evasion have received increasing attention, as noted in His Majesty's speeches. Attempts to reform taxes, both income tax and GST, have run into heated political debates. Citizens and businesses have complained about perceived increased tax pressure in a context of rising cost of living and difficult economic outlook.

ISTD's strategic orientation, with its sole focus on revenue collection, is at odds with international good practices. Advanced tax administrations pursue two related main objectives: Besides seeking to collect revenue, they also strive to facilitate the task of taxpayers to comply with their obligations while protecting their rights. The importance of this dual focus is rooted in the fact that tax administrations never have sufficient resources to effectively police all taxpayers in order to control tax avoidance and evasion. Advanced tax administrations, in a given year, audit less than 5% of their taxpayers, which implies that they rely on the voluntary cooperation of the remaining 95%. This voluntary cooperation of taxpayers is referred to as taxpayer voluntary compliance.

Voluntary compliance is the corner stone to handle tax avoidance and tax evasion effectively; It requires several elements: First, the relationship between taxpayers and tax administration needs to be characterized by trust. Such a relation can develop when the tax administration facilitates taxpayers' task to comply with their obligations, and when it strictly respects taxpayers' rights. Second, the tax administration must maintain an effective rule-based deterrence against fraudulent behaviour. In addition, two other conditions related to PFM at large are important to voluntary compliance. The PFM administration must communicate effectively what services the taxes paid allow the Government to purchase. Further, taxpayers must perceive that their taxes are not lost to waste or abuse.

So far Jordan has not relied on voluntary compliance. In contrast, trust has played little role in the relationship between tax administration and taxpayers. ISTD has relied more on direct control, as its attempts to audit all large taxpayers in any given year attest. The singular focus on revenue collection as strategic objective leaves limited attention for the task of facilitating taxpayers' task to comply with their obligations. Respecting taxpayers' rights enjoys lower priority than in advanced tax administrations, as illustrated by the fact that disputes between taxpayers and tax administration cannot be filed for review at an independent institution, such as an ombudsman bureau – a feature considered international good practice.

Furthermore, the deterrent function of tax audit is hampered by several factors, like the treatment of non-registered and of non-filing taxpayers, the absence of rotation of the audit sample, and difficulties in the structure and implementation of the yearly tax audit program. The other conditions necessary for voluntary compliance, which relate to the broader PFM, also receive less attention. Jordan's PFM still has room to improve how it communicates first what services collected taxes fund and second what it does to avoid that taxes are lost to waste or abuse.

The indirect contributions to fiscal discipline: the importance of the private sector and citizens' concerns

The strategy takes into consideration the interdependent relationship between the main objectives for achieving fiscal discipline. Figure 2 below offers a view of the contribution of the seven pillars of PFM to the four objectives, i.e. 1. Secure long-term aggregate fiscal discipline; 2. Foster policy-base budgeting; 3. Enhance the role of the private sector as the main driving force of sustainable economic growth; 4. Give due consideration to citizens’ concerns.

#	OBJECTIVES:	Fiscal Discipline	Policy-based Allocation	Private Sector Role	Citizens' Concerns
2.1	PILLAR 1. TRANSPARENCY OF PUBLIC FINANCES				
2.2	PILLAR 2. MANAGEMENT OF ASSETS AND LIABILITIES				
2.3	PILLAR 3. POLICY-BASED FISCAL STRATEGY & BUDGETING				
2.4	PILLAR 4. PREDICATIBILITY & CONTROL IN BUDGET EXECUTION & TAX ADMINISTRATION (TADAT)				
	POA 1: Integrity of the Registered Taxpayer Base				
	POA 2: Effective Risk Management				
	POA 3: Supporting Voluntary Compliance				
	POA 4: Timely Filing of Tax Declarations				
	POA 5: Timely Payment of Taxes				
	POA 6: Accurate Reporting in Declarations				
	POA 7: Effective Tax Dispute Resolution				
	POA 8: Efficient Revenue Management				
	POA 9: Accountability and Transparency				
	International Taxation Cooperation				
2.5	PILLAR 5. PREDICATIBILITY & CONTROL IN BUDGET EXECUTION & PEFA INDICATORS				
2.6	PILLAR 6. ACCOUNTING AND REPORTING				
2.7	PILLAR 7. EXTERNAL SCRUTINY AND AUDIT				

Figure 2: PFM Objectives - Reform Pillars - Priority Areas

Objective 1, Securing *Fiscal Discipline* plays a central role in Jordan’s fiscal policy, as documented in its IMF program. This predominance is reflected in the PFM reform strategy. The **direct** contributions of the PFM pillars to this objective are illustrated in the figure in blue.

Beyond direct contributions, several pillars show very **important indirect contributions** to fiscal discipline, which are marked in yellow. Following examples illustrate the relationship:

- Pillar 3 *Policy-based Fiscal Strategy and Budgeting* affects objective 3 *Role of the Private Sector* and objective 4 *Citizens’ Concerns*, as it helps to communicate what goods and services collected taxes purchase.
- Pillar 5, *Predictability and Control in Budget Execution* (PEFA) with the included internal control and internal audit function, and Pillar 7 *External Scrutiny and Audit* participate in conveying the PFM’s effort to avoid waste and abuse of collected taxes.

In sum, several pillars, which impact primarily the PFM’s objectives 2, 3 and 4, have a **critical indirect influence** on fiscal discipline (objective 1).

Accordingly, the defined priorities and their impact on fiscal discipline can be categorized as follows:

1. **Direct contributions to long term fiscal discipline**

- Facilitate voluntary compliance.
- Emphasize the respect of taxpayers' rights.
- Activate the deterrence effect of tax audit against fraudulent behaviour.

2. Indirect contributions to long term fiscal discipline

- Communicate effectively what goods and services are purchased with collected taxes.
- Avoid waste and abuse of collected taxes.

The following table offers a more detailed view of the strategic priorities and the respective pillars:

Strategic Priorities		Comments
1. Direct contributions to Fiscal Discipline		PFM Objective 1
1.1	Facilitate voluntary compliance <ul style="list-style-type: none"> • Supporting voluntary compliance (POA 3) by improving the scope, currency and accessibility of information • Supporting timely filing of tax declarations (POA 4), by increasing the use of electronic filing. 	Create second strategic objective for revenue collection institutions: 'to facilitate compliance, while respecting taxpayers rights'
1.2	Emphasize the respect of taxpayers' rights <ul style="list-style-type: none"> • Effective tax dispute resolution (POA 7), by increasing the degree to which dispute outcomes are acted upon. • Fostering Accountability and Transparency (POA 9), by introducing external oversight of the tax administration through yearly detailed performance audit. 	
1.3	Activate the deterrence effect of tax audit against fraudulent behaviour <ul style="list-style-type: none"> • Improve the integrity of the registered taxpayer register (POA 1), by studying and regularly verifying economically inactive taxpayers (non-filers). • Introduce effective risk management along the core functions of tax administration (POA 2), by identifying, assessing, ranking and quantifying compliance risks, and by assessing the efficiency and effectiveness of compliance measures. • Foster accurate reporting in tax declarations (POA 6), with a result-oriented tax audit plan to detect and deter inaccurate reporting, with proactive measures, and with a regular evaluation of the tax gap and tax evasion. • Prevent international tax avoidance and evasion (POA 10), by joining the MLI and the MAC. 	
2. Indirect contributions to Fiscal Discipline		PFM Objective 1, through PFM Objectives 2, 3, and 4.
2.1	Communicate effectively what goods and services are purchased with collected taxes <ul style="list-style-type: none"> • Pillar 1. Transparency of public finances, by improving the Performance Plans for Service Delivery Units (PI-8-1), by providing information about resources received by service delivery units (PI-8.3), and through performance evaluation (PI-8.4). • Pillar 3: Policy-based fiscal strategy and budgeting, by strengthening macro-economic forecasting (PI-14-1/2), by 	

	enhancing the fiscal strategy (PI-15), by improving the consistency of budgets with previous year's estimates (PI 16.4).	
2.2	<p>Avoid waste and abuse of collected taxes</p> <ul style="list-style-type: none"> • Pillar 2 Management of assets and liabilities, by strengthening fiscal risk reporting (PI-10), and by strengthening public investment management (PI-11) • Pillar 5: Predictability and control in budget execution, by activating procurement complaints management (PI-24), by strengthening internal controls (PI-25), and by activating internal audits (PI-26) • Pillar 6: Accounting and reporting, with an improved mid-year budget execution report (PI-28) • Pillar 7: External scrutiny and audit, by improving external audit (PI-30) with effective and timely follow-up of audits and with financial independence of the AB, and by improving legislative scrutiny of audit reports (PI-31). 	

Table 3: Strategic Priorities

The main measures resulting from this prioritization effort are listed in chapter III of this report. Further, the detailed performance indicators over the reform period and consigned in Annex I.

1.5 Reform Principles

The following principles have guided the development of the strategy and should be applied during the reform process:

- **First prioritization step based on reform needs according to objective criteria:** Prioritization is necessary to ensure the best allocation of scarce resources in the reform process. Selecting reform areas should occur on the basis of objective criteria. This principle has been followed by using internationally recognized indicators (PEFA/ TADAT) to identify areas to address .
- **Measurability of targets and progress:** Drawing on the assessment indicators allowed to satisfy another principle for successful reform, i.e. measurability. Based on the scoring system, measurable improvement targets were identified (increase each grade below B, by one grade). Progress will be measured over time. The results of this effort are reflected in chapter 2 of this report.
- **Second prioritization step based on PFM challenges and goals:** A second prioritization effort assigned the level of priority of the interventions identified during the previous step, by assessing their contribution to addressing the prevailing PFM challenges and goals. The results of this effort are gathered in chapter 3 of this report. The corresponding table of performance indicators is placed in Annex 1.
- **Operational guidance:** Each lead office will prepare a detailed operational implementation plan for the indicator improvement concerned, outlining and scheduling the detailed steps to be taken in accordance with the work plan. Implementation plans will be submitted to and reviewed by the Technical Committee.

- **Effective progress monitoring and reporting:** Effective monitoring is crucial to reform governance; a progress report will be prepared on yearly basis by the Reform Secretariat based on data compiled by the Technical Committee. It will offer a full and detailed picture of the progress on indicator-level.

CHAPTER TWO: STRATEGY PILLARS AND INTERVENTIONS

The following details the 7 pillars of the reform strategy. Achievements, priority reform areas and key interventions are presented. Those are structured around the indicators and dimensions of the PEFA and TADAT framework. For measuring progress and determining the targets for 2021, the following draws on the scores of the PEFA (2016) and TADAT (2016) assessment. Past achievements are indicated by the respective PEFA scores (A, B). Areas that received a score of C or D call for further improvements and represent reform areas. Indicators for which the targeted score may be at risk are highlighted with a '*’.

2.1 Pillar 1: Transparency of Public Finances

Objective

Pillar 1 comprises indicators that measure the comprehensiveness, consistency and accessibility of information on PFM. Requirements include comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Key achievements can be reported concerning the indicator *Performance information for service delivery* (PI-8). This indicator examines the service delivery performance information in the executive’s budget proposal or its supporting and documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. Achievements have been made in two of the four dimensions of this indicator.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2016
PI-8 Performance information for service delivery (M2)	Information is published annually on the activities to be performed under the policies or programs for the majority of ministries OR a framework of performance indicators relating to the outputs or outcomes of the majority of ministries is in place.	B
8.1 Performance plans	Information is published annually on policy or program objectives, key performance indicators, and outputs to be produced or the outcomes planned for most ministries.	B
8.2 Performance achieved	Information is published annually on the quantity of outputs produced or the outcomes achieved for most ministries.	B¹

¹ In spite of this relatively good grade, this dimension will be addressed because the elements necessary to reach an A grade constitute a critical foundation for performance evaluation. In particular, the formulation of KPI at outcome level and the articulation of actions with KPIs are missing.

Outstanding Reform Areas

The outstanding reform areas that need to be addressed are shown by the following table; in addition to the indicator **PI-8**, they include the following:

Budget classification (PI-4): This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

Central government operations (PI-6): This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It contains three dimensions and uses the M2 method for aggregating dimension scores.

Reform areas	Score Achieved 2016	Main Weaknesses (Baseline 2017)	Target Score	Priority
PI-4 Budget classification	D	More than 25% of expenditure is not apportioned between GFS economic categories	C	Low
PI-6 Central government operations (M2)	C+		B	Mid
6.1 Expenditure outside financial reports	C		B	Mid
6.2 Revenue outside financial reports	C		B	Mid

Performance information for service delivery (PI-8): This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. It contains the following four dimensions and uses the **M2**

Reform areas	Score Achieved 2016	Main Weaknesses (Baseline 2017)	Target Score	Priority
PI-8 Performance information for service delivery (M2)	B	MDA plans show activities and outputs, but not outcomes.	B	
8.1 Performance Plans ²	B	KPI are not formulated in terms of outcomes and there is no link between actions and KPIs	A	High
8.3 Resources received by service delivery units	D	Independent performance evaluations have had very limited coverage.	C	High

² This reform area is listed here because it constitutes a central precondition for performance area 8.4 Performance evaluation. In absence of solid KPI formulation and articulation of actions with KPI the Audit Bureau can not even begin to assess performance.

8.4 Performance evaluation	C	There is no evidence of significant evaluations having yet taken place	C	High
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To achieve the respective target scores, the following interventions are planned:

Key Intervention 1: Strengthen budget classification (PI-4)

By 2021, the following requirements will be met:

- Budget classification will reach a C score after detailing expenditure classification.

Lead Office: Security, GBD

Issue addressed: Publication of civil defense, gendarmerie in economic classification

Key intervention 2: Broaden coverage of expenditure in financial reports (PI-6)

By 2021, the following requirements will be met (indicator score B):

- Coverage of central government operations will be expanded and expenditure/ revenue outside government financial reports reduced to less than 5% of BGT revenue.

Lead Office: MOF

Issues addressed:

- Inclusion of government companies in electronic GU portal;
- Inclusion of government universities;

Key intervention 3: Performance information for service delivery (PI-8)

By 2021, the following requirements will be met (indicator score A):

- PI-8-1 Performance Plans for Service Delivery Units.

Lead Office: GBD / MOPIC

Issues addressed:

- For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced,
- Actions taken to achieve the KPI disaggregated by program or functions;
- PI-8.3 Resources received by service delivery units.

Lead Office: MOF

Issues addressed:

- Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units
- PI-8.4 Performance evaluation.

Lead Office: AB

Issues addressed:

- Independent assessment of information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI

Further details and specific activities can be found in the work plan (Annex 1).

2.2 Pillar 2: Management of Assets and Liabilities

Objective

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved and monitored.

Outstanding Reform Areas:

The outstanding reform areas that need to be addressed are shown by the table below. They comprise dimensions of the following PEFA indicators:

- **PI-10. Fiscal risk reporting:** This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 method for aggregating dimension scores.
- **PI-11. Public investment management:** This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the M2 method for aggregating dimension scores.
- **PI-12. Public asset management:** This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the M2 method for aggregating dimension scores.

Reform Areas	Score Achieved 2016	Main Weaknesses (Baseline 2017)	Target Score	Priority
PI-10 Fiscal risk reporting (M2)	C		B	
10.1 Monitoring of public corporations	C	Published and audited financial reports within 6 months and a consolidated government report	B	Mid
10.2 Monitoring of subnational governments	C		B	Low
10.3 Contingent liabilities and other fiscal risks	C		B	High

PI-11 Public Investment Management (M2)	D+	No national guidelines established	B*	
11.1 Economic analysis of investment proposals	C	No project selection criteria	B	High
11.2 Investment project selection	C	Total capital costs not published	B	High
11.3 Investment project costing	D	No standard procedures and rules and no reports published	C	High
11.4 Investment project monitoring	D		C	High
PI-12 Public asset management (M2)	D+	Important information about some holdings of financial assets excluded from financial reports.	C	
12.1 Financial asset monitoring	D	Asset registration started recently	C	Low
12.2 Non-financial asset monitoring	C	No rules in place	B	Low
12.3 Transparency of asset disposal	D	1. Already procedures and rules around transfer and disposal of land-lease, concession, and sale (DLS) 2. No standard procedures for dispose of government equipment, cars, etc. (GSD)	C	Low

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Strengthen fiscal risk reporting (PI-10)

By 2021, the following requirements will be met (indicator score B):

- **Audited** annual financial statements for **most** subnational governments will be published at least annually within nine months of the fiscal year. (a)
- Central government entities and agencies will quantify **most** significant contingent liabilities in their financial reports. (b)

Lead Office: MOF, MDA

Issues addressed: Integration of municipalities in unified management system and reporting

Activities:

a)

- Conduct study with MOMA, CVDB; evaluation for the current financial situation of municipalities; develop operational plans and implement unified information system (2018);
- Roll-out of management system (2019-2021);

b)

- Develop guidelines and templates; train employees (2018);
- Conduct study for 5 large ministries under GFMS and produce corresponding reports (2019);
- Expand coverage of pilots (2020-2021);

Key intervention 2: Strengthen public investment management (PI-11)

By 2021, the following requirements will be met (indicator score C):

- Economic analyses will be conducted for *most* major investments projects according to national guidelines including the publication of results; (a)
- The economic analyses will be analysed and reviewed through an entity other than the sponsor entity; (a)
- Prior to the inclusion into the budget, (most) major investment projects will be prioritized by a central entity on the basis of standard criteria for project selection; (b)
- Projections of total capital cost of major investment projects will be prepared together with capital costs for the forthcoming budget year and included into the budget documents; (c)
- Total cost and physical progress of major investment projects will be monitored by the implementing government unit and information on the implementation will be published annually. (c)

Lead Office: PIM-Unit

Issues addressed: Establish and utilize national guidelines for economic analysis and introduce review process; implement project selection according to developed criteria catalogue; enhance documentation of projected capital cost of investment projects; monitoring and reporting of cost;

Activities:

a)

- Develop national guidelines for economic analysis (2019);
- Conduct training for trainers and on-the-job training for up to 8 MDAs (2019-2021)
- Start review and analysis of economic analysis by MOPIC/ BGD in 2019;

b)

- Review international experience with criteria for project selection, develop criteria catalogue and seek for validation through Cabinet (2018-2019);
- Develop implementation instructions and provide training (2019);
- Apply selected criteria (2020-2021);

c)

- Review and enhance documentation for major investment projects to include total cash flow profile, expected physical progress, and risk analysis; train GBD employees (2019);
- Submission of projection of total capital cost of major investment projects by all pilot MDA/GU until 2021;

Key intervention 3: Enhance public asset management (PI-12)

By 2021, the following requirements will be met (overall score C):

- A record of GoJ holdings will be maintained in major categories at their acquisition cost or fair value. Information on the performance of the major categories will be published annually; (a)

- A register of GoJ's fixed assets will be maintained and published, incl. information on their usage and age. A register of land and subsoil assets will be maintained (where relevant); (b)
- Procedures and rules for the transfer or disposal of nonfinancial assets will be established:
- Information on transfers and disposal will be included (partially) in the budget document and financial reports. (c)

Lead Office: PIM-Unit

Issues addressed: Fixed asset registry in GFMIS and publication of performance data; procedures for transfer or disposal of nonfinancial assets;

Activities:

a)

- Draft and test stock-taking procedure (2018);
- Establish fixed asset registry in GFMIS (2019);
- Stock-taking exercise for up to 10 pilots (2019-2021);

b)

- Legislative review concerning legality of publishing performance data (2018);
- Start publication (2019);

c)

- Review of chart of accounts (other revenue) in 2018;
- Start to publish findings in budget documents and financial reports as attachments (2019);

Further details and specific activities can be found in the work plan (Annex 1).

2.3 Pillar 3: Policy-based Fiscal Strategy and Budgeting

Objective

The fiscal strategy and the budget have to be prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections. Within this assessment area, the following PEFA indicators are relevant:

PI-14. Macroeconomic and fiscal forecasting: This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses M2 for aggregating dimension scores.

Progress has been made concerning the preparation of fiscal forecasts, as indicated by the score of B. However, macroeconomic forecasting and sensitivity analysis present still reform areas that need to be addressed in the future.

PI-15. Fiscal strategy: This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government’s fiscal goals. It contains three dimensions and uses the M2 method for aggregating dimension scores.

Based on the scores of the three dimensions, *Fiscal Strategy* has been identified as important reform area.

PI-16. Medium-term perspective in expenditure budgeting: This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the M2 method for aggregating dimension scores.

Key interventions will address the lacking *consistency of budgets with previous year’s estimates*.

PI-17. Budget preparation process: This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the M2 method for aggregating dimension scores.

While the dimension *guidance on the budget preparation* achieved the score of an A, weaknesses persist with view of the *budget calendar* and the *timely submission to legislature*.

PI-18. Legislative scrutiny of budgets: This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature’s procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. It contains four dimensions and uses the M1 method for aggregating dimension scores.

While the *scope of budget scrutiny and budget adjustments rules* meet international standards, further efforts have to be made concerning *legislative procedures* and the timing of the *budget approval*.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2016
14.2 Fiscal forecasts	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.	B
17.2 Guidance on budget preparation	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings approved by the	A

	cabinet (or equivalent) prior to the circular's distribution to budgetary units.	
18.1 Scope of budget scrutiny	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue.	A
18.4 Rules for budget adjustments by the executives	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.	A

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform Areas	Score Achieved 2017	Main Weaknesses (Baseline 2017)	Target Score	Priority
PI-14 Macro-economic and fiscal forecasting (M2)	C	3-year forecasts of real GDP growth and inflation in budget documentation but not interest and exchange rates.	B	
14.1 Macro-economic forecasts	C	3 year forecasts of main fiscal aggregates lack explanation of changes from forecasts made in previous year.	B	High
14.3 Macro-fiscal sensitivity analysis	D	No discussion of implications of alternative assumptions.	C	High
PI-15 Fiscal strategy (M2)	C	Specific decisions on revenue and expenditure cover only the budget year. Fiscal strategy effectively set through the IMF programmes but not submitted to Parliament. Letters of Intent which also report on fiscal outcomes sent to IMF but not submitted to Parliament	B	
15.1 Fiscal impact of policy proposals	C	The figures given for the two following years left open the precise choices concerning revenue and expenditure	B	High
15.2 Fiscal strategy adoption	C		B	High
15.3 Reporting on fiscal outcomes	C	No report describing the progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets	B	High
16.4 Consistency of budgets with previous year's estimates	D		C	High
PI-17 Budget preparation process (M2)	B			
17.1 Budget calendar	C		B	High
17.3 Budget submission to legislature	C	Submitted 1 month only before the start of the fiscal year (due to constitutionally codified start of the parliamentary session)	B*	High
PI-18 Legislative scrutiny of budgets (M1)	C+		B	
18.2 Legislative procedures for budget scrutiny	C		B	Low

18.3 Timing of budget approval	C		B	Low
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To achieve the respective target scores, the following interventions are planned (critical advancements to be made are highlighted in bold):

Key intervention 1: Strengthening macro-economic forecasting (PI-14.1/ 14.3)

By 2021, the following requirements will be met (indicator score B):

- Forecasts of key macroeconomic indicators (incl. **interest and exchange rates** and changes from forecast of previous year) will be prepared, with underlying assumptions covering budget year and two following fiscal years, and submitted to legislature;
- The qualitative assessment of **the impact of alternative economic assumptions** will be integrated in budget documentation.

Lead Office: MOF-SEPD, GBD, ISTD-PSD

Issues addressed: interest and exchange rates; sensitivity tests;

Activities:

- Training and capacity building to improve MTFE preparation (2019);
- Technical assistance for conducting sensitivity tests (2019);

Key intervention 2: Enhance the fiscal strategy (PI-15)

By 2021, the following requirements will be met (indicator score B):

- Estimates will be prepared of the final impact of all proposed changes in revenue and expenditure policy for the budget year and the **following two fiscal years**; (a)
- The strategy will be prepared, **submitted and adopted (by legislature)** including quantitative or qualitative fiscal objectives for at least the budget year and **the two following fiscal years**; (b)
- A report (along with annual budget) will be prepared and **submitted to legislature** describing **the progress made against its fiscal strategy** and providing explanation of the reasons of any deviation from the objectives and targets set. (c)

Lead Office: MOF-SEPD, GBD, ISTD-PSD

Issues addressed: Include estimates of final impact of changes and fiscal objectives in MTFE documents as well as progress report submitted to legislature;

Activities:

a)

- Include estimates in MTFE document

b)

- Include in the fiscal plan which will be attached to MTFE documents;

c)

- Add statement explaining that IPSAS cash basis is fully integrated and only accrual IPSAS is not (2018);
- Coordinate with stakeholders to prepare report to be submitted to legislature along with budget (2020);

Key intervention 3: Improve consistency of budgets with previous year's estimates (PI-16.4)

By 2021, the following requirements will be met (indicator score B):

- An **explanation** will be prepared and included in the budget documentation of most of the changes to expenditure estimates between the **second year** of the last medium-term budget and the first year of the current mid-term budget at the aggregate level.

Lead Office: MOF-SEPD, GBD, ISTD-PSD, Cabinet

Activity: Include explanation in budget documentation (2020);

Key intervention 4: Improve budget preparation process (PI-17)

By 2021, the following requirements will be met (indicator score B):

- It will be adhered to the annual budget calendar, which allows at least four weeks from receipt of the budget circular. **Most** budgetary units will be able to complete their detailed estimates on time.
- The annual budget proposal is submitted to the legislature **at least two months** before the start of the fiscal year.

Lead Office: GBD, Cabinet

Activities:

- Activate GFMS budget preparation module (2018);
- Produce 2020 budget using GFMS budget preparation module (2019);
- Produce 2021 budget using GFMS budget preparation module (2020);
- Produce 2021 budget using GFMS budget preparation module (2021);

Key intervention 5: Strengthen the legislative scrutiny of budgets (PI-18)

By 2021, the following requirements will be met (indicator score B):

- **Legislature's procedures** to review budget proposals in advance of budget hearings will be developed, approved and adhered to; those include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedures.
- Clear rules for in-year budget adjustments by the executive will be developed and adhered to in most instances.

Lead Office: Cabinet, Parliament

Further details and specific activities will be determined.

2.4 Pillar 4: Predictability and Control in Budget Execution – Tax Administration (TADAT Indicators)

POA 1: Integrity of the Registered Taxpayer Base

Objective

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administration must compile and maintain a complete database of businesses and individuals that are required by law to register. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

While the first dimension remains a subject for further reform efforts, the second is categorized as key achievement.

Key Achievements

The following table shows the key achievement.

Dimension	Requirement Met	Score 2016
P1-2. Knowledge of the potential taxpayer base.	(i) The tax administration’s annual operational plans specify initiatives to detect unregistered businesses and individuals, including at least: a. Systematic use of third party information sources (e.g, business registration and labor force data); and (ii) Evidence exists (e.g. documented reports) of actions and results during the past year in detecting unregistered businesses and individuals;	B

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 1: Integrity of the Registered Taxpayer Base				
P1-1. Accurate and reliable taxpayer information.	C	The registration procedures and database capture the minimum information required to identify a taxpayer.	B	High

		However, there is uncertainty about the number of inactive taxpayers, which undermines effective compliance management.		
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To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Improve the integrity of the taxpayer base

This key intervention includes the following main activities:

- Improve the level of **information and knowledge about inactive taxpayers**
- Develop and integrate initiatives in **ISTD's annual operational plan, to detect unregistered businesses and individuals**, including at least systematic use of third party information sources. Conduct and document actions and results during the past year in detecting unregistered taxpayers.

Lead Office: ISTD

Issues addressed: Quality and completeness of taxpayer data; improve existing risk register;

Activities:

- Verify the quality of taxpayer database information;
- Conduct a study to identify a list of economically inactive taxpayers; cooperate with MIT / company comptroller, SSC and pension directorate (2018, 2020);
- Start verification of actual problem cases (2019-2021);
- Expand coverage of taxpayer database; collect CD from GAM with respect to professional licenses; establish electronic link with GAM (2018);
- Issue non-registered tax numbers and distribute them according to geographical location for Amman, and require directorates to follow up the implementation (2019);
- Prepare follow-up reports and link with social security and civil retirement for non-registered taxpayers. Expand program to other municipalities (2020-2021);

Further details and specific activities can be found in the work plan (Annex 1).

POA 2: Effective Risk Management

Objective

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

The proposed key interventions are designed to improve three of the four performance indicators used to assess POA 2 (marked in bold):

- **P2-3—Identification, assessment, ranking, and quantification of compliance risks.**

- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Identification, assessment, and mitigation of institutional risks.

Outstanding Reform Areas

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 2: Effective Risk Management				
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	ISTD does not undertake compliance risk management in the strategic sense as outlined by the IMF and OECD.	C	High
P2-4. Mitigation of risks through a compliance improvement plan.	D	No such plan is produced.	C	High
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	ISTD do not monitor the compliance impact of strategies, which are mainly audit related.	C	High

Key intervention 1: Develop an effective risk management (P2)

By 2021, the following requirements will be met:

- Develop and implement a **risk assessment process, to identify, assess and prioritize compliance risks** for all core taxes and the four main compliance obligations, using at least internal data sources; (a)

Lead Office: ISTD-PSD

- Develop and implement a **yearly compliance plan comprising mitigation activities** in respect of identified risks in the tax system (may not cover all core taxes, all four main tax obligations or all key taxpayer segments); (b)

Lead Office: ISTD

- Allocate sufficient resources and monitor implementation progress monthly or quarterly; (c)
- Establish **standard risk management governance and policies**;(d)

Lead Office: MoF, DLS (pilot)

Issues addressed: risk assessment process; audit strategy; resource allocation; establishing risk management unit;

Activities:

a)

- Develop a revised risk assessment process (including the improvement of taxpayer classification; identifying risks pertaining to 4 obligations of all taxpayers; assess impact of risks on tax) (2018);

- Assess continuously effectiveness and efficiency of strategy and develop audit strategy (2019-2021);

b)

- Review 2017 audit-strategy and reformulate 2018 Audit strategy (2018);
- Continuously assess effectiveness and efficiency of previous year strategy and develop audit-strategy for current year (2019-2021);

c)

- Assess efficiency of allocation of audit resources and redistribute resources accordingly; (2018-2021);

d)

- Establish MoF Risk Management Unit and Executive Risk Committee at MoF; draft standard governance, policies and procedures (2018);
- Establish Risk Management Team at DLS as pilot for other departments and conduct capacity building on risk management (2018);
- Continue to build capacity of MoF risk management unit, Risk Committee and MoF risk management team at DLS; MoF departments begin adopting standard risk management procedures (2019);
- Continue to build capacity in departments on adopting standard risk management procedures and complete full adoption of standard MoF risk management policies and procedures across departments (2021);

Key Intervention 2: Establish monitoring and evaluation of compliance risk mitigation activities (P2-5)

By 2021, the following requirements will be met:

- **Monitor compliance risk management strategies** (approved by senior management) at least on ad hoc activities;
- **Document evaluations of the effectiveness** of approved compliance risk mitigation strategies in achieving targeted outcomes and **submitted for review by senior management.**

Lead Office: ISTD

Issues addressed: monitoring and evaluation system based on identified risks and analysis of compliance risks;

Activities:

- Develop a monitoring and evaluation system built on the Compliance Improvement Plan (2018);
- Monitoring system and produce regular reports (2019-2021);
- Conduct ad hoc analysis of effectiveness of approved compliance risks (2019), for at least two core taxes (2019), for all core taxes (2021);

Further details and specific activities can be found in the work plan (Annex 1).

POA 3: Supporting Voluntary Compliance

Objective

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Key achievements regarding P3-7 (*Scope, currency, and accessibility of information*) include the accessibility and availability of information, as well as the reliable and quick reply to taxpayer requests. On the other hand, the currency of information has to be improved.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2016
POA 3: Supporting Voluntary Compliance P3-7. Scope, currency, and accessibility of information.		
P3-7-1: Availability of information (i)	Information on the main areas of taxpayer obligations (registration, filing, payment, and reporting of information in tax declarations) and entitlements is readily available in respect of all core taxes (ii) Information is tailored to the needs of key taxpayer segments, industry groups, intermediaries, and disadvantaged groups.	A
P3-7-3: Accesbility of information	(i) The tax administration provides a broad range of proactivce taxpayer education programs (ii) Information is available through a variety of user-friendly service delivery channels (iii) Information is available at minimal or no cost (iv) Information and self-service facilities are available to taxpayers and intermediaries at a time convenient to them— including, for example, outside normal business hours.	A
P3-7-4: Response to taxpayer requests	At least 70 percent of telephone enquiry calls are answered within 6 minutes' waiting time	A

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform Area	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 3: Supporting Voluntary Compliance				

P3-7-2: Currency of information	C	A wide range of information is available to and easily obtained by taxpayers and taxpayer requests are responded to in a timely manner; however, taxpayer updates on changes in law and policy are not made by dedicated staff or before the change takes effect.	B	High
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To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Support voluntary compliance (P3)

By 2021, the following requirements will be met:

- **Publish information on the main areas of taxpayer obligations** (registration, filing, payment, and reporting of information in tax declarations) and entitlements in respect of all core taxes, in a timely manner;
- **Tailor information above to the needs of at least one taxpayer segment or industry group**, and tax intermediaries;

Lead Office: ISTD

Issues addressed:

Activities: data on taxpayers;

- Identify procedures and dedicated staff (2018)
- Publish administrative policy changes available online before they take effect (2019)
- Publish new tax law changes before they take effect (2020)

Further details and specific activities can be found in the work plan (Annex 1 and 2).

POA 4: Timely Filing of Tax Declarations

Objective

Filing of tax declarations remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. There is a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

The following performance indicators are used to assess POA 4:

- P4-10—On-time filing rate.
- P4-11—Use of electronic filing facilities.

Increasing the use of electronic filing facilities constitutes one of the outstanding reform areas, as shown by the following table.

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform area:

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
P4-11. Use of electronic filing facilities.	D	Electronic filing is available and convenient but few taxpayers use this service, despite ISTD efforts to promote e-services.	C	High

To achieve the respective target score, the following interventions are planned:

Key intervention 1: Increase the use of electronic filing activities (P4-11)

By 2021, the following requirements will be met:

- Develop a set of activities to reduce ISTD's reliance on physical taxpayer visits so that at least 50% of declarations are made electronically.

Lead Office: ISTD

Issues addressed: reliance on physical presence of taxpayers;

Activities:

- From 2018, all taxpayers are obliged to submit tax declarations electronically;

Further details and specific activities can be found in the work plan (Annex 1 and 2).

POA 5: Timely Payment of Taxes

Objective

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Following performance indicators are used to assess POA 5:

- P5-12—Use of electronic payment methods.
- P5-13—Use of efficient collection systems.
- P5-14—Timeliness of payments.
- P5-15—Stock and flow of tax arrears.

Several dimensions of the five indicators constitute reform areas. Major key achievements have been made regarding P5-15, the stock and flow of tax arrears including the reclassification of arrears. It further has to be mentioned that since the TARDAT assessment 2016, major achievements have been made regarding the use of electronic payment methods, so that requirements of the envisaged score improvement are met. Also, the reclassification of arrears represents a major reform success.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2016
POA 5: Timely Payment of Taxes P5-15. Stock and flow of tax arrears.		
P5-14-2: The value of VAT payments made by the due date in percent of the total value of VAT payment due	. The ratio is 50 percent and above up to 75 percent.	A

Outstanding Reform Areas

The following table provides an overview of the reform areas at the time of the TARDAT assessment 2016.

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 5: Timely Payment of Taxes				
P5-12. Use of electronic payment methods.	C	*	B	Mid
P5-13. Use of efficient collection systems.	C	Withholding at source is in place for all employment income, but advance payment arrangements for business income are required only for taxpayers with income greater than JD100,000 . Moreover, withholding or mandatory reporting of dividend income is not required.	B	Mid
P5-14-1: Number of VAT payments made by the due date / Total Number of VAT payments due x 100.	C	While the value of GST on-time payments is 91.3% of all GST payments, the number of GST on-time payments is only 55.9% (3-year average)	B	Mid
P5-15. Stock and flow of tax arrears.	D+	The total amount of core tax arrears as a percent of total tax collected is approximately 54%. The	C	High

			value of collectible core tax arrears as percent of total core tax collected is only 11%. Moreover, 69.6% of tax arrears are more than 12 months old.		
	P5-15-2: Value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	C	11%	B	High
	P5-15-3: The value of core tax arrears more than 12-months' old as a percentage of the value of all core tax arrears. The ratio is 50 percent and above up to 75 percent	C	70%	B	High

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Increase the use of electronic payment methods (P5-12)

*As mentioned, respective measures have already been taken by ISTD. Since 2018, electronic payment is mandatory for all transaction in excess of 3,000JD. This will apply to all payments in excess of 1,000JD in 2019. Consequently, electronic payments accounts for more than 50 percent of the value of total tax collections for each of CIT, PIT, VAT, and PAYE.

Key intervention 2: Increase the use of efficient collection systems (P5-13)

Activities are as follows:

- Introduce **advance payment arrangements (> 100,000)** for all business income (i. e. CIT and PIT).

Lead Office: ISTD

Activities:

- Study options to improve collection of advance payment differentiating by the size of taxpayers (2018);
- Review and adopt revised advance payment regulation to include in law (2019);
- Assess impact of revised advance payment regulation on efficiency of collection systems; propose further adjustments if needed (2020);

Key intervention 3: Enhance timeliness of payments (P5-14-1)

Activities and outputs are as follows:

- Develop actions based **on causes of low utilization with the following target:** the number of VAT payments made by the due date x 100; total number of VAT payments due between 75 and 90%.

Lead Office: ISTD

Activities:

- Study options to improve timeliness of VAT differentiating by the size of taxpayers (2018);
- Review and adopt revised VAT payment schedule to include in law (2019);
- Assess impact of revised VAT payment schedule on efficiency of collection systems; propose further adjustments if needed (2020);
- Review impact of revised VAT payment schedule (2021);

Key intervention 4: Improve stock and flow of tax arrears (P5-15)

As a major achievement, the stock of tax debt has been reclassified in disputed debt, collectable tax arrears, and permanently uncollectable debt.

Further actions are as follows:

- Review classification, conduct detail assessment of stock, implement revised instruction guidelines.

Lead Office: ISTD

Activities:

- Follow-up on the collection of arrears in terms of issuing claims for holding and studying the solvency (2018);
- Activating the sale in the public auction according to the solvency of the taxpayers (2019);
- Conduct a direct collection process through specialized committees (2020);
- Completion of electronic connectivity with banks (2021);

Further details and specific activities can be found in the work plan (Annex 1).

POA 6: Accurate Reporting in Declarations

Overall

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance.

Three performance indicators are used to assess POA 6:

- P6-16—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-17—Extent of proactive initiatives to encourage accurate reporting.
- P6-18—Monitoring the extent of inaccurate reporting

High scores were achieved for the scope of verification actions taken with regard to the quality of the audit program (P6-16-1), while the lack of access to financial data has restricted the score for the dimension that assesses the extent of cross-checking (P6-16-2). Reform efforts will be also directed towards increasing the extent of proactive activities and monitoring.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2016
POA 6: Accurate Reporting in Declarations P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.		
P6-16-1: The nature and scope of the tax audit program to detect and deter inaccurate reporting	The tax administration's audit program: (i) Covers all core taxes (ii) Covers key taxpayer segments, weighted towards at least large taxpayers (iii) Selects audit cases centrally on the basis of assessed risks (v) Routinely evaluates the impact of audits on levels of taxpayer compliance	B

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 6: Accurate Reporting in Declarations				
P6-16. Scope of verification actions taken to detect and	C+	* Tax audit program developed with limited or no use of following elements:	B	High

deter inaccurate reporting			<ul style="list-style-type: none"> ** Overall audit performance ** Analysis of tax differences ** Analysis of audit resources' efficiency ** Audit program mix ** Non-filer treatment ** Sample rotation ** Sample size analysis ** Sample criteria effectiveness analysis * Tax audit program partially prepared prior to start of audit program execution * Tax audit program execution not completed at end of year 		
	P6-16-2. Extent of large-scale automated cross-checking to verify information in tax declarations	C	Lack of access to data. ISTD is unable to obtain data on cash transactions from the anti-money laundering agency.	B	High
P6-17. Extent of proactive initiatives to encourage accurate reporting		D	No formalized rulings system, nor intentional co-operative compliance strategies.	C	High
P6-18. Monitoring the extent of inaccurate reporting		C	ISTD has received two conflicting reports from external organizations. There is no independent review of the methods used.	B	High

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Increase scope of verification actions taken to detect and deter inaccurate reporting (P6-16)

Activities and outputs are as follows:

- Presence of an enhanced tax administration audit program to cover all core taxes, key taxpayer segments, weighted towards at least large taxpayers, to routinely evaluate the impact of audits on levels of taxpayer compliance. (a)
- Every year ISTD
 - Implements current year's result-oriented tax audit program;
 - Conducts analysis of current year's audit program results;

- Develops result-oriented tax audit program for follow-up year; (a)
- Conduct large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from all following sources: VAT declarations, Banks/financial institutions, employers, three government agencies; (b)

Lead Office: ISTD

Activities:

a)

- Analysis of 2017 tax audit for elements listed as limited under “Main Weaknesses” 2017 and marked with ‘***’ (2018);
- Develop Result-oriented tax audit program for 2018 featuring key indicators based on analysis of previous year (2018);
- Implement 2018 result-oriented tax audit program (2018);
- Conduct analysis of 2018 program execution using elements listed above (2018);
- Develop result-oriented tax audit program for 2019 featuring key indicators listed under “Main Weaknesses” (***) (2018);
- Implement 2019 result-oriented tax audit program (2019);
- Conduct analysis of 2019 audit program execution (2019); develop result-oriented tax audit program for 2020 featuring key indicators based on analysis of 2019 execution (2019);
- Implement 2020 result-oriented tax audit program (2020); conduct analysis of 2020 audit program execution; develop result-oriented tax audit program for 2021;
- Implement 2021 result-oriented tax audit program; conduct analysis of 2021 audit program execution; develop result-oriented tax audit program for 2022 (2021);

b)

- Limitation of inaccurate tax statements by conducting matching tests (2018);
- Application on selected pilot agencies (2019);

Key intervention 2: Increase extent of proactive initiatives to encourage accurate reporting (P6-17)

Activities are as follows:

- Publication of instructions within 3 months of tax law (2019 – 2021)
- 5 presentation workshops with private sector & ISTD employees (2019 – 2021)

Lead Office: ISTD

Key intervention 3: Increase monitoring of the extent of inaccurate reporting (P6-18)

Activities and outputs are as follows:

- Develop and implement a monitoring system to measure the extent of inaccurate reporting using a methodology that covers at least VAT, subjects the results to credibility tests (i.e.

independent review) and use results in designing tax administration to improve accuracy of reporting.

Lead Office: ISTD

Activities:

- Conduct matching tests (2018);
- Review of international practices in terms of oversight (2019);

Further details and specific activities can be found in the work plan (Annex 1).

POA 7: Effective Tax Dispute Resolution

Objective

This POA deals with the process by which a taxpayer seeks an independent review, on ground of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer’s right to challenge a tax assessment a get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily assessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

From the three performance indicators used to assess POA 7, **P7-21** (in bold) was identified as reform area:

P7-19 – Existence of an independent, workable and graduated dispute resolution process

P7-20 – Time taken to resolve disputes

P7-21 – Degree to which dispute outcomes are acted upon.

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure.

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform area:

Reform areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 7: Effective Tax Dispute Resolution				
P7-21. Degree to which dispute outcomes are acted upon.	D	ISTD does not provide any evidence of regular or ad hoc dispute outcomes analysis	C	High

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Increase degree to which dispute outcomes are acted upon (P7-21)

By 2021, the following requirements will be met:

- Conduct ad hoc analysis of dispute outcomes (2018);
- Regular monitoring of dispute outcomes of material nature (2019-2021)
- Analysis report with recommendation for tax policy and tax administration (2019-2021)

Lead Office: ISTD

Issues addressed: There is currently one level of administrative review and two levels of judicial review but no separate dispute management unit; there are no regular reports on the outcome of conflicts and recommendations for changing tax policy;

Activities:

- In 2019, a separate dispute management unit will be established;
- From 2019 onwards, a specialized analysis of the results of dispute resolution will be conducted;

Further details and specific activities can be found in the work plan (Annex 1 and 2).

POA 8: Efficient Revenue Management

Objective

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating.
- Maintaining a system of revenue accounts.
- Paying tax refunds.

The last dimension is reflected by the indicator *P8-24—Adequacy of tax refund processing*, on which the key interventions focus. As shown by the following table, efforts have already resulted in major achievements.

Key Achievements

The following table lists the key achievements.

Dimension	Requirement Met	Score 2017
POA 8: Efficient Revenue Management P8-24. Adequacy of tax refund processing		
P8-24-1	All of the following are present: (i) Risk-based verification (e.g., screening of refund claims using automated risk assessment software; pre-refund audits of	B

	high-risk cases; and post-refund verification of lower-risk cases) (ii) Budget funds are allocated to meet all legitimate refund claims when they occur (iii) Offsetting of excess VAT credits against tax arrears, except where an outstanding amount is subject to a genuine dispute	
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Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform areas		Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 8: Efficient Revenue Management					
P8-24. Adequacy of tax refund processing					
P8-24-2:	Less than 70 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days	D	Some strengths in the refund risk approach, but inability to make any payments <30 days	C	Mid

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Strengthen adequacy of tax refund processing (P8-24)

Actions and outcomes are as follows:

- Develop actions based on causes of current limited results; as target at least 80 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days.

Lead Office: ISTD

Activities:

- Audit of tax returns by risk management (2018);
- Sorting tax refund claims with automated software (2019);
- Allocation of funds to cover all claims of tax rebates and clearing with other departments such as the Land and Survey Department (2020);

Further details and specific activities can be found in the work plan (Annex 1).

POA 9: Accountability and Transparency

Objective

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-25—Internal assurance mechanisms.
- **P9-26—External oversight of the tax administration.**
- P9-27—Public perception of integrity.
- P9-28—Publication of activities, results, and plans.

The focus rests on *P9-26 External oversight of the tax administration*. While the performance of the Audit Bureau was rewarded with a grade of A (P9-26-1), the absence of an ombudsman or equivalent authority to investigate taxpayer complaints restricted the score for the second dimension (P9-26-2), which will be considered as reform area.

Key Achievements

The following table shows the key achievement.

Indicator/ Dimension		Requirement Met	Score 2016
POA 9: Accountability and Transparency			
P9-26. External oversight of the tax administration.			(C)
	P9-26-1: Extent of independent external oversight	(i) There is an annual audit of the tax administration's financial statements by an external review body (e. g., government auditor or other independent entity) (ii) There is an annual program of operational performance audits by an external review body (e. g., government auditor) (iii) External review findings are responded to by the tax administration	B

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas:

Reform Areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority

POA 9: Accountability and Transparency					
P9-26. External oversight of the tax administration		C	Audit Bureau performs annual external audit, ISTD responds to the findings however responses are not published. No ombudsman nor equivalent authority routinely investigates taxpayers complaints	B	High
	P9-26-2: The investigation process for suspected wrongdoing and maladministration	D	No ombudsman or equivalent authority	B*	High

To achieve the respective target scores, the following interventions are planned:

Key intervention 9: Increase external oversight of the tax administration (P9-26)

By 2021, the following requirements will be met:

- Audit of the administration's financial statement by an external review body. (a)
- Implement an annual program of operational performance audit by external review body; (b)

Lead Office: AB

- ISTD responds to external review findings;
- External body submits systemic problems identified and recommended actions to fix them to ISTD and GoJ. (c)

Lead Office: ISTD

- External body investigates routinely complaints from taxpayers about treatment they received from the tax administration; (d)
- Oversee tax administration anti-corruption policies, investigate the most serious cases or alleged corrupt conduct of tax officials. (e)

Lead Office: to be determined

Activities:

- a)
 - Define internal performance evaluation standards (2018);
- b) Adopt internal performance evaluation standards (2019);
- c) Conduct internal performance evaluation (2020-2021);
- d) Audit Bureau issues opinion statement on ISTD's internal performance evaluation (2021).

- Study international good practices of external investigation of complaints to identify: mandate and institutional requirements, processes, resources (2018);
 - Identify possible external body (2018);
 - Agree to develop processes and capacities of the identified institution (2019);
- d) Identified external body reviews and comments on ISTD's anti-corruption policies and investigates most serious cases (2020);

Further details and specific activities can be found in the work plan (Annex 1 and 2).

POA 10: International Taxation

Objective:

Joining the following conventions will be t the center of efforts:

The **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI)** offers concrete solutions for governments to close the gaps in existing international tax rules by transposing results from the OECD/G20 BEPS Project into bilateral tax treaties worldwide. The MLI modifies the application of thousands of bilateral tax treaties concluded to eliminate double taxation. It also implements agreed minimum standards to counter treaty abuse and to improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies.

The **Global Forum on Transparency and Exchange of Information for Tax Purposes** consists of OECD countries and other jurisdictions that agreed to implement tax related transparency and information exchange. It addresses tax evasion, tax havens, offshore financial centres, tax information exchange agreements, double taxation and money laundering.

The **Convention on Mutual Administrative Assistance in Tax Matters** is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance, a top priority for all countries.

Reform Areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
POA 10. International Taxation				High

Following key interventions and actions are planned (**Lead Office ISTD**):

Key intervention 1: Sign the Multilateral Convention (MLI)

- Prepare to and sign MLI, implement MLI; include transparency and substance (BEPS action 5 report) (2018);
- Join BEPS; peer review; finalize draft legislation on country by country reporting (2019);
- Address potential lack of transparency/ substance in preferential regimes /exchange of information regarding preferential regimes (2019);
- Enact legislation on country by country reporting (2020);

Key intervention 2: Join the Global Forum on Transparency and Exchange of Information

- Review provisions dealing with exchange of information in Income Tax Law to meet international commitments (2018);
- Enact above-mentioned amendments of the Income Tax Law (2018);
- Join the Global Forum (GF), GF Phase I review, GF Phase II review (2019);

Key intervention 3: Sign the OECD Multilateral Convention on Mutual Administration Assistance in Tax Matters (MAC)

- Sign and ratify the MAC (2019);

2.5 Pillar 5: Predictability and Control in Budget Execution – PEFA Indicators

Objective

Indicators within this area assess whether the budget is implemented within a system of effective standards, processes and internal controls, ensuring that resources are obtained and used intended. Pillar includes the following indicators:

PI-21. Predictability of in-year resource allocation: This indicator assesses the extent to which the central Ministry of Finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the M2 method for aggregating dimension scores.

Reform efforts will be focused on reducing in-year budget adjustments and improving information on commitment ceilings.

PI-24. Procurement: This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the M2 method for aggregating dimension scores.

In the absence of an independent procurement complaints mechanism, this dimension constitutes an important reform area.

PI-25. Internal controls on nonsalary expenditure: This indicator measures the effectiveness of general internal controls for nonsalary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The present indicator contains three dimensions and uses the M2 method for aggregating dimension scores.

All three dimensions of this indicator achieved high scores and are considered as achievements.

PI-26. Internal audit: This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 method for aggregating dimension scores.

Both dimensions – *coverage of internal audits and nature of audits* – were identified as areas that require further improvements.

Key Achievements

The following table lists the key achievements.

Indicator/ Dimension	Requirement Met	Score 2017
25.1 Segregation of duties	Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few arrears.	B
25.2 Effectiveness of expenditure commitment controls	Strong controls effectively limit commitments to budgetary allocations and cash availability	A
25.3 Compliance with payment rules and procedures	All payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified.	A
26.3 Implementation of internal audits and reporting	Annual audit programs exist. All programmed audits are completed, as evidenced by the distribution of their reports to the appropriate parties.	A
26.4 Response to internal audits	Management provides a partial response to audit recommendations for most entities audited within twelve months of the report being produced.	B

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas.

Reform Areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
PI-21 Predictability of in-year resource allocation	B			
21.3 Information on commitment ceilings	C	Cash is released in monthly instalments, which may result in MDAs not being able to meet bills when they arrive	B*	Mid
21.4 Significance of in-year budget adjustments	C	Changes are insignificant as percentage of total expenditure but externally financed investment can be substantially increased without the need for a Supplementary Budget.	B	Mid
PI-24 Procurement	B			
24.4 Procurement complaints management	D	No independent complaints mechanism	C	High
PI-25 Internal controls on non-salary expenditure (M2)	B+			
25.1 Segregation of duties	C	By-laws mainly effective in ensuring segregation of duties, but could be more clearly specified.	B	High
PI-26 Internal audit (M1)	C+		B	
26.1 Coverage of internal audit	C	30% of the work is still "ex ante" pre-payment verification, but all sections of government are covered to some degree.	B	High
26.2 Nature of audits and standards applied	C	Audit is mainly centred on compliance	B	High

*PI-19 has been substituted with TADAT indicators.

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Improve information on commitment ceilings (21.3)

By 2021, the following requirements will be met (score B):

- MDAs will be provided with reliable information on commitment ceilings at least quarterly in advance.

Lead Office: GBD, MOF-Treasury

Activities:

- Develop an annual financial order;
- MDAs issue credible cash flow plans;
- Reactivate effective cash flow management

Key intervention 2: Significance of in-year budget adjustments (21.4)

Actions are as follows:

- Develop actions to improve the predictability of aid funds;

Lead office: MOPIC, GBD, MOF

Activities:

- Review internal good practices, propose recommendations and implement selected recommendations.
(See USAID recommendations)

Key intervention 3: Improve procurement complaints management (24.4)

By 2021, the following requirements will be met (score C):

- A procurement complaint system will be established, which is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.

Lead Office: GSD

Activities:

- Establish 3 committees; CMU - complaint management unit at PM; Jordan Anti Corruption Commission;

Key intervention 4: Improve internal controls on non-salary expenditure (PI-25)

By 2021, the following requirements will be met (score B):

- Revising the by-law to prescribe clear segregation of duties throughout the expenditure process, and to clearly laid down responsibilities for most key steps;

Lead Office: MOF, AB, JIACC

- Revising the nature of audits and standards applied, to focus internal audit activities on evaluations of the adequacy and effectiveness of internal controls.

Lead Office: MOF

Activities:

- Assess pilot GU; develop training modules for IC/IA (2018);
- Revise ICU assessment criteria; develop job descriptions for ICU (2018);
- Start operation of the Internal Audit Board (IAB) (2019).
- IAB is fully operational (2020-2021).

Key Intervention 5: Improve internal audit (PI-26)

By 2021, the following requirements will be met (score B):

- The internal audit is operational for central government entities representing most total budgeted expenditures and for central government entities collecting most budgeted government revenue.

Lead Office: MPF, AB, JIACC

- Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls.

Lead Office: MOF

Activities:

- Cabinet endorses the revised Internal Audit bylaw (2018);
- Internal Control Internal Audit bylaw; instructions revised (2018);
- Introduce by-law; develop instructions and manual (2018); implementation (2019); certification (2020);

Further details and specific activities can be found in the work plan (Annex 1).

2.6 Pillar 6: Accounting and Reporting

Objective

Accurate and reliable records need to be maintained, and information needs to be produced and disseminated at appropriate times to meet decision-making, management, and reporting needs. This pillar covers the following assessments:

PI-27. Financial data integrity: This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Three of the four dimensions were identified as important reform areas; efforts will focus on the bank reconciliation process and mitigating un-cleared balances in suspense and advance accounts.

PI-28. In-year budget reports: This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of

corrective measures. This indicator contains three dimensions and uses the M1 method for aggregating dimension scores.

Major achievements were made in two of the three dimensions, i.e. the coverage and the timing of reports. As reports do not include commitments, the score for the “accuracy” dimension was only a C.

PI-29. Annual financial reports: This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 method for aggregating dimension scores.

The dimension *Completeness of annual reports* scored high with an A; regarding the unsatisfying score (C) of the dimension *accounting standards*, it has to be mentioned that cash IPSAS are consistently applied but without cash flow statement.

Key Achievements

The following table lists the key achievements.

Indicator/ Dimension	Requirement Met	Score 2016
PI-28 In-year budget reports (M1)		C+
28.1 Coverage and comparability of reports	Coverage and classification of data allows direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports.	A
28.2 Timing of in-year budget reports	Monthly reports produced within four weeks of end of month	B
PI-29 Annual financial reports (M1)		C+
29.1 Completeness of annual financial reports	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, guarantees, and long-term obligations.	B

Outstanding Reform Areas

Over the next phase, the Government will focus on the following reform areas.

Reform Areas	Score Achieved 2016	Main Weaknesses	Target Score 2016	Priority
PI-27 Financial data integrity (M2)	D+		C	
27.1 Bank reconciliation	D	At least monthly bank reconciliation takes place for all active central government bank accounts, but GUs (nearly 20% of government controlled expenditure) bank accounts are reconciled only annually.	C	Mid
27.2 Suspense accounts	D	Significant un-cleared balances persist	*	Mid
27.3 Advance accounts	D	Significant un-cleared advances persist	C	Mid
PI-28 In-year budget reports (M1)	C+			

28.3 Accuracy of in-year budget reports	C+	Reports are accurate but do not include commitments	B	High
PI-29 Annual financial reports (M1)	C+		B	
29.3 Accounting standards	C	<p>Most cash-based IPSAS standards fulfilled, especially consolidate cash flow statement</p> <ul style="list-style-type: none"> • Chart of account (COA) for budget preparation differs from COA budget execution • No separate cash flow statement for budget entities • No statement describing deviation from cash IPSAS • No statement on deviation from accrual IPSAS" 	B	Mid

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Enhance financial data integrity (PI-27)

By 2021, the following requirements will be met (score B):

- Conduct bank reconciliation for all active central government bank accounts at least monthly, usually within 8 weeks from the end of each quarter;
- Perform reconciliation of suspense accounts annually, within two months from the end of the year;
- Perform reconciliation of advance accounts annually, within two months from the end of the fiscal year;

Lead Office: MOF-PAD

Key intervention 2: Enhance in-year budget reports (PI-28)

By 2021, the following requirements will be met (score B):

- Enhanced in-year budget reports (at least half-yearly), highlighting data issues with data consistent and useful for analysis of budget execution, with expenditure captured at least at payment stage.

Lead Office: MOF-PAD

Key intervention 3: Enhance annual financial reports (PI-29)

By 2021, the following requirements will be met (score B):

- Enhanced annual financial reports for budgetary central government, comparable with the approved budget, including information on at least revenue, expenditure, **financial assets, financial liabilities, guarantees, and long-term obligations;** (a)
- Reviewed accounting standards applied to all financial reports, to be consistent with the country's legal framework, which incorporate the majority of international standards into the national standards and explicitly **disclose and explain variations** and gaps betw. international and national standards; (b)

Lead Office: MOF

Activities:

a)

- Harmonize COA budget preparation with COA budget execution (2018);
- Issue statement about deviation from cash IPSAS (2018);
- Issue statement about deviation from accrual IPSAS (2018);
- Issue cash flow for five main budget entities (2019); issue statement about deviation from cash IPSAS; issue statement about deviation from accrual IPSAS (2019);
- Issue cash flow for ten main budget entities; issue statement about deviation from cash IPSAS; issue statement about deviation from accrual IPSAS (2020);
- Issue cash flow for 20 main budget entities; issue statement about deviation from cash IPSAS; issue statement about deviation from accrual IPSAS (2021);

b)

- Study documentation to include information required, especially liabilities and expenditure arrears and consolidated revenue arrears, (2018);
- Develop a citizen executive final account template (2018);
- Develop plan to meet other requirements (2019);

Further details and specific activities can be found in the work plan (Annex 1).

2.7 Pillar 7: External Scrutiny and Audit

Objective

Public finances need to be independently reviewed, including external follow-up on the implementation of recommendations for improvement by the executive. Pillar 7 includes the following indicators:

PI-30. External audit: This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1 method for aggregating dimension scores.

Three of the four dimensions represent outstanding reform areas: audit coverage, submission of reports to legislature, and the independence of the AB. Achievements have been recognized concerning the audit coverage and standards.

PI-31. Legislative scrutiny of audit reports: This indicator focuses on legislative scrutiny of the audited financial reports of central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It has four dimensions and uses the M2 method for aggregating dimension scores.

Three of the four dimensions scored below a B and thus deserve further attention: The timing of audit scrutiny, hearings on audit findings and recommendations made by the legislature. In contrast, the transparency of legislative scrutiny was rewarded with an A.

Key Achievements

The following table lists the key achievements.

Indicator/ Dimension	Requirement Met	Score 2016
PI-30 External audit (M1)		B
30.3 External audit follow-up	A formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years.	
PI-31 Legislative scrutiny of audit reports (M2)		C
31.4 Transparency of legislative scrutiny of audit reports	Audit reports are debated in public and parliamentary reports are produced and published.	A

Outstanding Reform Areas

Reform areas identified at the time of the PEFA assessment 2017.

Reform Areas	Score Achieved 2016	Main Weaknesses	Target Score	Priority
PI-30 External audit (M1)	D+		C	
30.1 Audit coverage and standards	D	Audit opinion (on 2015 financial statements) was given for the first time in 2016, but this was not done for 2013 and 2014.	C	High
30.2 Submission of audit reports to the legislature	D	Submission of audit reports to the legislature has been consistently over 9 months after receipt of the annual financial statements by the AB.	C	Low
30.4 Supreme Audit Institution(SAI) Independence	D	The Head of AB is appointed and can be removed by the Government (although the NA has on occasion secured his reinstatement). The AB has full access to documents and iP6-17nformation but lacks financial independence.	C*	Mid
PI-31 Legislative scrutiny of audit reports (M2)	C			
31.1 Timing of audit report scrutiny	D	Scrutiny of audit reports is usually delayed and not completed within twelve months	C*	Low
31.2 Hearings on audit findings	C	Hearings take place but there is no audit opinion	B*	Mid
31.3 Recommendations on audit made by the legislature	D	Recommendations were followed up, but no evidence was available about comparable action during the two previous years.	B*	High

To achieve the respective target scores, the following interventions are planned:

Key intervention 1: Strengthen external audit (PI-30)

Since the assessment, the following has already been achieved (2017):

- Audit financial reports of central government entities representing the majority of total expenditures and revenues yearly, using ISSAIs or national accounting standards and highlight any relevant significant issues;

Lead Office: AB

- Revise audit report preparation process to submit audit reports to the legislature within nine months from receipt of the financial reports by the audit office annually.

Lead Office: AB

Further actions to meet the requirements of the target score are as follows:

- Revise SAI legislation to secure independent operation from the executive with respect to the Secure SAI's unrestricted and timely access to the majority of the requested records, documentation and information (2018-2021);
- SAI's financial independence. (2019).

Lead Office: AB, Parliament

Key intervention 2: Enhance legislative scrutiny of audit reports (PI-31)

The following actions will ensure to meet the requirements of the target score in 2021:

- Revise timing of the legislature's scrutiny of audit report to be completed by the within twelve months from receipt of the reports.

Lead Office: Parliament

- Strengthen hearings on audit findings to include in-depth hearings on key findings of audit reports with responsible officers from most audited entities which received qualified or adverse audit opinion or a disclaimer

Lead Office: Parliament; MDAs

Further details and specific activities can be found in the work plan (Annex 1 and 2).

CHAPTER THREE: HIGH PRIORITY INTERVENTIONS – MAIN INDICATORS

The following tables gather the high level priority interventions listed under chapter 2. The detailed key performance indicators are placed in Annex 1.

	Pillar	# of Intervention	Indicator / Key Performance Indicators
1	Direct Contributions to Fiscal Discipline		
	Pillar 4. Predictability and control in budget execution – TADAT Indicators	2.4	
1.1	Facilitate voluntary compliance		
	POA 3. Support voluntary compliance	2.4.4	P3-7. Scope, Currency and Accessibility of Information * Procedures are in place and dedicated staff is assigned to secure current information published online for all core tax & administrative policy (2018) * Administrative policy changes available online before they take effect (2019-) * Taxlaw changes published online before they take effect (2020 -)
	POA4-Timely Filing of Tax Declarations	2.4.5	P4-11.Increase the use of electronic filing facilities (% of e-filing) *Facilitate filing of declaration with gradual increase of e-filing (2018: 70%, 2019: 80%, 2020: 85%, 2021: 85%)
1.2	Foster the respect of taxpayers' rights		
	POA7-Effective Tax Dispute Resolution	2.4.13	P7-19. Degree to which dispute outcomes are acted upon. * Regular monitoring of dispute outcomes of material nature (2019-) * Analysis report with recommendation for tax policy and tax administration (2019-)
	POA9-Accountability and Transparency	2.4.15	P9-26. External oversight of the tax administration. * Introduction of internal performance evaluation (2019) * First internal performance evaluation report according to standards (2020) * First AB opinion statement on ISTD's performance evaluation report.
1.3	Activate the deterrence of tax audit against fraudulent behavior		
	POA1-Integrity of the Registered Taxpayer Base	2.4.1	P1-1.Improve the integrity of the registered taxpayer base * Study of economically inactive taxpayers (2018, 2020) * Report of active verification (2019 -)
	POA2- Effective Risk Management	2.4.2	P2-3—Identification, assessment, ranking, and quantification of compliance risks * Risk assessment process and risk matrix revised (2018) * Evaluation of efficiency and effectiveness risk assessment in previous year (2019) * Evaluation of efficiency and effectiveness risk assessment in previous year with recommendation for resource allocation (2020 -)
			P2-4—Mitigation of risks through a compliance improvement plan * Compliance implementation plan developed (2018) * Compliance implementation plan updated (2019 -)
		2.4.3	P2-5—Monitoring and evaluation of compliance risk mitigation activities * Impact of compliance implementation plan monitored and evaluated (2019 -)

	Pillar	# of Intervention	Indicator / Key Performance Indicators
	POA6-Accurate Reporting in Declarations	2.4.10	P6-16. Scope of verification actions taken to detect and deter inaccurate reporting. * Result-Oriented Tax Audit Plan developed for following year (2019 -)
		2.4.12	P6-18. Monitoring the extent of inaccurate reporting Tax Gap and Tax Evasion Assessment * Identify external reviewing institution and define methodology (2019) * External institutions reviews tax gap and tax evasion estimates (2020 -)
	POA-10 International Taxation	2.4.16	POA-10 International Taxation * Sign the MLI (2018) * Sign the MAC (2019)
2	Indirect Contributions to Fiscal Discipline		
2.1	Communicate effectively what goods and services are purchased with collected taxes		
	Pillar 1. Transparency of public finances	2.1	
	PI-8 Performance information for service delivery		PI-8-1 Performance Plans for Service Delivery Units * For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries (2019) * Information published for four large ministries (2020) * Information published for six large ministries (2021)
			PI-8.3 Resources received by service delivery units * Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least one large ministry (Education or Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually (2019) * Information on the resources for at least two large ministries (2020) * Information on the resources for at least three large ministries (2021)
			PI-8.4 Performance evaluation * Audit Bureau assesses information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries (2020) * AB... for at least four large ministries (2021)
	Pillar 3. Policy-based fiscal strategy and budgeting	2.3	
		2.3.1	PI-14-1/14-2.Strengthen macro-economic forecasting * Parliament approves new Organic Budget Law (2019) * The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years. (2019 -) * In addition, the forecast will include some discussion of the implications of alternative assumptions (2021)

	Pillar	# of Intervention	Indicator / Key Performance Indicators
		2.3.2	PI-15. Enhance the fiscal strategy * The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set (2020 -). * The government prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years. (2020 -)
		2.3.3	PI 16.4. Improve consistency of budgets with previous year's estimates * The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level. (2020 -)
2.2	Avoid waste and abuse of collected taxes		
	Pillar 2. Management of assets and liabilities	2.2	
		2.2.1	PI-10. Strengthen fiscal risk reporting * Report for five significant ministries available (2020) * Report for five additional significant ministries available and update of previous (2021)
		2.2.2	PI-11. Strengthen public investment management * Officially adopt standard criteria for project assessment prepared (2019) * Assessment report for projects over identified threshold produced (2020)
	Pillar 5. Predictability and control in budget execution – PEFA Indicators	2.5	
	24.4 Procurement complaints management	2.5.3	24.4 Procurement complaints management * Complaint management system officially adopted (2019) * Report on complaint management system produced for fiscal year 2019 (2020) * Report on complaint management system produced for fiscal year 2020 (2021)
	PI-25 Internal controls on non-salary expenditure .	2.5.4	PI-25 Internal controls on non-salary expenditure . * Cabinet approves revised internal audit bylaw (2018) * Internal Audit Board (IAB) begins operation as internal audit oversight body (2019 -) .
	PI-26 Internal audit	2.5.5	PI-26 Internal audit * Draft revised financial bylaw and procurement bylaw developed (2019) * Revised financial bylaw and procurement bylaw endorsed officially (2020)
	Pillar 6. Accounting and reporting	2.6	
	PI-28 In-year budget reports	2.6.2	PI-28 In-year budget reports * Revised format for mid-year budget execution report developed (2018)
	Pillar 7: External Scrutiny Audit	2.7	

	Pillar	# of Intervention	Indicator / Key Performance Indicators
	PI-30 External audit	2.7.1	PI-30 External audit * Audit opinion on financial statements of 2 previous years (2017 -) * Formal, comprehensive, timely response made by the executive or MDA on audits for which follow-up was expected during the last three completed fiscal years. (2017 -) * Submission of AB report less than 9 mths after reception of financial statements (2018 -) * Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected (2019 -) * AB's financial independence secured by law(2019 -)
	PI-31 Legislative scrutiny of audit reports (M2)	2.7.2	PI-31 Legislative scrutiny of audit reports (M2) * Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (yearly). (2017 -) * In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (yearly). (2017 -) * The legislature issues recommendations on actions to be implemented by the executive (yearly). (2017 -)

CHAPTER FOUR: PROGRAMME MANAGEMENT

4.1 The Preparation of the 2018-2021 PFM Reform Strategy

The sequential development of the PFM Reform strategy involved three stages: the preparation of a draft strategy, a review and validation process, and the finalization of the strategy document.

1. Preparation of the reform strategy draft

- **Develop a draft structure**

First, a draft structure of the new PFM strategy was developed. To provide a comprehensive and consistent reform path for the period 2018-2021, the reform approach has been structured around the 7 pillars of a sound PFM system, as identified by PEFA.

- **Determining reform areas and levels of improvement**

On the basis of the PEFA and TADAT assessments in 2016, reform areas were identified. The performance ratings of both frameworks served as criteria for determining areas that require further attention. Indicators of these frameworks represent internationally recognized measures of the operational performance of key components of the PFM and tax system within the 7 pillars. For each indicator, assessment scores (A,B,C,D) are assigned to specific dimensions (sub-indicators), which are finally aggregated. Dimensions that were rated with a C or D were categorized as requiring further improvements. Due to the comprehensiveness of the frameworks, selecting reform areas required prioritizing fields in consideration of the general orientation of the new strategy.

The target of raising all indicators which received a B or C score by one grade provided the guiding principle for identifying the respective levels of improvements. The improvement of the single dimensions will lead in most of the cases to an overall indicator score of B or better (few exceptions exist where only a C score target was considered a feasible improvement level).

- **Identifying necessary measures and drafting expected progress**

For each indicator and/ or dimension key interventions were identified. The design of those interventions is oriented towards reaching the level of performance that justifies the specific target score. To that goal, the requirements to be met were assessed against the status quo, while the most current developments and progress that have been made since the assessments in 2016 were taken into account. Interventions were broken down into specific actions and activities to be performed over the timeframe 2018-2021, resulting in a detailed Work Plan that shows the expected progress over time.

- **Proposing the text of the strategy document**

Upon specifying and fleshing out the elements of the strategy, a proposal for the text of the strategy document was prepared.

- **Proposing monitoring mechanism**

As a final component of the strategic planning process, a proposal for appropriate monitoring and reporting mechanisms was prepared.

2. Review and validation of collected inputs

In a second step, the main elements of the strategy were reviewed and validated with the concerned stakeholders. To that purpose, a two-day workshop was held with representatives of the General Departments: MoF, GBD, ISTD, DLS, Customs Department, General Supplies Department, Audit Bureau.

3. Second Prioritization based on PFM Challenges and Goals

A second prioritization effort assigned the level of priority of the interventions identified during the previous step, by assessing their contribution to addressing the prevailing PFM challenges and goals. The results of this effort are gathered in chapter 3 of this report. The corresponding table of performance indicators is placed in Annex 1.

4. Finalization of the strategy document and review

Based on the successful Review and Validation Workshop, the strategy document was finalized.

3.1 Governance and Coordination

A two-level structure, consisting of the PFM Reform Steering Committee and the Reform Technical Committee, will ensure the successful implementation of the Strategy. The two governance bodies will be supported by the Reform Secretariat.

The PFM Reform Steering Committee

The overall leadership for the PFM comprehensive reform rests with H.E. the Minister of Finance, who leads the PFM Reform Steering Committee. It consists of the following Excellencies:

- SG Ministry of Finance
- DG General Budget Department
- DG Income and Sales Tax Department
- DG Customs Department
- DG Department of Lands and Surveys
- DG General Supplies Department
- DG Audit Bureau
- Senior representative of the Ministry of Planning and International Cooperation

The PFM Reform Technical Committee

The PFM Reform Technical Committee is headed by the Secretary General of the Ministry of Finance. It is composed of representatives of each stakeholder institution, as reflected in the PFM reform steering committee.

The responsibilities of the Technical Committee include the following:

- Monitor reform progress;
- Prepare bi-annual reports based on the PFM reform strategy format;
- Inform the Steering Committee on potential implementation delays;
- Recommend corrective measures, if necessary;
- Identify new measures and additional support needs, if necessary.

The PFM Reform Secretariat

The Reform Secretariat is led by the Monitoring and Evaluation Directorate at the Ministry of Finance. It will compile bi-annual reports on the basis of the inputs of the PFM Reform Technical Committee.

4.2 PFM Reform Strategy - Costing

	Pillar	# of Intervention	Indicator	2018	2019	2020	2021	TOTAL	
1	Direct Contributions to Fiscal Discipline			5,523,000	9,139,200	7,287,000	7,022,400	28,971,600	
	Pillar 4. Predictability and control in budget execution – TADAT Indicators	2.4							
1.1	Facilitate voluntary compliance								
	POA 3. Support voluntary compliance	2.4.4	P3-7. Scope, Currency and Accessibility of Information	219,400	219,400	219,400	219,400	877,600	
	POA4-Timely Filing of Tax Declarations	2.4.5	P4-11.Increase the use of electronic filing facilities	8,400	8,400	8,400	8,400	33,600	
1.2	Foster the respect of taxpayers' rights								
	POA7-Effective Tax Dispute Resolution	2.4.13	P7-21. Degree to which dispute outcomes are acted upon.	107,000	371,600	371,600	371,600	1,221,800	
	POA9-Accountability and Transparency	2.4.15	P9-26. External oversight of the tax administration.	554,400	1,083,600	554,400	554,400	2,746,800	
1.3	Activate the deterrence of tax audit against fraudulent behavior								
	POA1-Integrity of the Registered Taxpayer Base	2.4.1	P1-1.Improve the integrity of the registered taxpayer base	263,900	616,700	352,100	352,100	1,584,800	
	POA2- Effective Risk Management	2.4.2	P2-3—Identification, assessment, ranking, and quantification of compliance risks	1,037,200	2,095,600	1,301,800	1,301,800	5,736,400	
			P2-4—Mitigation of risks through a compliance improvement plan	1,163,200	1,163,200	1,163,200	1,163,200	4,652,800	
		2.4.3	P2-5—Monitoring and evaluation of compliance risk mitigation activities	43,000	572,200	572,200	572,200	1,759,600	
	POA6-Accurate Reporting in Declarations	2.4.10	P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	1,035,200	1,035,200	1,035,200	1,035,200	4,140,800	
			2.4.11	P6-17. Extent of proactive initiatives to encourage accurate reporting	201,600	289,800	289,800	289,800	1,071,000
			2.4.12	P6-18. Monitoring the extent of inaccurate reporting	275,100	539,700	539,700	539,700	1,894,200
	POA-10 International Taxation	2.4.16	POA-10 International Taxation	614,600	1,143,800	879,200	614,600	3,252,200	
2	Indirect Contributions to Fiscal Discipline								
2.1	Communicate effectively what goods and services are purchased with collected taxes			1,337,600	3,803,000	3,975,200	3,441,800	12,557,600	
	Pillar 1. Transparency of public finances	2.1							
	Pi-8 Performance information for service delivery		Pi-8-1 Performance Plans for Service Delivery Units	835,800	1,894,200	1,894,200	1,365,000	5,989,200	
			Pi-8-3 Resources received by service delivery units	366,800	366,800	366,800	455,000	1,555,400	
			Pi-8-4 Performance evaluation	84,000	344,400	428,400	512,400	1,369,200	
	Pillar 3. Policy-based fiscal strategy and budgeting	2.3							
		2.3.1	Pi-14-1/14-2.Strengthen macro-economic forecasting	34,200	563,400	563,400	563,400	1,724,400	
		2.3.2	Pi-15. Enhance the fiscal strategy	8,400	537,600	537,600	361,200	1,444,800	
		2.3.3	Pi 16.4. Improve consistency of budgets with previous year's	8,400	96,600	184,800	184,800	474,600	
2.2	Avoid waste and abuse of collected taxes			2,160,200	6,475,700	6,471,500	6,559,700	21,667,100	
	Pillar 2. Management of assets and liabilities	2.2							
		2.2.1	Pi-10. Strengthen fiscal risk reporting	14,000	410,900	322,700	410,900	1,158,500	
		2.2.2	Pi-11. Strengthen public investment management	394,800	1,142,400	1,142,400	1,142,400	3,822,000	
	Pillar 5. Predictability and control in budget execution – PEFA Indicators	2.5							
	24.4 Procurement complaints management	2.5.3	24.4 Procurement complaints management	11,200	364,000	364,000	364,000	1,103,200	
	Pi-25 Internal controls on non-salary expenditure .	2.5.4	Pi-25 Internal controls on non-salary expenditure .	613,200	1,226,400	1,310,400	1,310,400	4,460,400	
	Pi-26 Internal audit	2.5.5	Pi-26 Internal audit	-	1,058,400	1,058,400	1,058,400	3,175,200	
	Pillar 6. Accounting and reporting	2.6							
	Pi-28 In-year budget reports	2.6.2	Pi-28 In-year budget reports	7,000	95,200	95,200	95,200	292,600	
	Pillar 7: External Scrutiny Audit	2.7							
	Pi-30 External audit	2.7.1	Pi-30 External audit	1,120,000	2,178,400	2,178,400	2,178,400	7,655,200	
	Pi-31 Legislative scrutiny of audit reports (M2)	2.7.2	Pi-31 Legislative scrutiny of audit reports (M2)	-	-	-	-	-	
				9,020,800	19,417,900	17,733,700	17,023,900	63,196,300	

ANNEXES

A. ANNEX I: MONITORING AND EVALUATION FRAMEWORK- KEY PERFORMANCE INDICATORS BY PRIORITIES – PILLAR

	Pillar	# of Intervention	Indicator	Baseline 2017	2018	2019	2020	2021
1	Direct Contributions to Fiscal Discipline							
	Pillar 4. Predictability and control in budget execution – TADAT Indicators	2.4						
1.1	Facilitate voluntary compliance							
	POA 3. Support voluntary compliance	2.4.4	P3-7. Scope, Currency and Accessibility of Information	(i) Ad hoc actions are taken to update information (ii) Taxpayers are not always alerted to changes in the law or administrative policy before the law or policy takes effect	(i) procedures are in place and dedicated staff is assigned to secure current information published online for all core tax & administrative policy	(i) procedures and dedicated staff in place (ii) administrative policy changes available online before they take effect	(i) procedures and dedicated staff in place (ii) administrative policy changes available online & (iii) taxlaw changes before they take effect	(i) procedures and dedicated staff in place (ii) administrative policy changes available online & (iii) taxlaw changes before they take effect
	POA4-Timely Filing of Tax Declarations	2.4.5	P4-11.Increase the use of electronic filing facilities (% of e-filing)	under 50%	70%	80%	85%	85%

1.2	Foster the respect of taxpayers' rights							
	POA7-Effective Tax Dispute Resolution	2.4.13	P7-19. Degree to which dispute outcomes are acted upon.	No analysis of dispute outcomes of a material nature (i.e. with significant revenue implications / which affect a large number of taxpayers)	Ad hoc analysis of dispute outcomes of a material nature	Regular monitoring of dispute outcomes of material nature Analysis report with recommendation for tax policy and tax administration	Regular monitoring of dispute outcomes of material nature Analysis report with recommendation for tax policy and tax administration	Regular monitoring of dispute outcomes of material nature Analysis report with recommendation for tax policy and tax administration

POA9-Accountability and Transparency	2.4.15	P9-26. External oversight of the tax administration.	(i) No external review of performance (ii) Published link to report (iii) No publication of ISTD answer	Introduce internal performance evaluation: (i) Draft standards guiding efforts to assure integrity of the registered taxpayer base (P1-1); to identify, assess, rank and quantify compliance risks (P2-3); to mitigate risks through a compliance improvement plan (P2-4); to monitor and evaluate the impact of risk mitigation activities (P2-5) are developed.	Introduce and formalize internal performance evaluation: (i) Standards guiding efforts to verify and detect inaccurate reporting (P6-16); to proactively encourage accurate reporting (P6-17); to assess tax gap and tax evasion (P6-18) are developed and documented. (ii) Standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 are officially endorsed. (iii) Responsibilities, processes and format to report on the implementation of the standards (P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18) officially decided.	(i) Internal performance evaluation report following the standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 for first 6 months of 2020 issued. (ii) At least one capacity development measure for AB on ISTD's internal evaluation standards conducted.	(i) Internal performance evaluation report following the standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 for 2020 issued and submitted to AB. (ii) Opinion statement of the AB on performance evaluation issued.
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1.3	Activate the deterrence of tax audit against fraudulent behavior							
	POA1-Integrity of the Registered Taxpayer Base	2.4.1	P1-1.Improve the integrity of the registered taxpayer base	No study or verification actions of economically inactive taxpayers	A study of economically inactive taxpayers is completed.	Report of active verification issued	(i) A study of economically inactive taxpayers is completed (ii) Report of active verification issued	Report of active verification with link to SSC is issued.
	POA2- Effective Risk Management	2.4.2	P2-3—Identification, assessment, ranking, and quantification of compliance risks	Risk assessment not integrated into regular practice	Risk assessment process and risk matrix is developed.	Assessment of RA efficiency and effectiveness 2018	Assessment of RA efficiency and effectiveness 2019 with recommendation for resource allocation	Assessment of RA efficiency and effectiveness 2020 with recommendation for resource allocation
			P2-4—Mitigation of risks through a compliance improvement plan	No compliance implementation plan in place	Compliance implementation Plan (CIP) is issued	CIP updated	CIP Updated	CIP Updated
		2.4.3	P2-5—Monitoring and evaluation of compliance risk mitigation activities	No monitoring of risk mitigation activities		CIP and monitoring & evaluation of impact	CIP and monitoring & evaluation, & analysis	CIP and monitoring & evaluation, & analysis

POA6-Accurate Reporting in Declarations	2.4.10	P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	No result-oriented tax audit plan in place	Standards and template for Result-oriented Tax Audit plan (ROTA) is developed.	ROTA for 2020 is prepared.	ROTA for 2021 is prepared.	ROTA for 2022 is prepared.
	2.4.11	P6-17. Extent of proactive initiatives to encourage accurate reporting	No public ruling system No cooperative compliance approaches		Publication of instructions within 3 months of tax law 5 presentation workshops with private sector & ISTD employees	Publication of instructions within 3 months of tax law 5 presentation workshops with private sector & ISTD employees	Publication of instructions within 3 months of tax law 5 presentation workshops with private sector & ISTD employees
	2.4.12	P6-18. Monitoring the extent of inaccurate reporting Tax Gap and Tax Evasion Assessment	(i) Assessment of inaccurate reporting conducted (ii) No independent assessment of methodology/results (iii) Evidence of use for policy preparation	(i) Previous methodology/ies used to assess the extent of inaccurate reporting documented (ii) External reviewing institution identified	Revised methodology/ies is agreed with identified external reviewing institution.	(i) Assessment of inaccurate reporting conducted covering at least VAT (ii) Results subjected to external review (iii) Evidence of use of results for design of tax administration interventions	(i) Assessment of inaccurate reporting conducted covering at least VAT (ii) Results subjected to external review (iii) Evidence of use of results for design of tax administration interventions
POA-10 International Taxation	2.4.16	POA-10 International Taxation	Jordan has committed to joining the BEPS and the global forum	MLI signed	MAC signed	MAC ratified	Jordan in good standing with BEPS, OECD and EU Council

2	Indirect Contributions to Fiscal Discipline							
2.1	Communicate effectively what goods and services are purchased with collected taxes							
	Pillar 1. Transparency of public finances	2.1						
	PI-8 Performance information for service delivery		PI-8-1 Performance Plans for Service Delivery Units	For the purposes of the budget documentation all the activities of all Ministries or Departments are broken down into programmes, with key performance indicators (KPIs).But they are not generally specified in terms of outcomes (e.g. reductions in the incidence of diseases, increase in the number of students achieving specific academic standards). This documentation does not generally explain what actions are to be taken to achieve the KPIs.	A methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI is revised.	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries, disaggregated by program or functions	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least four large ministries, disaggregated by program or functions	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least six large ministries, disaggregated by program or functions

			PI-8.3 Resources received by service delivery units	No information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least two large Ministries (typically Education and Health) is collected and recorded, disaggregated by sources of funds, and compiled into a report at least annually	A methodology and report templates are developed to provide information on the resources received by individual front-line service delivery units, disaggregated by sources and distributed geographically.	Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least one large ministry (Education or Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually	Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least two large ministries (Education and Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually	Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least three large ministries (Education and Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually
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			PI-8.4 Performance evaluation	<p>MoPIC and GBD are preparing a Monitoring and Evaluation (M&E) Framework which would be applied throughout the government, and reported in a common format. But there is no evidence of any significant evaluations having yet taken place in accordance with this initiative. The AB's coverage of the delivery of main public services has so far been relatively limited to some institutions</p>	<p>GBD and MoPIC, prepared a draft methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI.</p>	<p>(i) GBD and MoPIC, submitted a revised draft methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI to AB for assessment. (ii) AB assessment of the methodology identified to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI is issued.</p>	<p>(i) The methodology factoring in the AB recommendations - to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI is officially endorsed. (ii) AB assesses information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries, disaggregated by program or functions</p>	<p>AB assesses information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least four large ministries, disaggregated by program or functions</p>
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Pillar 3. Policy-based fiscal strategy and budgeting	2.3						
	2.3.1	PI-14-1/14-2.Strengthen macro-economic forecasting	Macro-economic forecasting has proved difficult in Jordan over the last two years, with growth persistently falling short of expectations (score C)		(i) Parliament approves New Organic Budget Law that requires MOF to prepare an MTF with base year and 2 indicative years and GBD to include macroeconomic indicators in the budget documentation (ii) The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years and includes some discussion of the implications of alternative assumptions.

		2.3.2	PI-15. Enhance the fiscal strategy	<p>(i) The documentation for the 2014-16 budgets reflected specific proposals on revenue and expenditure for the baseline year, but the figures given for the two following years left open the precise choices concerning revenue and expenditure which would achieve the aggregate objectives.</p> <p>(ii) A report describing the progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set was not presented to the national assembly.</p>	<p>(i) The government has identified measures to develop capacities to estimate the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.</p>	<p>(i) The government has developed capacities to estimate the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.</p> <p>(ii) The government has developed a report format to submit to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.</p>	<p>(i) The government prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.</p> <p>(ii) The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.</p>	<p>(i) The government prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.</p> <p>(ii) The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.</p>
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		2.3.3	PI 16.4. Improve consistency of budgets with previous year's estimates	The preparation of the 2016 Budget included no explanation for the differences between the 2016 figures presented with the 2015 budget and the actual 2016 budget proposal.		A format is developed to provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	The budget documents provide an explanation of most changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the ministry level.
2.2	Avoid waste and abuse of collected taxes							
	Pillar 2. Management of assets and liabilities	2.2						
		2.2.1	PI-10. Strengthen fiscal risk reporting	No standards for or reporting of fiscal risks		(i) Guideline and template for reporting on contingent liabilities developed (ii) Report for five significant ministries available	Additional five reports for significant ministries and updated previous reports	Additional five reports for ministries and updated previous reports
		2.2.2	PI-11. Strengthen public investment management	No standard project assessment criteria or assessment reporting	Draft standard criteria for project assessment prepared	Standard criteria for project assessment officially endorsed	Assessment report for projects over identified threshold produced	Assessment report for projects over identified threshold produced

	Pillar 5. Predictability and control in budget execution – PEFA Indicators	2.5						
	24.4 Procurement complaints management	2.5.3	24.4 Procurement complaints management			(i) A complaint management system is adopted officially. (ii) Format and process for report on complaint management system developed.	Report on complaint management system produced for FY 2019	Report on complaint management system produced for FY 2020
	PI-25 Internal controls on non-salary expenditure .	2.5.4	PI-25 Internal controls on non-salary expenditure .	Revised bylaw proposal prepared	Cabinet approves revised IA-bylaw	Internal Audit Board (IAB) begins operation.	IAB fully functional, report for 2019	IAB fully functional, report for 2020
	PI-26 Internal audit	2.5.5	PI-26 Internal audit	The financial bylaw and procurement bylaw feature overlaps with the revised IC/IA bylaw.		Draft revised financial bylaw and procurement bylaw developed.	Revised financial bylaw and procurement approved by Cabinet	MOF develops and approves new instructions of new financial bylaw and procurement bylaw
	Pillar 6. Accounting and reporting	2.6						
	PI-28 In-year budget reports	2.6.2	PI-28 In-year budget reports	One mid-year budget execution report produced once	Revised format for mid-year budget execution report developed	Revised mid-year budget execution report for 2019 produced & published	Revised mid-year budget execution report for 2020 produced & published	Revised mid-year budget execution report for 2021 produced & published

	Pillar 7: External Scrutiny Audit	2.7						
	PI-30 External audit	2.7.1	PI-30 External audit	<p>(i) audit opinion on financial statements for 1 previous year statements</p> <p>(ii) Formal, comprehensive, timely response made by the executive or MDA on audits for which follow-up was expected during the last three completed fiscal years.</p> <p>(iii) no AB's financial independence</p>	<p>(i) audit opinion on financial statements of 2 previous years</p> <p>(ii) Formal, comprehensive, timely response made by the executive or MDA on audits for which follow-up was expected during the last three completed fiscal years.</p> <p>(iii) Submission of AB report less than 9 mths after reception of financial statements</p>	<p>(i) audit opinion on financial statements of 3 previous years</p> <p>(ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years</p> <p>(iii) Submission of AB report less than 9 mths after reception of financial statements</p> <p>(iv) AB's financial independence secured by law</p>	<p>(i) audit opinion on financial statements of 4 previous years</p> <p>(ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years</p> <p>(iii) Submission of AB report less than 9 mths after reception of financial statements</p> <p>(iii) AB's financial independence secured by law</p>	<p>(i) audit opinion on financial statements of 5 previous years</p> <p>(ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years</p> <p>(iii) Submission of AB report less than 9 mths after reception of financial statements</p> <p>(iii) AB's financial independence secured by law</p>

PI-31 Legislative scrutiny of audit reports (M2)	2.7.2	PI-31 Legislative scrutiny of audit reports (M2)	<p>(i) Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (for only 1 year).</p> <p>(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities only for 1 year.</p> <p>(iii) The legislature issues recommendations on actions to be implemented by the executive (only 1 year).</p>	<p>(i) Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 2 years).</p> <p>(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (2 years).</p> <p>(iii) The legislature issues recommendations on actions to be implemented by the executive (2 years).</p>	<p>(i) Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).</p> <p>(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (3 years).</p> <p>(iii) The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (3 years).</p>	<p>(i) Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).</p> <p>(ii) In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years).</p> <p>(iii) The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (last 3 years).</p>	<p>(i) Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).</p> <p>(ii) In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years).</p> <p>(iii) The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation.</p>
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B. ANNEX II: WORK PLAN

#	Key Intervention	Output	Activity	Lead office	Baseline 2017	2018	2019	2020	2021
2	Pillar 0. Budget reliability Objective:								
2.1	Pillar 1. Transparency of public finances Objective								
2.1.1	PI-4. Strengthen budget classification based on administrative and economic classification (GFS, at least 2 digits)	Budget classification (PI-4) reaches C	Detail classification of expenditure	Security / GBD			Published civil defense, gedarmerie in economic classification	Continued	Continued
2.1.2	PI-6. Broaden coverage of expenditure in financial reports	Expenditure / revenue outside government financial reports is respectively less 5% of BG revenue.	Expand coverage of Central government operations	MOF		* Study, develop a reform plan to include government companies in electronic GU portal * Enter half of Gus in electronic portal * Study government universities (10) requirements and draft reform plan to submit yearly reports	* Electronic portal to cover 2nd half of the GUs * Reports reflect information of the portal * Study to assess applicability of portal to public universities	* Start inclusion of 5 large universities in electronic portal * Reports reflect information of the portal	* Start inclusion of 5 next universities in electronic portal * Reports reflect information of the portal
	PI-8 Performance information for service delivery			PI-8-1 Performance Plans for Service Delivery Units	For the purposes of the budget documentation all the activities of all Ministries or Departments are broken down into programmes, with key performance indicators (KPIs). But they are not generally specified in terms of outcomes (e.g. reductions in the incidence of diseases, increase in the number of students achieving specific academic standards). This documentation does not generally explain what actions are to be taken to achieve the KPIs.	A methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI is revised.	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries, disaggregated by program or functions	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least four large ministries, disaggregated by program or functions	For the purposes of budget documentation, information is published annually on policy or program objectives focused on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least six large ministries, disaggregated by program or functions

				<p>PI-8.3 Resources received by service delivery units</p>	<p>No information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least two large Ministries (typically Education and Health) is collected and recorded, disaggregated by sources of funds, and compiled into a report at least annually</p>	<p>A methodology and report templates are developed to provide information on the resources received by individual front-line service delivery units, disaggregated by sources and distributed geographically.</p>	<p>Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least one large ministry (Education or Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually</p>	<p>Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least two large ministries (Education and Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually</p>	<p>Information on the resources (staff, supplies, utility costs, maintenance expenditure and any revenue generated) received by individual front-line service delivery units (SDUs) of at least three large ministries (Education and Health) is collected and recorded, disaggregated by sources of funds & distributed geographically, and compiled into a report at least annually</p>
				<p>PI-8.4 Performance evaluation</p>	<p>MoPIC and GBD are preparing a Monitoring and Evaluation (M&E) Framework which would be applied throughout the government, and reported in a common format. But there is no evidence of any significant evaluations having yet taken place in accordance with this initiative. The AB's coverage of the delivery of main public services has so far been relatively limited to some institutions</p>	<p>GBD and MOPIC, prepared a draft methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI.</p>	<p>(i) GBD and MOPIC, submitted a revised draft methodology to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI to AB for assessment. (ii) AB assessment of the methodology identified to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI is issued.</p>	<p>(i) The methodology - factoring in the AB recommendations - to document policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced and actions to achieve the KPI is officially endorsed. (ii) AB assesses information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least two large ministries, disaggregated by program or functions</p>	<p>AB assesses information contained in budget documentation on policy or program objectives with a focus on outcomes, with key performance indicators, outputs to be produced, and actions taken to achieve the KPI for at least four large ministries, disaggregated by program or functions</p>

2.2	Pillar 2. Management of assets and liabilities Objective								
2.2.1	PI-10. Strengthen fiscal risk reporting	Audited annual financial statements for most subnational governments are published at least annually within nine months of the end of the fiscal year.	Issue audited annual financial statements for most sub-nat. governments within 9 months	MOF / MOMA/CVDB		conduct study with MOMA/CVDB include Evaluation for the current financial situation at municipalities (100) and develop operational plans plan to follow up implementing unify information system ,training ,reporting	* Roll out new management system in large pilot municipalities	* Roll out new management system in large pilot municipalities	* Roll out new management system in large pilot municipalities
		Central government entities and agencies quantify most significant contingent liabilities in their financial reports.	Quantify most significant contingent liabilities of central government entities and agencies	MOF / GFMIS		* Develop guideline and template * Train employees	* Conduct study for five large ministries under GFMIS (MOF, MOE, Energy, Public Works) * Produce corresponding report	* Update reports for previous pilots * Expand coverage to 5 large pilots under GFMIS	* Update reports for previous pilots * Expand coverage to 5 large pilots under GFMIS
2.2.2	PI-11. Strengthen public investment management	Economic analyses are conducted, as established in national guidelines, to assess most major investment projects, and some results are published. Analyses are reviewed by an entity other than the sponsoring entity.	Conduct economic analyses for most major investments projects, according to national guidelines, publish some results	PIM-Unit	No standard project assessment criteria or assessment reporting	* Staff and activate the PIM-Unit * Develop national guidelines for economic analyses	* Officially endorse tandard criteria for project assessment * Conduct training of trainers for PFM employees * Conduct training for 3 MDA, with training on the job for selected projects	* Previous pilots prepare / submit economic analyses over identified threshold * Conduct training for additional 5 MDA, with training on the job for selected projects	* Previous pilots prepare / submit economic analyses over identified threshold * Conduct training for additional 5 MDA, with training on the job for selected projects
			Analyze and review economic analyses, through entity other than sponsor entity	PIM-Unit				* PIM-Unit reviews and analyses economic analyses produced in 2019	* PIM-Unit reviews and analyses economic analyses produced in 2020

		Prior to their inclusion in the budget, most major investment projects are prioritized by a central entity on the basis of standard criteria for project selection.	Prioritize most major investment projects prior to inclusion in budget by a central entity on the basis of standard criteria for project selection	PIM-Unit		* Review international experience with standard criteria for project selection * Develop draft standard criteria for project selection for Jordan	* Review and validate proposed standard criteria through Cabinet * Develop instructions for implementation * Train employees of MOPIC and GBD	* Apply agreed standard criteria to projects above X million JOD * Review experience and draw lessons	* Apply agreed standard criteria to projects above Y million JOD (where Y < X)
		Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents.	Prepare projections of total capital cost of major investment projects together with capital costs for the forthcoming budget year and include in budget documents	PIM-Unit		* Review and enhance documentation required from MDA/GU for major investment projects to include total cash flow profile, expected physical progress, and risk analysis for budget submissions * Train GBD employees	* Train X pilot MDA/GU to fill revised templates * X pilot MDA/GU submit projections of total capital cost of major investment projects	* Train X additional pilot MDA/GU to fill revised templates * All pilot MDA/GU submit projections of total capital cost of major investment projects	* Train X additional pilot MDA/GU to fill revised templates * All pilot MDA/GU submit projections of total capital cost of major investment projects
		The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation is prepared annually.	Monitor total cost and physical progress of major investment projects by the implementing government unit and prepare information on implementation annually	PIM-Unit				* Develop a reporting format template and instructions for physical progress and financial cost * Train MDA and government units	
2.2.3	PI-12. Enhance public asset management	The GoJ maintains a record of its holding in major categories of financial assets, which are recognized at their acquisition cost or fair value. Information on the performance of the major categories of financial assets is published annually.	Maintain a record of GoJ holdings in major categories at their acquisition cost or fair value. Publish information on the performance of the major categories annually	MOF / GSD / DLS		* Draft stock-taking procedure * Test draft stock-taking procedure on MOF and PFM institutions 1. Evaluate fair value of GoJ holdings. (DLS) 2. Review legislation to check on legality of publishing performance information. (DLS) 3. Identify challenges and conduct gap analysis and on the performance management of GoJ land and building assets and develop recommendations (DLS)	* Establish fixed asset register in GFMS * Conduct stock-taking exercise above threshold of 10000 JOD for five pilots 1. Update Land Registry with fair value of GoJ holdings (DLS) 2. Implement recommendations on performance management of GoJ land and building assets (DLS)	* Conduct stock-taking exercise for additional 5 pilots above threshold of 5000 JOD 1. Continue to implement recommendations on performance management of GoJ land and building assets (DLS)	* Conduct stock-taking exercise for additional 5 pilots above threshold of 5000 JOD (??) 1. Continue to implement recommendations on performance management of GoJ land and building assets (DLS)

		The GoJ maintains a register of its holdings of fixed assets, including information on their usage and age, which is published. A register of land, and (where relevant) subsoil assets is also maintained.	Maintain and publish a register of GoJ's fixed assets, incl. information on their usage and age. Maintain a register of land and subsoil assets (where relevant)	MOF /GSD / DLS		Conduct a legislation review.	When legislation permits, begin publishing performance data and fair value on GoJ holdings into final accounts (DLS)	Publish yearly performance data and fair value on GoJ holdings into final accounts (DLS)	1. Continue publishing performance data and fair value on GoJ holdings into final accounts (DLS)
		Procedures and rules for the transfer or disposal of nonfinancial assets are established. Partial information on transfers and disposals is included in budget documents, financial reports, or	Establish procedures and rules for the transfer or disposal of nonfinancial assets. Include partial information on transfers and disposal in the budget document, financial reports	MOF / GSD / DLS	1. Already procedures and rules around transfer and disposal of land-lease, concession, and sale (DLS). 2. No standard procedures for dispose of government equipment, cars, etc. (GSD)	* Review chart of account (other revenues) * Review write-off practices against international good practices * Recommend improvements where appropriate	* Publish findings in budget documents and financial reports as attachment	* Publish findings in budget documents and financial reports as attachment	* Publish findings in budget documents and financial reports as attachment
2.3	Pillar 3. Policy-based fiscal strategy and budgeting Objective								
2.3.1	PI-14-1/14-2.Strengthen macro-economic forecasting	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.	Prepare forecasts of key macroeconomic indicators (incl. interest and exchange rates and changes from forecast of previous year), with underlying assumptions covering budget year and two following fiscal years, and submit to legislature	MOF-SEPD, GBD, ISTD-PSD	Macro-economic forecasting has proved difficult in Jordan over the last two years, with growth persistently falling short of expectations (score C)	* Parliament adopts New Organic Budget Law, which requires: ** MOF to prepare (MTFF) med term fiscal frame work (base-year and 2 indicative following fiscal years) and also includes the fiscal strategy (the objectives of the public finances and the procedures necessary to achieve financial stability) ** GBD to include key macroeconomic indicators in budget documentation	* Provide capacity building to to improve preparation of MTFF * Identify technical assistance to include exchange rate , prepare scenarios for base year with difference assumptions and preparing robust projection for indicative fiscal years		

		The macrofiscal forecasts prepared by GoJ include a qualitative assessment of the impact of alternative macroeconomic assumptions.	Prepare and integrate the qualitative assessment of the impact of alternative economic assumptions in budget documentation	MOF-SEPD, GBD, ISTD-PSD		* Identify technical assistance to develop capacity to conduct sensitivity analysis	* Develop capacity to conduct sensitivity analysis * MOF undertakes the assessment of the alternative assumptions	* MOF undertakes the assessment of the alternative assumptions	* MOF undertakes the assessment of the alternative assumptions
2.3.2	PI-15. Enhance the fiscal strategy	The GoJ prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.	Prepare estimates of the final impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years	MOF-SEPD, ISTD-PSD	"(i) The documentation for the 2014-16 budgets reflected specific proposals on revenue and expenditure for the baseline year, but the figures given for the two following years left open the precise choices concerning revenue and expenditure which would achieve the aggregate objectives. (ii) A report describing the progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set was not presented to the national assembly."	* Identify technical assistance to estimate the final impact of all proposed policy changes	* Develop capacity to estimate the final impact of all proposed policy changes	* MOF estimates final impact of all proposed policy changes for the budget year and two indicative years.	* MOF estimates final impact of all proposed policy changes
		The GoJ has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years.	Prepare, submit and adopt (by legislature) a fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the two following fiscal years	MOF-SEPD, ISTD-PSD, Cabinet			* Develop a report format to submit to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set. * include in the fiscal strategy to MTFF document	* include in the fiscal strategy to MTFF document * Submit to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.	* include in the fiscal strategy to MTFF document * Submit to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.

		The GoJ has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.	Prepare and submit to legislature report along with annual budget that describes progress made against its fiscal strategy and provides explanation of the reasons of any deviation from the objectives and targets set.	MOF-SEPD, ISTD-PSD, Cabinet	IPSAS standards for cash are in place. Only accrual aspects are not included. A simple statement to that effect only is needed.	Add simple statement explaining that IPSAS cash basis is fully integrated, while and only accrual IPSAS standards are not.	Add simple statement explaining that IPSAS cash basis is fully integrated, while and only accrual IPSAS standards are not.	Add simple statement explaining that IPSAS cash basis is fully integrated, while and only accrual IPSAS standards are not.	Add simple statement explaining that IPSAS cash basis is fully integrated, while and only accrual IPSAS standards are not.
2.3.3	PI 16.4. Improve consistency of budgets with previous year's estimates	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	Prepare and include in the budget documentation an explanation of most of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current mid-term budget at the aggregate level	MOF-SEPD, GBD, ISTD-PSD, Cabinet	The preparation of the 2016 Budget included no explanation for the differences between the 2016 figures presented with the 2015 budget and the actual 2016 budget proposal.		Develop a format to provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	The budget documents provide an explanation of most changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the ministry level.
2.3.4	PI 17. Improve budget preparation process	A clear annual budget calendar exists and is largely adhered to. The calendar allows budgetary units at least four weeks from receipt of the budget circular. Most budgetary units are able to complete their detailed estimates on time.	Adhere to the annual budget calendar, which allows at least four weeks from receipt of the budget circular. Most budgetary units are able to complete their detailed estimates on time.	GBD, Cabinet		Activate GFMIS budget preparation module	Produce 2020 budget using the GFMIS budget preparation module	Produce 2021 budget using the GFMIS budget preparation module	Produce 2022 budget using the GFMIS budget preparation module

		The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in two of the last three years and submitted it before the start of the FY in the third year.	Submit the annual budget proposal to the legislature at least two months before the start of the fiscal year.	GBD, Cabinet	1 month only (due to constitutionally codified start of the parliamentary session)	n.a.	n.a.	n.a.	n.a.
2.3.5	PI-18.Strengthen the legislative scrutiny of budgets	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedures.	Develop, approve and adhere to legislature's procedures to review budget proposals in advance of budget hearings, which include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedures.	Cabinet, Parliament					
		Clear rules exist for in-year budget adjustments by the executive, and are adhered to in most instances. Extensive administrative reallocations may be permitted.	Develop clear rules for in-year budget adjustments by the executive and adhere to these in most instances.	Parliament					

2.4 Pillar 4. Predictability and control in budget execution – TADAT Indicators Objective									
2.4.1	P1-1.Improve the integrity of the registered taxpayer base	(i) Same as C (= A,B) (i); (ii) There is a central national computerized registration database (iii) Registered taxpayers have more than one identification number but those are linked within the central registration database. Each number comprises a straightforward number with a self-validating mechanism (iv) Same as C (= A,B) (iv)	Improve the level of information and knowledge about inactive taxpayers	ISTD	The Taxpayer database includes taxpayers who are no longer economically active.	* Verify the quality of taxpayer database information * Conduct a study to identify the list of economically inactive taxpayers by ** Cooperating with MIT / company comptroller to identify economically inactive companies ** Cooperating with SSC and pension directorate	* Verify the quality of taxpayer database information * Start actual verification of identified problem cases		
		(i)The tax administration's annual operational plans specify initiatives to detect unregistered businesses and individuals, including at least: a. Systematic use of third party information sources (e.g., business registration and labor force data); and, (ii) Evidence exists (e.g. documented reports) of actions and results during the past year in detecting unregistered businesses and individuals;	Develop and integrate initiatives in ISTD's annual operational plan, to detect unregistered businesses and individuals, including at least systematic use of third party information sources. Conduct actions and results during the past year in detecting unregistered taxpayers.	ISTD	The Taxpayer database does not cover all economically active taxpayers .	A study of economically inactive taxpayers is completed. * Expand coverage of the taxpayer database ** Collect CD from GAM with respect to professionals licenses. ** Establish electronic link with GAM.	Report of active verification issued * Expand coverage of the taxpayer database Issue non-registered tax numbers and distribute them according to geographical location * Tax service centers in the governorates follow up implementation.	(i) A study of economically inactive taxpayers is completed (ii) Report of active verification issued * Prepare follow-up reports (need technical support). * Link with social security and civil retirement for non-registered taxpayers. * Expand program to other large municipalities (e.g. Zarqa and Irbid)	Report of active verification with link to SSC is issued. * Expand program to remaining municipalities

2.4.2	P2-5.Establish monitoring and evaluation of compliance risk mitigation activities	The tax administration's intelligence gathering and research initiatives are less comprehensive and mostly limited to internal data sources	Develop and implement a risk assessment process, to identify, assess and prioritize compliance risks for all core taxes and the four main compliance obligations, using at least internal data sources	ISTD, ISTD-PSD	There is a risk register, however it is not fully functional.	Develop a revised risk assessment process * Improve classification of tax payers * Study tax differences * Identify risks pertaining to 4 obligations for all major taxes * Assess risks' impact on tax revenue * Prioritize risks	Update risk assessment process and risk matrix based on 2018 implementation results and on external sources	Update risk assessment process and risk matrix based on 2019 implementation and on external sources	* Update risk assessment process and risk matrix based on 2020 implementation and on external sources * Assess ISTD practices against international practices
		A less structured risk assessment process is in place to assess and prioritize compliance risks for all core taxes and the four main compliance obligations	Develop and implement a yearly compliance plan comprising mitigation activities in respect of identified risks in the tax system (may not cover all core taxes, all four main tax obligations or all key taxpayer segments)	ISTD		* Review 2017 audit-strategy building on analysis of: - Tax differences - Efficiency of auditor resources - Treatment inactive taxpayers - Mix of audit tools - Sample rotation - Sample size and audit completed - Sample criteria (effectiveness and measures taken) * Reformulate 2018 Audit strategy	* Assess effectiveness and efficiency of 2018 strategy and * Develop audit-strategy for 2019	* Assess effectiveness and efficiency of 2019 strategy and * Develop audit-strategy for 2020	* Assess effectiveness and efficiency of 2020 strategy and * Develop audit-strategy for 2021
		(i) A documented annual compliance plan exists comprising mitigation activities in respect of identified risks in the tax system The plan may not cover all core taxes, all four main tax obligations, or all key taxpayer segments	Allocate sufficient resources and monitor the implementation progress monthly or quarterly	ISTD		* Review monitoring of use of resources and adjust if needed * Monitor the use of resources * Assess efficiency of allocation of audit resources (person days / JD tax difference) * Redistribute resources accordingly	* Monitor the use of resources * Assess efficiency of allocation of audit resources (person days / JD tax difference) * Redistribute resources accordingly	* Monitor the use of resources * Assess efficiency of allocation of audit resources (person days / JD tax difference) * Redistribute resources accordingly	* Monitor the use of resources * Assess efficiency of allocation of audit resources (person days / JD tax difference) * Redistribute resources accordingly

		(ii) similar to A (A: The compliance improvement plan is resourced fully, and implementation progress is monitored on a regular basis (e. g. , monthly). Some aspects may not be fully resourced and implementation may be monitored less regularly (e. g., quarterly).	Establish standard risk management governance and policies	MoF, DLS (pilot)	Varied risk management practices across MoF and departments including Risk Management Unit at Customs	1. Establish MoF Risk Management Unit and Executive Risk Committee at MoF 2. Draft standard governance, policies and procedures 3. Establish Risk Management Team at DLS as pilot for other departments 4. Conduct capacity building on risk management	1. Continue to build capacity of MoF risk management unit and Risk Committee 2. Continue to build capacity of MoF risk management team at DLS 3. MoF departments begin adopting standard risk management procedures	1. Continue to build capacity in departments on adopting standard risk management procedures	1. Complete full adoption of standard MoF risk management policies and procedures across departments
2.4.3	P2-5.Establish monitoring and evaluation of compliance risk mitigation activities	(i) Compliance risk management strategies are approved by senior management and monitored at least on an ad hoc basis.	Monitor compliance risk management strategies (approved by senior management) at least on ad hoc basis	ISTD	No compliance implementation plan in place	Compliance implementation Plan (CIP) is issued	CIP updated	CIP Updated	CIP Updated
		(ii) Evaluations of the effectiveness of approved compliance risk mitigation strategies in achieving targeted outcomes are sometimes documented and reviewed by senior management.	Document evaluations of the effectiveness of approved compliance risk mitigation strategies in achieving targeted outcomes and submitted for review by senior management.	ISTD	No monitoring of risk mitigation activities		CIP and monitoring & evaluation of impact	CIP and monitoring & evaluation, & analysis	CIP and monitoring & evaluation, & analysis

2.4.4	POA 3. Support voluntary compliance	P3-7. Scope, Currency and Accessibility of Information	Publish information on the main areas of taxpayer obligations (registration, filing, payment, and reporting of information in tax declarations) and entitlements in respect of all core taxes, in a timely manner	ISTD	(i) Ad hoc actions are taken to update information (ii) Taxpayers are not always alerted to changes in the law or administrative policy before the law or policy takes effect	(i) procedures are in place and dedicated staff is assigned to secure current information published online for all core tax & administrative policy	(i) procedures and dedicated staff in place (ii) administrative policy changes available online before they take effect	(i) procedures and dedicated staff in place (ii) administrative policy changes available online & (iii) tax law changes before they take effect	(i) procedures and dedicated staff in place (ii) administrative policy changes available online & (iii) tax law changes before they take effect
			Tailor information above to the needs of at least one taxpayer segment or industry group, and tax intermediaries	ISTD	under 50%	70%	80%	85%	85%
2.4.5	P4-11. Increase the use of electronic filing facilities	At least 50% of declarations are made electronically	Develop here a set of activities to reduce ISTD's reliance on physical taxpayer visits	ISTD		All taxpayers are obliged to submit tax declarations electronically, which led to 50% of the taxpayers applied online			
	P5-12. Increase the use of electronic payment methods	Electronic payments account for more than 50 percent of the value of total tax collections for each of CIT, PIT, VAT, and PAYE	Develop actions based on causes of low utilization	ISTD		For all payments in excess of JD 3,000, ISTD requires electronic transfers.	For all payments in excess of JD 1,000, ISTD requires electronic transfers.		
	P5-13. Use of efficient collection systems.	(i) Withholding at source is in place for all employment income (i. e. PIT)	Introduce advance payment arrangements for all business income (i. e. CIT and PIT)	ISTD		Study options to improve collection of advance payment differentiating by the size of taxpayers	Review and adopt revised advance payment regulation to include in law	* Assess impact of revised advance payment regulation on efficiency of collection systems * Propose further adjustments if needed.	
	P5-14. Timeliness of payments	Number of VAT payments made by the due date x 100 Total Number of VAT payments due betw 75 & 90%	Develop actions based on causes of low utilization	ISTD	55.90%	Study options to improve timeliness of VAT differentiating by the size of taxpayers	Review and adopt revised VAT payment schedule to include in law	* Assess impact of revised VAT payment schedule on efficiency of collection systems * Propose further adjustments if needed.	* Review impact of revised VAT payment schedule

	P5-15. Stock and flow of tax arrears		Review classification, conduct detail assessment of stock, implement revised instruction guidelines		* Reclassified stock of tax debt in disputed debt, collectable tax arrears, permanently uncollectable debt * Recalibrated collectable tax arrears to 640 MJD, from over 2 B JD total debt	* Stock of arrears: ** Conduct detail assessment of arrears with focus on debtor solvency ** Follow-up on arrears * New arrears: focus efforts to prevent build up	Activating the sale in the public auction according to the solvency of the taxpayers	Conduct a direct collection process through specialized committees	Completion of electronic connectivity with banks
	P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	Every year ISTD * Implements current year's result-oriented tax audit program * Conducts analysis of current year's audit program results * Develops result-oriented tax audit program for follow-up year	Enhance tax administration audit program to cover all core taxes, key taxpayer segments, weighted towards at least large taxpayers, to routinely evaluate the impact of audits on levels of taxpayer compliance	ISTD	* Tax audit program developed with limited or no use of following elements: ** Overall audit performance ** Analysis of tax differences ** Analysis of audit resources' efficiency ** Audit program mix ** Non-filer treatment ** Sample rotation ** Sample size analysis ** Sample criteria effectiveness analysis * Tax audit program partially prepared prior to start of audit program execution * Tax audit program execution not completed at end of year	* Analyse of 2017 tax audit for elements listed as limited under 2017 and marked with '**' * Develop Result-oriented tax audit program for 2018 featuring key indicators based on analysis of previous year * Implement 2018 result-oriented tax audit program * Conduct analysis of 2018 program execution using elements listed above * Develop result-oriented tax audit program for 2019 featuring key indicators listed under 2017 (**)	* Implement 2019 result-oriented tax audit program * Conduct analysis of 2019 audit program execution * Develop result-oriented tax audit program for 2020 featuring key indicators based on analysis of 2019 execution	* Implement 2020 result-oriented tax audit program * Conduct analysis of 2020 audit program execution * Develop result-oriented tax audit program for 2021	* Implement 2021 result-oriented tax audit program * Conduct analysis of 2021 audit program execution * Develop result-oriented tax audit program for 2022
			Conduct large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from all following sources: VAT declarations, Banks/financial institutions, employers, three government agencies			limitation of inaccurate tax statements by conducting matching tests	Application on selected pilot agencies		

	P6-17. Extent of proactive initiatives to encourage accurate reporting	A system of public binding rulings is in place	Establish a system of public binding rulings	ISTD	No public ruling system No cooperative compliance approaches	Plan for introduction of public ruling system officially endorsed	Binding public ruling system in place (answers to inquiries within 2 weeks on ISTD website)	Binding public ruling system in place Binding private ruling system in place	Binding public and private ruling systems in place Methodology for golden list program approved
	P6-18. Monitoring the extent of inaccurate reporting	The tax administration monitors the extent of inaccurate reporting using a methodology or methodologies that satisfy the following tests: (i) Covers at least VAT, (ii) The methods are applied at least once every four years. (iii) The results are subjected to credibility tests, such as being independently reviewed (e. g., by the government auditor, a parliamentary committee or academia) and are made public. (iv) The results are used in designing tax administration interventions to improve accuracy of reporting.	Develop and implement a monitoring system to measure the extent of inaccurate reporting using a methodology (ies) that covers at least VAT, subjects the results to credibility tests (i.e. independent review) and use results in designing tax administration to improve accuracy of reporting	ISTD	(i) Assessment of inaccurate reporting conducted (ii) No independent assessment of methodology/results (iii) Evidence of use for policy preparation	(i) Previous methodology/ies used to assess the extent of inaccurate reporting documented (ii) External reviewing institution identified	(i) Results of previous assessments subjected to external review (ii) Revised methodology/ies agreed with identified external reviewing institution	(i) Assessment of inaccurate reporting conducted covering at least VAT (ii) Results subjected to external review (iii) Evidence of use of results for design of tax administration interventions	(i) Assessment of inaccurate reporting conducted covering at least VAT (ii) Results subjected to external review (iii) Evidence of use of results for design of tax administration interventions
	P7-21. Degree to which dispute outcomes are acted upon.	Some ad hoc analysis of dispute outcomes is undertaken. Some examples exist in the past 3 years where this analysis has been taken into account in the formulation or adjustment of policy, legislation, and administrative procedures.	Conduct ad hoc analysis of dispute outcomes	ISTD	No analysis of dispute outcomes of a material nature (i.e. with significant revenue implications / which affect a large number of taxpayers)	Ad hoc analysis of dispute outcomes of a material nature	Regular monitoring of dispute outcomes of material nature	Regular monitoring of dispute outcomes of material nature	Regular monitoring of dispute outcomes of material nature
Use analysis results to formulate or adjust policy, legislation, and administrative procedures			ISTD	There are no regular reports on the outcome of conflicts and recommendations for changing tax policy	Analysis report with recommendation for tax policy and tax administration	Analysis report with recommendation for tax policy and tax administration	Analysis report with recommendation for tax policy and tax administration		

	P8-24. Adequacy of tax refund processing	At least 80 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days	Develop actions based on causes of current limited results	ISTD		Audit of tax returns by risk management	Sorting tax refund claims with automated software	Allocation of funds to cover all claims of tax rebates and clearing with other departments such as the Land and Survey Department	
	P9-26. External oversight of the tax administration.		Audit of the administration's financial statement by an external review body	AB		* Review audit procedures against international good practices * Recommend improved audit arrangements			
			Implement an annual program of operational performance audit by external review body	AB	(i) No external review of performance	Introduce internal performance evaluation: (i) Draft standards guiding efforts to assure integrity of the registered taxpayer base (P1-1); to identify, assess, rank and quantify compliance risks (P2-3); to mitigate risks through a compliance improvement plan (P2-4); to monitor and evaluate the impact of risk mitigation activities (P2-5) are developed.	Introduce and formalize internal performance evaluation: (i) Standards guiding efforts to verify and detect inaccurate reporting (P6-16); to proactively encourage accurate reporting (P6-17); to assess tax gap and tax evasion (P6-18) are developed and documented. (ii) Standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 are officially endorsed. (iii) Responsibilities, processes and format to report on the implementation of the standards (P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18) officially decided.	(i) Internal performance evaluation report following the standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 for first 6 months of 2020 issued. (ii) At least one capacity development measure for AB on ISTD's internal evaluation standards conducted.	(i) Internal performance evaluation report following the standards for P1-1, P2-3, P2-4, P2-5, P6-16, P6-17, P6-18 for 2020 issued and submitted to AB. (ii) Opinion statement of the AB on performance evaluation issued.
			ISTD responses to external review findings	ISTD	Published link to report No publication of ISTD answer				

			External body submits systemic problems identified and recommended actions to fix them to ISTD and GoJ					Identified external body analyses complaints, identifies systemic problems and makes recommendations	
			Oversee tax administration anti-corruption policies, investigate the most serious cases or alleged corrupt conduct of tax officials					Identified external body reviews and comments on ISTD's anti-corruption policies and investigates most serious cases	
	POA-10 International Taxation	Sign the Multilateral Convention (MLI)		ISTD	Jordan has committed to joining the BEPS and the global forum	<ul style="list-style-type: none"> * Prepare to and sign MLI * Implement MLI * Include transparency and substance (BEPS action 5 report) 	<ul style="list-style-type: none"> * Join BEPS * Peer review * Finalize draft legislation on country by country reporting * Address potential lack of transparency/substance in preferential regimes * Address potential lack of exchange of information regarding preferential regimes 	* Enact legislation on country by country reporting	
		Join the Global Forum on Transparency and Exchange of Information		ISTD		<ul style="list-style-type: none"> * Review provisions dealing with exchange of information in Income Tax Law to meet international commitments * Enact above-mentioned amendments of the Income Tax Law 	<ul style="list-style-type: none"> * Join the Global Forum (GF) * GF Phase I review * GF Phase II review 		
		Sign OECD Multilateral Convention on Mutual Administration Assistance in Tax Matters (MAC)		ISTD			<ul style="list-style-type: none"> * Sign the MAC * Ratify the MAC 		

2.5 Pillar 5. Predictability and control in budget execution – PEFA Indicators Objective									
	21.3 Information on commitment ceilings	Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance.	Provide MDAs with reliable information on commitment ceilings at least quarterly in advance	GBD, MOF-treasury		* Develop an annual financial order * MDAs issue credible cash flow plans * Reactivate effective cash flow management	** Develop an annual financial order * MDAs issue credible cash flow plans * Reactivate effective cash flow management"	** Develop an annual financial order * MDAs issue credible cash flow plans * Reactivate effective cash flow management"	** Develop an annual financial order * MDAs issue credible cash flow plans * Reactivate effective cash flow management"
	21.4 Significance of in-year budget adjustments	Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a fairly transparent way.	Develop actions to improve the predictability of aid funds	MOPIC / GBD / MOF		* Review international good practices and proposed recommendations	* Implement selected recommendations		
	24.4 Procurement complaints management	The procurement complaint system is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Establish a procurement complaint system, which is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	GSD		* Proposal to establish 3 committees * CMU - complaint management unit at PM * Jordan Anti Corruption Commission	(i) A complaint management system is adopted officially. (ii) Format and process for report on complaint management system developed.	Report on complaint management system produced for FY 2019	Report on complaint management system produced for FY 2020
	PI-25 Internal controls on non-salary expenditure .	segregation of duties is prescribed throughout the expenditure process . Responsibilities are clearly laid down for most key steps while further details may be needed in a few arrears .	Revise by-law to prescribe clear segregation of duties throughout the expenditure process, and to clearly laid down responsibilities for most key steps	MOF / AB / JIACC	Proposed IA-bylaw	Cabinet approves IA-Bylaw	IAB Internal Audit Board starts operation	IAB fully functional	
					Initiated CHU		CHU issues first yearly report	CHU fully functional	
				Developed job description of CHU staff	Seek approval from Civil Service Bureau on job descriptions				
				Develop CHU/ICU instructions	Seek approval from MOF for CHU/ICU instructions	MOF			
			Revise the nature of audits and standards applied, to focus internal audit activities on evaluations of the adequacy and effectiveness of internal controls		Identify CHU mandate	Seek MOF approval of CHU mandate	CHU/ICU start regular operation based on revised instructions		

PI-26 Internal audit	Internal audit is operational for central government entities representing most total budgeted expenditures and for central government entities collecting most budgeted government revenue.	26.1 Coverage of internal audit	MOF / AB / JIACC	The financial bylaw and procurement bylaw feature overlaps with the revised IC/IA bylaw.	Draft new financial bylaw, procurement bylaw to raise the threshold of intervention of AB and IA from pre-audit	Cabinet approves revised financial bylaw and procurement bylaw		
							Draft new instructions for financial bylaw and procurement bylaw	MOF approves new instructions for financial bylaw and procurement bylaw
	Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls.	26.2 Nature of audits and standards applied	MOF	Revised ICU assessment criteria based on IIAS	Assess pilot GUs	CHU assesses ICUs of GUs according to new criteria	CHU evaluates ICUs on adequacy and effectiveness of internal controls	CHU certifies ICUs
				Defined training needs built on competency-based career paths and training paths	Develop training modules for IC/IA	FID pilots implementation of CPIA certification	FID graduates first batch CPIA of certified auditors	FID graduates second batch CPIA of certified auditors
					Develop IA manual	Pilot implementation of IA manual	ICUs implement new IA manual	Restructure ICUs based on IA manual guidelines, thus withdrawing from pre-audit

2.6 Pillar 6. Accounting and reporting Objective									
PI-27 Financial data integrity	Bank reconciliation for all active central government bank accounts takes place at least monthly, usually within 8 weeks from the end of each quarter.	Conduct bank reconciliation for all active central government bank accounts at least monthly, usually within 8 weeks from the end of each quarter	MOF-PAD	done		* Issue 2017 final accounts using GFMS	* Issue 2018 final accounts using GFMS	* Issue 2019 final accounts using GFMS	* Issue 2020 final accounts using GFMS
	Reconciliation of suspense accounts takes place annually, within two months from the end of the year. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified	Perform reconciliation of suspense accounts annually, within two months from the end of the year	MOF-PAD	table 36 in general government finance bulletin					
	Reconciliation of advance accounts takes place annually, within two months from the end of FY. Advance accounts may frequently be cleared with delay.	Perform reconciliation of advance accounts annually, within two months from the end of FY	MOF-PAD						

	PI-28 In-year budget reports	There may be concerns regarding data accuracy. Data issues are highlighted in the report and the data is consistent and useful for analysis of budget execution. An analysis of the budget execution is provided on at least half-yearly basis. Expenditure is captured at least at payment stage.	Enhance in-year budget reports (at least half-yearly), highlighting data issues with data consistent and useful for analysis of budget execution, with expenditure captured at least at payment stage	MOF-PAD	One mid-year budget execution report produced once	according to OBI index MOF committed to issue on regular basis mid year budget execution review (MYR) report	Revised mid-year budget execution report for 2019 produced & published	Revised mid-year budget execution report for 2020 produced & published	Revised mid-year budget execution report for 2021 produced & published
	PI-29 Annual financial reports (M1)	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, guarantees, and long-term obligations.	Enhance annual financial reports for budgetary central government, comparable with the approved budget, including information on at least revenue, expenditure, financial assets, financial liabilities, guarantees, and long-term obligations	MOF		* Study documentation to include information required (especially liabilities and expenditure arrears and consolidated revenue arrears * Develop a citizen executive final account template	develop plan to meet other requirement		
		Accounting standards applied to all financial reports are consistent with the country's legal framework. The majority of international standards have been incorporated into the national standards. Variations betw. International and national standards are disclosed and any gaps are explained.	Review accounting standards applied to all financial reports, to be consistent with the country's legal framework, which incorporate the majority of international standards into the national standards and explicitly disclose and explain variations and gaps betw. international and national standards	MOF	* Most cash-based IPSAS standards fulfilled, especially consolidate cash flow statement * Chart of account (COA) for budget preparation differs from COA budget execution * No separate cash flow statement for budget entities * No statement describing deviation from cash IPSAS * No statement on deviation from accrual IPSAS	* Harmonize COA budget preparation with COA budget execution * Issue statement about deviation from cash IPSAS * Issue statement about deviation from accrual IPSAS	* Issue cash flow for five main budget entities * Issue statement about deviation from cash IPSAS * Issue statement about deviation from accrual IPSAS	* Issue cash flow for ten main budget entities * Issue statement about deviation from cash IPSAS * Issue statement about deviation from accrual IPSAS	* Issue cash flow for 20 main budget entities * Issue statement about deviation from cash IPSAS * Issue statement about deviation from accrual IPSAS

2.7 Pillar 7: External Scrutiny Audit Objective									
PI-30 External audit	Financial reports of central government entities representing the majority of total expenditures and revenues have been audited, using ISSAIs or national accounting standards during the last three FY. The audits have highlighted any relevant significant issues.	Audit financial reports of central government entities representing the majority of total expenditures and revenues yearly, using ISSAIs or national accounting standards and highlight any relevant significant issues	AB		(i) audit opinion on financial statements for 1 previous year statements (ii) Formal, comprehensive, timely response made by the executive or MDA on audits for which follow-up was expected during the last three completed fiscal years.	(i) audit opinion on financial statements of 2 previous years (ii) Formal, comprehensive, timely response made by the executive or MDA on audits for which follow-up was expected during the last three completed fiscal years.	(i) audit opinion on financial statements of 3 previous years (ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years	(i) audit opinion on financial statements of 4 previous years (ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years	(i) audit opinion on financial statements of 3 previous years (ii) Clear evidence of effective & timely follow-up by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years
	Audit reports were submitted to the legislature within nine months from receipt of the financial reports by the audit office for the last tree completed FY.	Revise audit report preparation process to submit audit reports to the legislature within nine months from receipt of the financial reports by the audit office annually	AB	Completed	Submission of AB report less than 9 mths after reception of financial statements	Submission of AB report less than 9 mths after reception of financial statements	Submission of AB report less than 9 mths after reception of financial statements	Submission of AB report less than 9 mths after reception of financial statements	Submission of AB report less than 9 mths after reception of financial statements
	The SAI operates independently from the executive with respect to the procedures for appointment and removal of the Head of the SAI as well as the execution of the SAI's budget. The SAI has unrestricted and timely access to the majority of the requested records, documentation and information.	Revise SAI legislation to secure independent operation from the executive with respect to the procedures for appointment and removal of the Head of the SAI as well as the execution of the SAI's budget, and secure SAI's unrestricted and timely access to the majority of the requested records, documentation and information	AB, Parliament	In session no change SAI head. Out of session PM can decide. No AB's financial independence		AB's financial independence secured by law	AB's financial independence secured by law	AB's financial independence secured by law	AB's financial independence secured by law

	PI-31 Legislative scrutiny of audit reports (M2)	2.7.2	PI-31 Legislative scrutiny of audit reports (M2)		(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities only for 1 year. (iii) The legislature issues recommendations on actions to be implemented by the executive (only 1 year).	(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (2 years). (iii) The legislature issues recommendations on actions to be implemented by the executive (2 years).	(ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (3 years). (iii) The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (3 years).	(ii) In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years). (iii) The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (last 3 years).	(ii) In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years). (iii) The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation.
	PI-31 Legislative scrutiny of audit reports (M2)	Scrutiny of audit reports on annual financial reports has been completed by the legislature within twelve months from receipt of the reports.	Revise timing of the legislature's scrutiny of audit report to be completed by the within twelve months from receipt of the reports.	Parliament	Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (for only 1 year).	Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 2 years).	Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).	Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).	Scrutiny of audit reports on annual financial reports completed by the legislature within 12 months from receipt of the reports (last 3 years).
		In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received qualified or adverse audit opinion or a disclaimer.	Strengthen hearings on audit findings to include in-depth hearings on key findings of audit reports with responsible officers from most audited entities which received qualified or adverse audit opinion or a disclaimer	Parliament, MDAs	In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities only for 1 year. The legislature issues recommendations on actions to be implemented by the executive (only 1 year).	In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (2 years). The legislature issues recommendations on actions to be implemented by the executive (2 years).	In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities (3 years). The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (3 years).	In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years). The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation (last 3 years).	In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities (last 3 years). The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation.

C. ANNEX III: LIST OF PFMR STAFF INVOLVED IN PREPARATION

	Previous Committee_ PFM Strategy
1.	Mr. Hussam Abu Ali / Assistant SG for Financial Affairs
2.	Dr. Hazem Khasawneh/ Assistant SG for Administrative and Governorates Affairs
3.	Dr. AbdelHakim Shibli / Director of Economic Studies & Policies Directorate
4.	Mr. Salem Al Gudah / Director of Public Fund Directorate
5.	Mrs. Abeer Amerah / Macro-fiscal Unit
6.	Mr. Jean Mulot/ team leader _T.A PFMR
7.	Dr. Mohammad Oqaily/ Budget Department
8.	Dr. Sadeq Al-Ziadat/ Land & Survey Dep.
9.	Mr. Ayman Al-qsawneh/ Custom Dep.
10.	Mr. Imad Qasem / Supply Dep.
11.	Mr. Mshari Al-jarrah/ Institutional Quality and performance Assessment Unit
12.	Mr. Hussein Al Sorakhi / Income &Sales Tax Dep.

D. ANNEX IV: LIST OF PFMR SECRETARIAT STAFF

New Committee_ PFM Strategy 6/6/2018	
1.	Mr. Salem Al Gudah/ Assistant SG for Financial Affairs
2.	Dr. Hazem Khasawneh/ Assistant SG for Administrative and Governorates Affairs
3.	Dr. Hanadi Al-Refaee / Director of Economic Studies & Policies Directorate
4.	Mr. Ahmad Hmaidat/ Director of Public Fund Directorate
5.	Mr. Omar Ishanoq / Macro-fiscal Unit
6.	Mr. Najem aldien Ghraibeh/ Head of Macro fiscal Unit
7.	Mr. Jean Mulot/ team leader _T.A PFMR
8.	Dr. Mohammad Oqaily/ Budget Department
9.	Dr. Sadeq Al-Ziadat/ Land & Survey Dep.
10.	Mr. Ayman Al-qsawneh/ Custom Dep.
11.	Mr. Imad Qasem / Supply Dep.
12.	Mr. Mshari Al-jarrah/ Institutional Quality and performance Assessment Unit
13.	Mr. Hussein Sorakhi/ Income &Sales Tax Dep.