

Fiduciary Systems Assessment – Full Report

Section 1: Summary

1. This section is the Fiduciary Systems Assessment (FSA) of the World Bank-financed Jordan Inclusive and Transparent Business Regulatory Environment for Investment Program-for-Results (P4R). The World Bank conducted the assessment through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, financial management and procurement systems, and governance systems.
2. The FSA was completed based on current knowledge of Jordan public procurement and PFM systems together with reviews of existing analytical and diagnostic analysis, published information and reports. The FSA assessed the PFM and procurement systems for implementing ministries that are new to the World Bank operations while updated assessments for those ministries that have been recently implementing World Bank operations. The FSA system assessed the PFM and procurement systems of Ministry of Tourism and Antiques (MOTA), Prime Ministry's Office (PMO), and updated those assessments for Ministry of Planning and International Cooperation (MoPIC), Ministry of Environment (MOE), the Ministry of Finance (MoF), and Jordan Investment Commission (JIC).
3. **The overall fiduciary assessment concludes on Program Moderate risk rate.** The overall Program's fiduciary framework is assessed adequate to provide reasonable assurance that the Program financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.
4. **The implementation agencies shall execute the activities in accordance with the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing.** The implementation agencies will (i) share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program, investigate all credible allegations received, report to the World Bank on actions taken, and cooperate in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program; and (ii) monitor and abide by the World Bank's list of debarred/suspended firms.
5. **Key risks identified and potentially could impact the Program are:** (i) the lack of financial sustainability and funding predictability due to any possible budget cuts due to fiscal constraints of the GoJ. The expenditure framework consists of the expenditures related to the implementation of the program by implementing agencies during 2021-2025; (ii) large number of implementing agencies under the program that might result in delay in submission of annual audit reports as well as timely submission of related reports related to budget preparation and execution; (iii) commitments and arrears management needs restrengthening, (iv) annual review of budget performance by the World Bank, (v) Procurement inefficiency in processing procurement transactions; (vi) Implementation challenged by quality of technical specifications (Supplies and Construction) affecting the bidding process and contract implementation resulting in excessive variations in cost and timeline, and quality of deliverables; (vii) cumbersome procurement processing and clearances; (viii) weak capacity for contract management and administration; (ix) lack of an integrated contract cycle from needs assessment to inventory; (x) non-systematic coordination and integration of procurement of works and

goods when implemented centrally by General Tender Department (GTD/MoPWH) and Government Procurement Department (GPD/MOF); (xi) the coordination on the Program results challenged by a complex implementation through different agencies, (xii) procurement complaint mechanism not fully activated.

6. **To identified risks the following Mitigations measures are proposed:** Measures are to be implemented to mitigate the identified risks as per following: (i) MOPIC will oversee the overall implementation of the program including FM related aspects; (ii) MOPIC will ensure that all reports are collected and submitted to the World Bank; (iii) MOPIC will ensure adequate procurement and financial staffing is in place; (iv) GFMS will be used for commitment control; (v) The Jordan Audit Bureau will submit consolidated annual audited financial statements of all agencies excluding independent institutions that will submit their annual audited financial statements using its own hired private sector auditor; (vi) procurement plans to be maintained on the basis of the Annual Work Plans of the different agencies, (vii) MOPIC to ensure full coordination and monitoring of the overall procurement plans, (viii) Implementing agencies to ensure proper drafting of bidding documents by appointing qualified technical specialized staff, (ix) integration of procurement processing and contract management in the same cycle, (x) training on procurement processing and contract management, (xi) when central procurement agencies are involved in procurement (GTD and GSD), mutual systematic reporting and coordination is to be institutionalized, (xii) Coordination and Integration of the Program by a central agency (e.g. MOPIC), especially for Results Areas that include multiple agencies, (xiii) Where JONEPS is deployed, complaints records are to be uploaded and published through the platform, otherwise, agencies to keep a log of cases and their resolution and to adopt publication on individual websites.
7. **Procurement exclusion.** It is foreseen that no exclusion will be observed since all individual contracts under this Program are deemed to be estimated below the Operations Procurement Review Committee thresholds following values: (i) works US\$115,000,000 equivalent; (ii) goods US\$75,000,000 equivalent; (iii) non-consulting services US\$75,000,000 equivalent; and (iv) consulting services US\$30,000,000 equivalent

Section 2: Scope

8. The Program's development objective is to **Strengthen accountability for productive investments and piloting solutions for climate-responsive recovery.**
9. The FSA was completed based on current knowledge of Jordan public procurement and PFM systems together with reviews of existing analytical and diagnostic analysis, published information and reports. The FSA assessed the PFM and procurement systems for implementing ministries that are new to the World Bank operations while updated assessments for those ministries that have been recently implementing World Bank operations. The FSA system assessed the PFM and procurement systems of Ministry of Tourism and Antiques (MOTA), Ministry of Public Works and Housing (MoPWH), Ministry of Energy and Mineral Resources (MoEMR), and updated those assessments for Ministry of Planning and International Cooperation (MoPIC), Ministry of Trade, Industries, and Supply (MoTIS), Ministry of Environment (MOE), the Ministry of Finance (MoF), and Jordan Investment Commission.

Section 3: Public financial Management Cycle

Legal Framework

10. The below laws apply on the implementing agencies:

- (a) **The Organic Budget Law (2008)** presents the tasks and responsibilities for the MoF GBD, as well as few issues on the budget preparation process. Important aspects on budget execution are only regulated by the General Budget Law and the Budget Law for the Government Units approved for each fiscal year. The Government is revising the current version of the law, with the revised legislation expected to be submitted to the Parliament by end of 2017.
- (b) **The Financial By-law (1994) and its Amendment (2015)**. The basic principles related to revenues, expenditures and advances, cash and debt management, financial accounting basis and records, and financial control are outlined in this regulation and in the Instructions for Application of Financial Affairs (1995).
- (c) **The Financial Control By-law (2011) and its Amendment (2015)** present the internal controls framework and illustrate the related financial revenue and expenditures ex ante review/approval procedures, roles and responsibilities, and positions of the MoF to centrally manage and overlook the financial control functions established in line ministries and governmental units. Considered a milestone, the revised by-law (2015) clearly distinguishes between the internal control and internal audit functions, which are commonly mixed in the public sector.
- (d) **The Audit Bureau Laws of 1952 and 2007**. The Jordan AB is governed by the underlying laws of 1952 and later amendments, the latest in 2007. The laws do not provide the necessary financial and administrative independence for the AB, prerequisite immunity, and security of tenor of its president, and still focus on ex ante control. A recent amendment to the Audit Bureau Law was drafted and approved by the Cabinet in 2013 but has not been endorsed by the Jordanian Parliament to become effective. The proposed amendments will further strengthen the independence of the AB by bringing it closer to international practices and standards promulgated by the International Organization of Supreme Audit Institutions.
- (e) **Anticorruption legislation**. The JACC is established under the Amended Anticorruption Commission Law, most recently amended in 2014 to include protection of "...informers, witnesses, informants, and experts in corruption cases and their relatives and closely related persons."
- (f) **Public Procurement**. A new by-law No. 28/2019 was ratified in May 2019 and made effective in November 2019. The by-law foresees (i) establishment of two independent committees, one to regulate the sector and advise on policies and another one to handle procurement complaints when not resolved by the implementing agency and (ii) enforces usage of e-procurement. The governmental agencies (ministries, public institutions, bodies, and departments mentioned in the General Budget Law and the Budget Law for Government Units) are implementing the new government procurement By-Law that has been assessed to be satisfying international practices and abiding by procurement principles of

transparency, fairness, economy, and value-for money. The reform is still ongoing, and full deployment of e-procurement at the level of Ministries is planned by 2023.

- (g) **Public Private Partnership.** The law No 17/2020 defined the role of the PIM unit as well as the PPP High Committee and related unit housed at prime ministry. The PPP unit is in charge of organizing the establishment of the PPP, selection process, contract finalization, while the “Contracting Authority” will be signing the agreement and managing it.

Planning and Budgeting

11. **The assessment confirms that Jordan’s budget systems are adequate for the Program.** Jordan adopts an early budget preparation calendar (starts in January of each year) that allows more time for budget policy and strategy analysis and development. The calendar comprises four distinct phases covering: (a) initial strategic review and planning; (b) medium-term budget preparation; (c) draft budget finalization; and (d) budget approval. This would include preparation and discussion of (a) budget policy and priorities paper, which contains an updated macro-fiscal outlook and sets out the underlying policy stance and spending priorities to be addressed in the preparation of the budget, and (b) Medium-Term Expenditure Framework.

12. **The proposed Program will be included in the national budget of the country under the respective ministries and independent institutions’ budgets.** Jordan has a robust classification system, which includes the most important classifications and is broadly consistent with the IMF’s Government Finance Statistics Manual 2001, including administrative, economic, functional, geographical, and program classifications. These classifications are included in the current chart of accounts allowing for all transactions to be reported in accordance with the appropriate standards. The Government Financial Management Information System (GFMIS) is used for budget preparation. The budget of each line ministry, including those participating in this P4R, includes strategic objectives and performance indicators to monitoring progress toward achieving objectives using key performance indicators. All line ministries and government units’ budgets annually publish—on the GBD website—their strategic objectives, key performance indicators, and outputs of the preceding two years and programs for the ensuing three years. This provides a sufficient basis for tracking and evaluating service delivery by ministries and public entities.

13. The Budget laws, which includes the budgets of participating ministries, of 2018, 2019, and 2020 were prepared and submitted to the Parliament for endorsement without any significant delays. However, the Budget Law of 2021 was submitted and endorsed by the Parliament in delay due to the fact this Parliament is new and has been in the house only few months ago. Budget drafts and final ones are published on GBD website.

14. Budget classification system, followed by participating ministries, allows tracking the Program expenditures according to: (a) administrative units (participating ministries and IPU); (b) economic categories (recurrent, capital spending, and so on); (c) functions (health, education, and so on); and (d) government programs, subprograms, and activities. The budget is comprehensive, covering the activities of the central government and independent institutions. The budget is published on the GBD website, while final accounts and the monthly General Government Finance Bulletin (includes budgetary Government finance statistics aggregated according to the economic and functional classifications) are published on the GBD website (<http://www.gbd.gov.jo>).

15. According to article 4 of the Procurement By-Law no.28 for 2019 below, the procurement processing of contracts above set thresholds (JOD500,000 for goods and JOD 1 M for works) shall be procured centrally by GPD and GTD. For that, the different government agencies and units shall:

- i) Prepare a procurement plan that includes their future needs for a period of not less than one year to rationalize and control the public expenses.
- ii) The government entity and the Unit shall prepare the plan stipulated in paragraph (a) of this Article at least one month before the end of the fiscal year in accordance with the procedures of preparing their budgets. A copy of this plan shall be sent to the Procuring Policies Committee within (14) days from the date of its preparation.
- iii) The Governmental Entity and the Unit shall publish on the official website and the electronic portal a summary of its annual procurement plan.

16. The assessment verified that:

- i) Procurement plans are shared with the central procurement agency (GPD) in pdf forms to be published using the e-procurement platform JONEPS. Under the MDTF extended to JONEPS (P171965), enhancement of the platform will be including digitalization of the procurement plans to allow GPD and GTD integrating the different plans. GTD has recently rolled out JONEPS and is expected to receive the procurement plans for year 2022.
- ii) Capacity of both GTD and GPD needs to be enhanced in terms of efficiency. For that, it is expected from JONEPS to be digitizing the workflow and recording data to substantiate the public procurement system performance.
- iii) As stipulated under the Program Action Plan, Annual Work Plans (AWP) agreed by the different entities and validated by the central management entity (MOPIC) shall be materialized in the procurement plans. Coordination mechanism and integration shall be ensured by MOPIC.

Budget Execution

17. **Central Procurement agencies are to use JONEPS**, Jordan electronic system for procurement processing. GPD and GTD are using it in all procurement processing. Gradual deployment is planned during FY21 and FY22 with a full deployment to line ministries is expected by 2023. During FY21, enhancement of JONEPS is planned and linkages to GFMIS is explored.

18. **Contract management. JONEPS did not yet roll the e-contract module. This module will support data collection on execution of contracts.** Under the Program, contract management is to be handled by the different beneficiaries' ministries and agencies. Track record of contract management is in general not satisfactory. According to the Audit Bureau report of 2019, the main shortcoming in works contracts is the numerous variations in price and time between the original contract and the final contract. The finding was confirmed previously in 2015 and 2019 by different surveys conducted by the WB and MoPWH. In average, variations in cost are of 35% out of which 30% is the result of bad design and bidding documents, while 70% are additions requested by the beneficiary. Extension in time is systematically observed by almost 85%

of works contract. A DLR shall be added to the Program result framework to monitor decline of variations in price to reach 15% at the end of the Program.

19. **All implementing line ministries use Government Financial Management Information System (GFMIS) for budget preparation and execution.** The GFMIS has been fully rolled out to all budget units (ministries, departments, and regional financial centers) encompassed in the Budget Law. The Government has launched GFMIS phase two aiming to connect IPU by 2022. The GFMIS implementation utilizes a subset of the functionalities of the underlying application software. The current core application software comprises: (a) Hyperion for budget preparation; (b) Oracle Financials for budget execution; and (c) software for interfacing to other software for debt management, payroll, bank reconciliation, and revenue management. The GFMIS is fully utilized for budget execution; yet, for budget preparation, there are manual interventions with various ICT tools being used.

20. The GFMIS functionalities do not as yet fully meet the requirements of all budget actors during the budget preparation and execution. The GFMIS offers limited functionalities for: (a) presentation of an initial policy-focused budget submission; (b) entering of multiple quarter and multiyear commitments; and (c) capturing and populating the outstanding commitments and outstanding invoices for arrear monitoring. As a result, arrears have continued to be a problem. The Government has not been fully benefiting from the GFMIS to monitor the problem. Mechanisms designed to facilitate regular monitoring of arrears have recently been established at the MoF where a small team under the cash management division is assigned to track and monitor arrears. Currently, program implementing agencies use excel sheet to record commitments and follow on payments. Considering the fiscal contains and implications on the program implementation, semimanual reports on commitments and arrears on the participating line ministries will be collected by MOPIC and submitted to the World Bank.

21. **Procurement procedures and Processes are universally similar and follow the bylaw no.28 for 2019 and related Instructions.** Revisions of the legal framework is undergoing to fine tune the texts, reconcile duplications and inconsistencies. Clear guidance is provided to the Complaints processing, and the Committee is operational and currently handles complaints. JONEPS platform is operational and GTD/GPD are using it, specifically upon the request of the public administration and institutions for contracts above the set ceilings. A MDTF was extended to GPD for Business Re-engineering of the process and production of forms that would apply to all profile of institutions (Ministries, State-Owned-Enterprises, Municipalities, etc.). The BPR produced forms will be digitized in order to enhance the current platform. Partial deployment will be ensured meanwhile with a full deployment by 2023.

22. **Contract management and settlement of disputes:** As per procurement by-law No 28 Art 95, the Jordanian courts shall be referred to for settlement of disputes during execution of contracts. However, the contract may provide other dispute resolution methods, starting with amicable settlement and escalating to arbitration. The contract parties may recourse to a third party for settlement of disputes using conciliation and mediation, by appointing dispute-experts, or dispute review boards, and the related appointment procedures for such conciliators. Arbitration contract clause shall stipulate the institutional setting for the arbitration, the procedural rules to govern the conduct of the arbitration, and the location of the arbitration. In general, contract management capacity will need to be enhanced especially with respect to works contracts. The strategy for training program is developed and under approval. Institute of Public Administration is leading the training effort under the support of the World Bank MDTF (P172421). First orientation training waves are expected to be completed by June 2021 and August 2021. Specialized training (works, goods, consulting services, Framework agreement, contract management) are planned in 2022.

Budget performance Analysis

Comparison of actual aggregate expenditure against the originally approved budget for the main implementing agencies was concluded and found that actual expenditure deviated from the original budget is overall acceptable.

Budget expenditures outturn analysis for selected Implementing Line Ministries 2017-2019

Agency	2017		%	2018		%	2019		%
	Budget	Actual		Budget	Actual		Budget	Actual	
	Mill JD	Mill JD		Mill JD	Mill JD		Mill JD	Mill JD	
MoTourism	10.6	10.6	-0.2%	12.0	11.4	-4.4%	32	35	9.1%
MoFinance	3,056	2,758	-9.8%	3,147	3,134	-0.4%	3,022	3,019	-0.1%
MoEnv	5.3	5.2	-2.6%	5.9	5.1	-14%	6.5	6.3	-3.4%
MOPIC/National Planning Council	129.9	103.2	-20.6%	83.6	76.0	-9%	15.4	12.5	-18.5%
MOPIC-DOS	6.9	7.0	1.3%	6.7	6.7	-0.4%	7.6	7.7	0.4%
PMO	41.7	37.6	-9.9%	44.4	37.3	-16.0%	38.2	32.2	-15.7%

The analysis identified strong deviations of actual expenditure against budgetary allocations for:

- Increase in Ministry of Tourism actual expenditure to budget by 9% in 2019. The increase is mainly due to the increase in actual capital expenditure from budget by JD 2.5 million.
- Decrease in MOF actual expenditure to budget by 9.8% in 2017. The decrease is mainly due to the decrease in actual recurrent expenditure from budget by JD 294. million. This decrease is mainly accounted on the deviation in budgetary allocations on net International and domestic debt interests by JD 94m and other expenses by JD 224m.
- Decrease in Ministry of Environment actual expenditure to budget by 14%% in 2017 but this decrease is high in percentage by low in value.
- Decrease in MOPIC/NPC to budget by 20% in 2017, and 18.5% in 2019. The two decreases in actual expenditure are accounted for less spent on capital expenditure as planned for by JOD 28m in 2017 and JOD 3m in 2019. The decrease in capital expenditure in 2017 was mainly the reduction on spending on building and constructure by JOD 26m and JOD 3m in 2017 and 2019, respectively.
- Decrease in PMO actual expenditure to budget by 10% in 2017, 16% in 2018, and 15.7% in 2019. The decrease in spending in 2017, 2018, and 2019 in actual spending to budget was mainly accounted to less capital spending on capital spending by JOD 2.2m, JOD 6m, and JOD 5m respectively.

Internal Controls and Internal Audit

23. **The overall control environment is found acceptable for purpose of Program implementation.** Budget execution controls are implemented and applied consistently throughout the implementing ministries in accordance with the applicable Financial By-law (1994) and its Amendment (2015) and the Financial Control By-law (2011) and its Amendment (2015). The MoF regularly issues instructions detailing acceptable procedures to be followed by all ministries and public government units. The budget execution systems at implementing line ministries implement prescribed controls, which include: (a) technical

approval by the beneficiary department; (b) finance staff checking and approval; (c) periodic, ad hoc reviews by resident internal auditors; and (d) exercise of an expenditure controlling function by the MoF's financial controllers assigned to respective spending units. The MoF-assigned financial controllers oversee transaction-based compliance controls over payments, recording of transactions, and production of periodic and final accounts by responsible entities. In practice, no payments can be authorized and processed before financial controllers verify and sign off on payment vouchers.

24. In addition to resident financial controllers from the MoF, implementing line ministries have internal auditors who mainly perform the job of internal/financial controllers. Internal audit activities are primarily confined to ex ante review of receipts, expenditure vouchers, and disbursements. Ex ante controls performed by financial controllers and internal auditors are further performed by the Internal audit activities are, in this case, not designed to comply with practices and standards promulgated by international standard setters.

25. The absence of an effective ex post audit in accordance with recognized international standards weakens the effectiveness of the internal audit function and its suitability to effectively support program implementation. To mitigate risks presented by this deficiency, this assessment recommends extending the scope of work proposed to be done by independent financial statements auditors to include a review and assessment of the effectiveness of the internal control environment in beneficiary entities.

26. The annual budget laws prohibit overcommitments or reallocations between budget lines. Financial controllers play a key role in making sure payments are within approved budget allocations. Nonetheless, ministries can reallocate annual budget category amounts whenever considered and justify this to be necessary and consistent with their autonomous status.

Payroll

27. **The assessment confirms that an effective payroll management system is in place and functional.** The payroll systems at implementing line ministries have a good degree of integration and reconciliation between the position controls, personnel records, and payroll registers. The payroll system in Jordan follows the Civil Service Bureau instructions and is in line with the national financial law and internal controls regulation, in addition to instructions issued by the MoF. The Human Resources (HR) department is responsible for receiving the information for the appointed employee for entry into the automated HR database system. The HR department ensures the completeness of information and the data entry of related salary entitlements through an automated system and record archival both in the system and in paper files. HR input in the system is subject to both automated and human checks. A payroll schedule is prepared on a monthly basis and subject to several layers of approvals (payroll officer, head of payroll unit, the department manager [budget holder], Internal Control Department, MoF financial controller, and the financial management manager). Salaries are transferred to employees' personal bank accounts. Monthly reconciliations are prepared in the system and shared with the internal control unit and MoF representative. Daily time attendance sheets based on an automated attendance register are maintained by the attendance supervisor, who reports absences to the HR and responsible departments. Supervisors confirmed that they strictly ensure all employees are in place and functional. There is a concern in relation MOPIC-DOS using a very old inefficient and unsupported system (Fox-PRO) for salaries. This system needs to be upgraded with a more efficient and supported system.

Procurement Profile.

28. **Contracts Exclusion will not be observed** since all individual contracts under this Program are deemed to be estimated below the Operations Procurement Review Committee thresholds following values: (i) works US\$115,000,000 equivalent; (ii) goods US\$75,000,000 equivalent; (iii) non-consulting services US\$75,000,000 equivalent; and (iv) consulting services US\$30,000,000 equivalent.
29. **The Procurement processing is centralized at GTD for procurement of works and related consultancies, and at GPD for supplies and consultancy services.** Both agencies have extensive procurement experience but are not in charge of contract management.
30. The arrangement of the implementation agencies under article 76, and 81 of the Government Procurement By-Law no.28/2019 are as follows:
- a) For Contract involving civil works and technical consultancy related work exceeding a threshold of JOD 1,000,000 and JOD 100,000 respectively, the General Tender Department (GTD) is responsible for the procurement processing and implementation of civil works.
 - b) For supply of goods and consulting services related Goods exceeding a threshold of JOD 500,000 per contract, the GPD is responsible for the procurement processing and implementation of supply of goods.
31. **Procurement performance** of both agencies is to be enhanced. With respect to goods, re-bidding and lengthy procurement processing are frequently observed. While procurement of works may have observed less lengthy procedures due to the adoption of the classification of contractors that save time in evaluation. Most efficiency due to flow of documents will be upgraded though the usage of JONEPS and the enhancement that is foreseen.
32. **Procurement activities** under the Program per Result Area are as per following:
- a) Result Area 1- Broadening the fiscal space for public investment and improving its effectiveness by implementing the PIM/PPP legal, policy and governance framework for project preparation and management, including optimization of climate co-benefits. The RA will support (i) the PIM/PPP project review mechanism by strengthening the full project appraisal requirements and portfolio reviews of forthcoming projects, (ii) increasing the ratio of actual capital expenditure, (iii) mainstreaming capital expenditure for climate responsive investments.
 - b) Result Area 2: Improving the capacity of key institutions to proactively attract private investment and climate finance, reducing time and costs of registration and licensing businesses, including targeted policies that strengthen the recovery and long-term potential of the tourism sector. The RA will support (i) incentives for implementation of targeted investment through investment legal framework (laws and bylaws), (ii) enable recovery of the tourism sector from Covid1-9 crisis by proposing a strategy for offering diversification and competition, as well as increasing expenditures of MOTA towards maintenance and upgrading of sites, (iii) enhancing investors journey and digitizing business registration and licensing.
 - c) Result Area 3: Improving access to open data and mainstreaming evidence-based policy making and citizen engagement in policy and program implementation to improve the quality of business and infrastructure regulation and services. The RA will focus on (i) government responsiveness to

social demand for better business and infrastructure services, (ii) improvement of quality and public access to statistical and administrative data, (iii) strengthening good regulatory practices.

33. Procurement Categories of the Program activities are recapitulated as per below:

- a) The scope of the program is the implementation of the set of reforms that support public and private investment and set the stage for a climate responsive recovery. The PforR will also incorporate a strong governance dimension with a view to support the rollout of the investment support systems.
- b) Several activities under the PforR are designed to directly support capacity building of key government entities (e.g., MoTA and JIC staff; recruitment of additional staff to implement strategic reforms, etc.); also, business environment enhancement reforms, increasing investment flows. The PforR will support the expansion of digitalization of tourism marketing and promotion activities, support increasing technology adoption for the digitalization and integration of key Government-to-Business services. The PforR will support development of government policies (laws, bylaws, instructions, etc.) more consultative, evidence-based and predictably and increase access to information and data and implementing users' satisfaction monitoring systems.
- c) As per budget classifications, the PforR boundaries cover recurrent expenditures and also capital expenditures related to capacity building, computer acquisitions, computer maintenance, expenses of transportations office supplies, security and inspection devices, studies of the transport sector, studies and consulting services, Works/ constructions, Subsidies to non-financial public sector, etc. All yearly expenditures are below the exclusion thresholds except the yearly expenditures under MOF related to Works/ constructions and subsidies to non-financial public sector. According to technical assessment and inputs from the government, the related individual contracts will not have amounts exceeding the threshold of US\$115,000,000.

Public Entity	Sub Group Name	2021 US\$	2022 US\$	2023 US\$
Ministry of Finance	Subsidies to non-financial public	203,022,599	117,288,136	117,288,136
Ministry of Finance	Works and Constructions	142,926,554	137,242,938	151,412,429

34. **This assessment concludes that the respective capacity building initiatives will be supported through the Government's allocation** of required budget and non-financial resources, together with technical assistance from development partners. This assessment observes that no major procurement exceeding the PforR financing thresholds is envisaged under the Program. All implementing agencies need to ensure archiving of all the documents such as advertisements, orders, contracts, and invoices to comply with procurement controls of the country system.

Accounting and Financial Reporting

35. **The Assessment concludes that the accounting and financial reporting systems are found acceptable for purposes of the Program.** The implementing line ministries adopt a chart of accounts that is compatible with the Government Finance Statistics Manual 2001. Both the final accounts and the in-year reporting are timely but are still prepared through the Oracle legacy system until the GFMS implementation is completed and relevant legislative amendments are made. On the aggregate level,

General Government Finance Bulletin are published monthly that includes budgetary government finance statistics aggregated according to the economic and functional classifications (budget versus actual). The monthly financial positions sent by line ministries and independent institutions to the GBD/MoF present data in administrative, economic, program, funding, and geographical classifications.

36. Finalization of the annual accounts is required by law by June of the following year, and this has been complied with during the recent years. MOF issues the government annual financial statements in accordance with IPSAS cash accounting and has an ambitious plan to convert to the IPSAS accrual basis by 2022. Jordan Audit Bureau audits the government annual consolidated financial reports and the most recent published consolidated financial statements are issued for the year ended December 31, 2018, with a clean audit opinion. Independent Governmental Unit (JIC)'s annual financial statements are prepared in accordance with International Financial Reporting Standards and audited by private sector audit firms.
37. MOPIC will be responsible for Program coordination and implementation. Apart from this, MOPIC will be entrusted with:
 - i) Submit to the World Bank the semiannual reports on commitments and arrears for participating line ministries in format and content acceptable to the World Bank within 45 days of the end of each 6 months.
 - ii) submit the annual consolidated audited financial statements of the program within 6 months from the end of each calendar year.

Program Audit

38. **Participating ministries will be audited by Jordan Audit Bureau (AB), while independent governmental units rely on their own private sector auditors.** AB currently auditing a number of World Bank operations¹ including P4Rs and its track performance is acceptable.
39. The Jordan AB is a member of the International Organization of Supreme Auditing Institutions and the Arab Organization of Supreme Auditing Institutions. The AB was created by Article no. 119 of the Jordanian Constitution, which states 'To be established in accordance with the Audit Bureau Law to supervise the revenues and expenditures of the state and ways of spending'. The AB is charged with performing the external audit function applied to the general government public institutions. In recent years, it has been moving toward the application of international auditing standards, moving from a strictly financial audit role into administrative, performance, and environmental auditing techniques.
40. The Audit Bureau Law of 2007 needs to be amended to further strengthen the financial and administrative independence of the AB by bringing it closer to leading international practices and standards recommended by the International Standards of Supreme Audit Institutions. A revised audit Bureau law has been issued, which strengthens the Bureau's independence and now under review by the Parliament. Jordan Audit Bureau publishes its annual reports on its website, which they will be reviewed by the World Bank team to identify any significant weaknesses in internal controls of participating ministries.

¹ Economic Opportunities for Jordanians and Syrian Refugees P4R, Jordan Education Reform Support P4R, Jordan COVID-19 Emergency Response IPF, Exploring High Value Socially-Inclusive, and Water Efficiency Agriculture in Jordan IPF.

41. AB has fully withdrawn from conducting ex-ante auditing in all line ministries starting 2019 in compliance with INTOSAI standards except the Ministry of Agriculture. This has provided the Bureau with operational independence from the auditee as well as allowing the Bureau to focus on financial and performance audits. Additional progress is witnessed by the establishment of a special committee to review and solve the main audit issues raised in the audit reports during the past years including the most recent audit report of 2018. This shows the GoJ seriousness in following up and addressing the audit concerns reported by the Audit Bureau in the annual audit reports. The overall performance of the AB in auditing ongoing P4Rs operations in Jordan was satisfactory.
42. the AB will issue annual consolidated audited financial statements for the P4R covering all participating line ministries with a consolidated management letter. MOPIC will be responsible of coordinating the work with the AB. While independent agencies will rely on its own external audit firms that their performance is found satisfactory and will submit their audited financial statements and management letter to MOPIC.

Flow of Funds Arrangements

43. The Program will use the funds flow arrangements used for the execution of the budget of the state. The funds will be transferred to the Treasury current account at the Central Bank of Jordan. MOPIC will be responsible for submitting withdrawal applications to the World Bank with the necessary supporting documents evidencing DLIs achievements.

Program Arrangements for Managing Fraud and Corruption Risks

44. As part of the FSA, the degree to which the Program systems handle the risk of fraud and corruption, including complaint mechanisms, was assessed. The Program embeds several fraud and corruption prevention, deterrence, and detection mechanisms in existing arrangements, including:
 - (a) publication of Program information by participating ministries and entities, including provision for handling stakeholder complaints;
 - (b) comprehensive and clearly articulated procedures governing the use and accountability of funds, reflected in the PFM legislation, regulations, and operational guidelines;
 - (c) a strong internal control and compliance monitoring mechanism, including: (i) internal control and internal audit; (ii) periodic program progress monitoring by the PMU; (iii) strong compliance monitoring by the MoF financial controllers and internal auditors; and (iv) effective auditing arrangements including an extended scope of audit focusing on systems strengthening applying a risk-based approach;
 - (d) a strong track record of timely responsiveness in addressing and resolving audit findings; and
 - (e) effective arrangements for segregation of accountability and reporting functions.

These mechanisms will be complemented by proposed PAP remedies that address identified gaps and strengthen overall governance and risk management arrangements.

45. **Application of the Anticorruption Guidelines in Program-for-Results financing.** The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the

World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following:

- (a) Sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program.
- (b) Procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms. It will be the responsibility of the internal audit to monitor compliance of the different entities with this provision in terms of verifying contractors' name against the World Bank debarred/suspended list.

46. **The Jordanian Anticorruption Commission (JACC)**, established in 2005, has over the years established elaborate arrangements to prevent, deter, and investigate fraud and corruption. It is headed by a board comprising a chair and five members—eminent persons nominated for a limited two-year period. The JACC has departments responsible for public outreach and awareness; information management and investigation; and quality assurance. It closely collaborates with various stakeholders responsible for fiduciary oversight and the Judiciary. The JACC continues to receive capacity building support, including ongoing twinning arrangements with the Finnish anticorruption agency and recent technical assistance from the World Bank Group for establishment of a comprehensive database.

47. Jordan ranks fifth among Arab states on the 2019 Corruption Perception Index (CPI), coming in place after the United Arab Emirates, Qatar, the Kingdom of Saudi Arabia and Oman. Jordan scored 48 points out of 100 on the 2019 index, down by one point compared with the 2018 score. This slight fallback is due to a mild drop in six out of eight sources used to measure the overall average, namely in relation to a weak governance and bribery prevention. This clearly illustrates the referred to weakness, especially in relation to increased "wasta" to obtain services from certain institutions.

48. The GoJ launched several initiatives to strengthening the rule of law², protecting public money³, and combating corruption⁴ that are profound steps in the correct direction yet there is need for a holistic approach to enhance integrity and transparency in anti-corruption measures: (a) publishing periodic and updated public reports on the government's fulfillment of its commitments to fight corruption; (b) enforcing control and oversight over political money and funding, (c) Exercising preemptive and periodic disclosure of cases that are referred to the competent courts with respect to corruption and misuse of public office by the relevant authorities, (d) publicizing financial disclosures and beneficial ownership, as well as limit conflict of interest, (e) disclosing the number of objections filed against tenders, as well as the measures taken to address those objections, and in the event the objections are justified, it is necessary to clarify the corrective measures that are taken; (f) advancing the implementation of digitalization of public services, (g) promoting a deep understanding on the concepts of integrity, transparency and accountability in order to combat corruption among school and university students through a specialized scientific curriculum, and (h) simplifying investment procedures through downsizing bureaucratic red tape that foreign and local investors have to deal

² Several laws were amended, including the Illegitimate Profit Law, the Audit Bureau Law, and the Integrity and Anti-Corruption Law.

³ A new approach was adopted in screening the queries and violations listed in the Audit Bureau's report and established joint committees to follow up on recommendations and rectify the situation, in addition to referring the necessary cases to the Integrity and Anti-Corruption Commission. The Unified Procurement Bylaw (the government's Procurement Bylaw number 28 for 2019) served to establish a unified competent authority concerned with government tenders and procurement

⁴ the Council of Ministers has approved the Recruitment Bylaw for leadership positions number 78 for 2019, which provided some procedures that enhance the principles of transparency, as well as the policy of open data and cloud computing

with.

Transparency

49. Key institutions involved in public financial accountability have established elaborate public information sharing arrangements on their websites.

- (a) The MoF publishes multi-year budget planning and execution reports, including key performance indicators covering all core ministries and departments. These were observed to be comprehensive and maintained up to date.
- (b) The Jordan Audit Bureau publishes its annual report covering the outcome of audits of all ministries and departments subject to its audit.
- (c) The JACC has established a comprehensive mechanism for receiving, investigating, and reporting on all allegations received from the public.
- (d) Procurement notices and contract awards are required to be published as the Procurement by-law 28 (2019) article no. (6) using traditional and/or electronic means.
- (e) Public procurement complaint mechanism is established by the Public Procurement By-Law no. 28 for 2019 and further detailed in consequent implementation instructions. The public procurement complaint committee (PCC) was established by the prime minister decision of November 2019 and is housed at the Legislation Opinion Bureau. PCC initiated its operations by handling procurement complaints raised from different institutions and bidders. Out of five complaints, two were resolved to the advantage of the complainant and three the procuring agency. According to the PCC feedback, the complainants that used the system expressed trust even for those which had the resolution not to their advantage. However, the PCC lacks resources (staffing, administrative support), and has no allocated office or adequate IT and office equipment. Under the Program Action Plan (annex 6), where JONEPS is deployed, complaints records are to be uploaded and published through the platform, otherwise, agencies to keep a log of cases and their resolution and to adopt publication on individual websites.

50. **Public complaints handling (non-related to procurement).** A Central Government Complaints Management System is maintained in the MOPSD⁵ as a central entity for receiving and monitoring resolution of citizens' complaints directly with all concerned government agencies. The management and maintenance of the system are supervised by the Government Complaints Management Unit at the MOPSD's Government Services Improvement Directorate. The unit receives citizens' complaints on services provided by government departments, corporations, and municipalities and follows up with the National Contact Center. The system generates monthly reports that provide a basis for setting performance indicators and making appropriate decisions to reduce citizens' complaints and address negative trends in a practical and evidence-based approach, in line with the vision of His Majesty King Abdullah II for better government services achieved by listening to citizens, taking their suggestions into account, and considering them as key partners in developing government services. The Central Government Complaints Management System serves as a central outlet that guarantees the

⁵ See website: <http://mopds.gov.jo/en/Pages/Side%20Nav/Government-Complaints-Unit.aspx?MenuItem=4>

confidentiality of complaints and ensures that they are handled in a professional and transparent manner upon verification of the complainant's identity through databases linked to the system.

51. **Code of ethics for public servants.** All state bodies, including ministries, departments, and IPUs, follow the code of ethics for public servants. In general, the code of ethics sets rules of behavior for employees and aims to strengthen public confidence in the professionalism and conduct of employees. The code defines relationships with citizens, professional behavior, conflicts of interest, relations with colleagues, personal behavior, and so on.
52. **Asset disclosure.** The Financial Disclosure Department by-law increased the number of individuals from the public and private sectors who are required to submit financial disclosures. Nevertheless, the law is not as effective as an investigation tool because assets disclosed by public officials in financial statements are not verified by the Financial Disclosure Department unless there is a complaint against the public official.
53. **Conflict of interest.** In addition, bidding documents for public procurement contain ethics clauses, which regulate interactions between the employer and the bidders with regard to the process of bid examination, clarification, and evaluation; conflict of interests; unlawful agreement with competitors or influence on the evaluation committee; and so on. Also, the requirement of this part of the bidding document is that the contractors shall act professionally, impartially, and in accordance with the code of ethics of their profession.

Section 4: Program Systems and Capacity Improvements. The below describes the fiduciary arrangements for the Program with respect to procurement and financial management. The PAP will record the critical support measures.

54. **Procurement arrangement conclusions.** The Program will be implemented by the various implementing agencies as per their mandates. The Program will need that (i) Appropriate procurement staff are allocated for the procurement transactions and contract management, (ii) Solid procurement plans are developed yearly and updated quarterly following the Annual Work Plans, (iii) Assignment of solid technical experts to support development of technical specifications and procurement documents , (iv) Deployment of training pertaining to procurement processing and contract management, (v) Internal audit to advise on procurement processing for increasing its efficiency, (vi) Procurement Cycle to be covering planning, procurement processing, contract management and inventory/acceptance of deliverables, (vii) Systematic coordination between the implementing agencies and the central procurement departments (GTD and GPD), (viii) Coordination and Integration of the Program by a central agency (e.g. MOPIC), especially for Results Areas that include multiple agencies, (ix) Procurement Complaints log maintained and published through JONEPS or agencies websites.
55. **Financial management conclusions:** The current program implementation requires a substantial level of Follow up and coordination. The role of MOPIC as a coordinating entity is crucial for the successful implementation of the Program. This will entail the monitoring of the DLIs achievement, periodic reporting of the Program expenditures, and ensuring timely yearly external audit report submission to the Bank (not later than six months at the end of each fiscal year), as well as coordination on the auditor's findings and application of recommendations and resolution of findings and irregularities.