

## Fiduciary Systems Assessment – Addendum Full Report

### Summary

1. The original Fiduciary System Assessment (FSA)<sup>1</sup> for the ongoing PforR operation "Economic Opportunities for Jordanians and Syrian Refugees" was updated for the purpose of this envisaged additional financing. The updated FSA also included the fiduciary assessments of the new governmental agencies that are added to the program expenditure, including: the Ministries of Agriculture, Local Administration, and Jordan Commission for Woman Affairs (JCWA) while the assessment of the Ministry of Social Development was conducted remotely due to the current lock-down in Jordan due to Covid-19 pandemic.
2. The Findings of the updated FSA assessment concluded that the overall fiduciary and governance framework provides a reasonable assurance that the program funds will be used for the intended purposes of the proposed Additional financing.

### *Original Program performance and required actions implementation*

- **Procurement performance and required actions were partially implemented.** The Public Procurement system observed major reforms since the original assessment. Indeed, as per required procurement actions, an Independent Complaint Committee was established at the prime ministry office, following the clauses of the new public procurement by-law of 2019, and is expected to be operationalized by end-2020. However, at the time of drafting those indicators, Jordan National Electronic procurement System (JONEPS) was in its early stages and the intention was to extract efficiency data from the system. JONEPS deployment was delayed and thus such data was not collected. For the AF, the team developed an excel spreadsheet to collect the data, in case further delays are observed.
  - **The overall expenditures of the parent PforR up to 2018 is aligned with the expenditure framework.** There were deviations in actual recurrent and capital expenditures compared to budgetary allocations of 2016 and 2017 by a total of US\$ 58 million due to GoJ efforts to reduce budget deficits. However, up to 2018, the overall framework remains in track.
3. **Similar to the ongoing PforR operation "Economic Opportunities for Jordanians and Syrian Refugees", 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.

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<sup>1</sup> Conducted in 2016 and focused on assessing critical elements of the PFM cycle that are relevant to the PforR Program and the implementing agencies.

## *Fiduciary Risks*

### 4. **Fiduciary risk continues to be rated as “moderate”.**

- Financial management risks: One of the key risks identified in the ongoing PforR and potentially could impact the envisaged additional financing is the lack of financial sustainability and funding predictability due to any possible budget cuts due to fiscal constraints of the GoJ. The expenditure framework of the ongoing program consists of the expenditures related to the implementation of the program by MoITS, MoL, JSMO and JIC during 2016 – 2018 and the budgetary allocations of 2019 and 2020. The actual expenditures of implementing agencies during 2016 – 2018 and budgetary allocations of 2019 and 2020 are totaled to US\$ 359m million compared to US\$ 396 million program estimated over the full 5-year program. Thus, the program is financially sustainable. Several risks emerged due to the growing number of implementing agencies under the additional financing that now reached to 8 different implementing agencies 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 by implementing agencies. MOPIC will act as the focal point of communication with all implementing agencies and the World Bank team would need to act proactively and closely follow up with MOPIC on the submission of the necessary reports.
- Procurement risk: The identified procurement activities under the program are minimal and restricted to procurement of low-value goods and services that are generally required for operation of the institutions involved. However, the new implementing institutions need to ensure archiving of all the documents such as advertisements, orders, contracts, and invoices to comply with procurement controls of the country system.

5. **Procurement exclusion.** It is foreseen that no procurement activities, or very low contracts are considered for the AF, thus no exclusion will be observed since all individual contracts under this Program AF are deemed to be estimated below the thresholds following values: (i) goods and non-consulting services US\$75,000,000 equivalent; and (iv) consulting services US\$30,000,000 equivalent.

## **Background and Institutional Arrangements**

### *Institutional Framework*

6. The Program’s implementation will be based on presently existing and operational institutional arrangements with its key stakeholders comprising MOPIC, MOL, MoITS, JIC, and JSMO. The following governmental agencies were added to the program:

- **Ministry of Agriculture:** The Ministry of Agriculture was established in 1939 under Law No. (20) for the year 1973 which was amended under Agriculture Law No. 44 for the year 2002, and amendments thereto. A new law for agriculture was issued under No. 13 for the year 2015. The ministry is tasked to preserve and develop the agricultural resources, increase self-reliance and improve the agricultural trading balance, upgrade the agricultural and livestock production efficiency, achieve integration with other sectors in the national economy, develop agricultural research, technology transfer and expand in agricultural guidance to serve agricultural, development, provide suitable institutional and investment environment to achieve agricultural

development, provide health protection to livestock, plant and environment resources, contribute to comprehensive rural and agricultural development through financing farmers, and achieve food security on family level and combat poverty and unemployment.

- **Ministry Local Administration:** The Ministry of Municipal Affairs was established in 1965, and it was called Ministry of Interior for Rural and Municipal Affairs. The name of the Ministry was changed in 1976 to become the Ministry of Municipal and Rural Affairs. In 1980, the name of the Ministry became the Ministry of Rural, Municipal and Environmental Affairs. After the project of merging the municipalities in 2002 and the creation of the Ministry of Environment, the Ministry's name became the Ministry of Municipal Affairs. The Ministry take over the task of supervising the municipalities' various services pursuant to the provisions of Municipal Affairs Organization and Administration Bylaw No. (57) for the year 1976 and developing the local administration concept for these municipalities. The ministry is tasked with supervision and control on the municipalities, support the institutional capacity building of the sector to achieve good governance and enhance the developmental role of the municipalities, Prepare the detailed regional and structural construction plans for all the Kingdom's municipalities, develop and implement the effective legislative frameworks (administrative, financial and institutional) of the municipalities' operations, manage financial transfers and coordinate with the relevant entities to provide the necessary financing for the municipalities' projects and programs.
- **Ministry of Social Development:** The ministry is tasked with integrate social protection policies and institutionalize their services at the national level, promote and empower the families to see their roles, provide the social protection services with high quality, rehabilitation and integration of juveniles, reduction of the begging phenomenon, provide the quality services to persons with disabilities, provide accommodation care for the elderly, provide alternative care services, professionalization of social work at all levels, and institutionalize the social responsibility.
- **Jordan Commission for Woman Affairs:** The Jordanian National Commission for Women was established as a semi-governmental body on (12/3/1992) by the decision of the Prime Ministry and chaired by Her Royal Highness Princess Basma Bint Talal. This came as a recognition women's role and an expression of Jordan's response women's and society's needs, and an emphasis of Jordan's commitment to implement national, Arab and international policies and covenants. This includes the commitment to create a national mechanism that promotes women's and economic, social and political participation, protects her gains, and defends her rights in order to achieve a higher level of social justice and equality between men and women.

7. The expenditures to be incurred under the Program will continue to form part of the national budget systems of the government ministries and IPUs. The Program will be subject to the Government's PFM arrangements, which have been assessed through various analytical pieces.<sup>2</sup> A summary of applicable PFM systems, rules, procedures, and oversight mechanisms is described in the following paragraphs.

#### *Legal Framework*

8. No changes on the legal Framework for his additional financing. The below laws continue to apply on the new added implementing agencies:

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<sup>2</sup> Recent assessments include the 2016 Public Expenditure and Financial Accountability assessment.

- (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 establishment of two independent units, one to regulate the sector and advise on policies and another one to handle procurement complaints when not resolved by the implementing agency and 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 deployment of e-procurement at the level of Ministries is planned by end-2020.

## Assessment of Fiduciary Systems

### *Planning and Budgeting*

9. **The updated assessment for existing agencies and the assessment conducted for the newly added governmental agencies confirm that Jordan's budget systems are adequate for the Program.** This conclusion is based on the review of budgets performance during the years of project implementation until FY20.

10. **Budget preparation continues to be prepared without any significant delays and budget draft and final are published on GBD website.** Budget preparation and execution continues to be governed by the Organic Budget Law No. 58 of 2008, which sets out the responsibilities of the General Budget Department (GBD), a separate unit which reports directly to the Minister of Finance, but the core principles relating to revenue and expenditure management and accounting, and financial control, are specified in the Financial By-law No.3 (1994) as subsequently amended, and in the Application Instructions for Financial Affairs No. 1 (1995). Rules limiting the extent to which budgetary provision can be reallocated during the year are set out in each year's General Budget Law. A more comprehensive Organic Budget law has been under discussion for several years, but no proposals have been submitted to the National Assembly. Debt management by the Ministry of Finance (MoF) is subject to the Public Debt Management Law No. 26 (2001), which sets an overall limit on gross public debt at 80 per cent of GDP, and gives no role to the National Assembly in approving increases in borrowing each year. The Supply Law No. 30 (2007) requires GUs to surrender their surpluses at the end of each year to the Treasury Single Account (TSA) at the Central Bank of Jordan (CBJ).

11. The Government continue to use systems for budget classification and chart of accounts that conform to international standards and deploys a basic but effective results-oriented budgeting framework, all of which provide the means to track government spending. 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 (GFMS) is used for budget preparation.

12. The proposed Program will continue to be included in the national budget of the state under the respective ministries and independent institutions' budgets.

13. Budget classification systems allow tracking the Program expenditures according to: (a) administrative units (participating ministries and IPUs); (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>).

14. 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.

15. According to article 4 of the Procurement By-Law no.28 for 2019 below, the government agency and unit shall:
  - (a). 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.
  - (b) 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.
  - (c) The Governmental Entity and the Unit shall publish on the official website and the electronic portal a summary of its annual procurement plan.

### *Budget Execution*

16. **Central Procurement agencies are to use JONEPS**, Jordan electronic system. GPD is using it in all its procurement processing, and GTD was planned to start using it in June 2020. Deployment to line ministries is expected by end 2020. In planned future enhancement of JONEPS, linkages to GFMIS is explored.

17. **All 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's by 2022.

18. 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.

19. However, 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.

20. For purposes of annual financial reporting of the Program, it is proposed to rely on existing arrangements, modified as follows:

- (a) For the IPU's, the Program will rely on existing financial reporting and annual auditing arrangements.

- (b) For existing and new added line ministries to the program, the PMU will compile and consolidate Program-related financial information and produce a set of annual program financial statements, and these financial statements would be submitted for annual audit by an independent acceptable audit firm.

21. **Jordan continues to have a robust budget system that based on programs. Each budget includes strategic objectives and performance indicators to monitoring progress toward achieving objectives using key performance indicators.** All line ministries and government units' budgets including existing as well as those newly added to the program, 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. Below is a snapshot sample that was extracted from the GBD website, demonstrates the type of information published.

### **Budget performance Analysis**

*Existing Implementing agencies:* Budget expenditures outturn analysis for existing program implementing agencies for the years 2016 until 2018 show variations (budget vs actual) as demonstrated in the table 1. This shows the fiscal stress which Jordan is under during the last couple of years which caused budgets cuts, mainly in capital expenditures. Despite the budget cuts, still the government program is higher the PforR program, which insurances PforR program financial sustainability.

**Table 1: Budget expenditures outturn analysis – Existing Governmental Agencies**

	2016			2017			2018		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
<b>MIT</b>									
Recurrent	9,155,000	7,893,265		10,850,000	9,881,442		11,123,000	9,716,300	
Capital	31,299,010	15,828,674		26,495,000	23,988,932		15,722,000	13,457,977	
	<b>40,454,010</b>	<b>23,721,939</b>	<b>-41%</b>	<b>37,345,000</b>	<b>33,870,374</b>	<b>-9%</b>	<b>26,845,000</b>	<b>23,174,277</b>	<b>-14%</b>
<b>MoL</b>									
Recurrent	16,336,000	15,460,774		17,160,000	17,074,442		17,043,000	16,295,090	
Capital	5,010,000	3,064,967		4,587,000	2,750,135		5,469,000	3,456,763	
	<b>21,346,000</b>	<b>18,525,741</b>	<b>-13%</b>	<b>21,747,000</b>	<b>19,824,577</b>	<b>-9%</b>	<b>22,512,000</b>	<b>19,751,853</b>	<b>-12%</b>
<b>JIC</b>									
Recurrent	3,900,000	3,207,352		3,685,000	3,422,238		3,831,000	3,301,102	
Capital	3,700,000	919,778		3,385,000	1,583,242		3,300,000	671,148	
	<b>7,600,000</b>	<b>4,127,130</b>	<b>-46%</b>	<b>7,070,000</b>	<b>5,005,480</b>	<b>-29%</b>	<b>7,131,000</b>	<b>3,972,250</b>	<b>-44%</b>
<b>JSMO</b>									
Recurrent	4,831,000	4,257,940		4,969,500	4,581,143		5,188,000	5,385,577	
Capital	1,010,000	784,363		766,000	407,761		710,000	682,228	
	<b>5,841,000</b>	<b>5,042,303</b>	<b>-14%</b>	<b>5,735,500</b>	<b>4,988,904</b>	<b>-13%</b>	<b>5,898,000</b>	<b>6,067,805</b>	<b>3%</b>

*Newly Added Implementing agencies:* Budget expenditures outturn for newly added agencies (MoAg, MoLA, MoSD, and NCWA) for the years 2016 until 2018, as demonstrated in table 2, show limited variations (budget vs actual) unlike the current implementing agencies.

Table 2: Budget expenditures outturn analysis – New Added Governmental Agencies

	2016			2017			2018		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
<b>MoAg</b>									
Recurrent	47,777,000	45,690,375		47,000,000	45,237,670		46,354,000	44,874,302	
Capital	13,512,000	11,454,858		14,462,000	13,009,425		22,065,000	20,501,900	
	<b>61,289,000</b>		<b>-7%</b>	<b>61,462,000</b>		<b>-5%</b>	<b>68,419,000</b>		<b>-4%</b>
<b>MOLA</b>									
Recurrent	8,114,000	7,273,059		8,380,000	7,596,274		7,915,000	7,600,648	
Capital	155,000,000	146,632,177		175,994,660	173,482,519		178,200,000	172,798,483	
	<b>163,114,000</b>		<b>-6%</b>	<b>184,374,660</b>		<b>-2%</b>	<b>186,115,000</b>		<b>-3%</b>
<b>MoSD</b>									
Recurrent	114,111,000	112,422,328		115,500,000	114,404,840		126,880,000	126,320,166	
Capital	11,685,000	10,407,445		10,256,723	10,166,584		14,003,000	11,608,126	
	<b>125,796,000</b>		<b>-2%</b>	<b>125,756,723</b>		<b>-1%</b>	<b>140,883,000</b>		<b>-2%</b>
<b>NCWA</b>									
Recurrent	700,000	700,000		700,000	700,000		700,000	700,000	
Capital	0	0		0	0		-	-	
	<b>700,000</b>		<b>0%</b>	<b>700,000</b>		<b>0%</b>	<b>700,000</b>	<b>700,000</b>	<b>0%</b>

*Internal Controls and Internal Audit*

22. **Based on the updated assessment, the overall control environment continues to be acceptable for purpose of Program implementation.** Budget execution controls are implemented and applied consistently throughout the ministries and IPU's 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 the MOL and MoITS 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.

23. 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. In addition to resident financial controllers from the MoF, MOL, and MoITS, IPU's 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 AB at the MoITS, MOL, and IPU's. Internal audit activities are, in this case, not designed to comply with practices and standards promulgated by international standard setters. Ultimately, there appear to be excessive ex ante controls by the MoF financial controllers, internal auditors, and the AB, to the detriment of independent, third-party perspective monitoring and reviews of ex post activities.

24. 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.

25. 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, IPUs have the ability to reallocate annual budget category amounts whenever considered and justify this to be necessary and consistent with their autonomous status.

#### *Payroll*

26. **The updated assessment confirms that an effective payroll management system is in place and functional.** The payroll systems in place 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.

#### *Procurement Profile*

27. **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. The identified annual procurement under the program is minimal and restricted to procurement of low-value goods and services that are generally required for operation of the institutions involved. The procurement risk involved is assessed to be low. However, 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.

28. **The current Procurement arrangement of the implementation agencies under article 76, and 81 of the Government Procurement By-Law no.28 for 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.

29. **As agreed in the ongoing PforR operation “Economic Opportunities for Jordanians and Syrian Refugees”, 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.
30. **Ministry of Agriculture:** The MOA is responsible for its own procurement process and contracting, such as procurement of goods and consultancy services and non-consultancy services such as supply of hydroponic units, agriculture equipment’s, cleaning services contract, and so on with estimated costs not exceeding JOD 100,000 (about US\$140,000) as elaborated in the Public Procurement by-law. All tenders exceeding this amount are processed by the GPD as explained above. The procurement division in the ministry is housed under the Finance - Department. The overall procurement team is composed of (5) five members, the division’s head Tender & Procurement Manager, and 4 officers (procurement officer, contract management officer, tender & supply officer and purchases officer. MOA has a user admin account and admin procurement to work with JONEPS. The team was well skilled in Jordan’s Supply By-Law No. (32) of 1993 and its amendments, public procurement of Works By-Law No. (71) of 1986 and following the enactment of the new by-law, they are starting the training on the Public Procurement By-Law No. 28 of 2019 provisions. In addition, the staff has satisfactory record dealing with the projects funded by IFAD, and USAID. However, they do not have previous experience and working knowledge on World Bank-funded operations.
31. **Ministry Local Administration:** The MLA is responsible for its own procurement process and contracting, such as supply of specific accessories and goods beyond general supplies and consultancy services and non-consultancy services such as security guards contract, cleaning services contract , and so on with estimated costs not exceeding JOD 40,000 (about US\$56,000) as elaborated in the Public Procurement by-law no.28 for 2019 All tenders exceeding this amount are processed by the GPD as explained above. The MLA has its own procurement office staffed with two officers who report to the Administrative Department Manager, and they work with a number of procurement committees chaired by the general manager of the MLA or department manager based on the threshold of the estimated cost of each tender.
32. **Ministry of Social Development:** MOSD is responsible for its own procurement process and contracting, such as supply of specific accessories and goods and non-consultancy services with estimated costs not exceeding JOD 40,000 (about US\$56,000) as elaborated in the Public Procurement by-law no.28 for 2019. All tenders exceeding this amount are processed by the GPD as explained above. The MLA has skilled staff who report to the Administrative Department Manager, and they work with a number of procurement committees chaired by the general manager of the MLA or department manager based on the threshold of the estimated cost of each tender. In addition, the staff has satisfactory record dealing with the projects funded by the World Bank and USAID.

33. **Jordan Commission for Woman Affairs:** The JNCW is responsible for its procurement need such as selection of individual consultant, procurement stationary and conducting number of workshops estimated cost of all activities is not exceeding JD20,000. The procurement division is housed under the financial Department. The procurement team is well skilled in the procurement, the procurement process is included and details in the procurement operation manual. The team have good information in the Public Procurement By-Law No. 28 of 2019. In addition, the staff has satisfactory record dealing with the number of projects funded by different donor, but not funded with the World Bank.

#### *Accounting and Financial Reporting*

34. **The updated assessment concludes that the accounting and financial reporting systems are found acceptable for purposes of the Program.** The participating Governmental entities to the program continue to adopt the cash basis of accounting while the two IPU's (JIC and JSMO) follow accrual basis in accordance with International Financial Reporting Standards.

35. The line ministries adopt a chart of accounts that is compatible with the Government Finance Statistics Manual 2001. MOF has an ambitious plan to convert to the International Public Sector Accounting Standards cash basis by 2022. 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. The monthly General Government Finance Bulletin 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. 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. The final accounts are published on the MoF website. Jordan has joined the IMF Special Data Dissemination Standards since January 2010. JIC and JSMO's annual financial statements are prepared in accordance with International Financial Reporting Standards are audited by an acceptable independent private sector firm in accordance with International Standards on Auditing.

36. A PMU was established at MOPIC that will be responsible for Program coordination and implementation. Apart from this, the PMU will be entrusted with compiling the Program annual financial statements and providing any ad hoc financial reports as deemed necessary to follow on the Program financial activities.

#### *Program Audit*

37. Existing implementing line ministries are audited by Jordan Audit Bureau, while IPU's relied on their own auditors. The newly added line ministries to the Program (MoSD, MoLA, MoAg) will be as well audited by Jordan Audit Bureau while JCWA will has its own auditor contracted from the private sector.

38. All audit reports with the management letters of existing implementing agencies for the year ended December 31, 2018, were submitted on time. The auditors issued clean opinions on implementing agencies audited financial statements and the management letters did report any significant weaknesses

in internal controls. The next audit reports for the year ended December 31, 2019, are due for submission by not later than June 30, 2020.

39. Jordan Audit Bureau will be appointed as the auditor of the line ministries (Trade, Labour, Local Administration, social development) due its satisfactory performance except for the Ministry of Agriculture where a private audit firm will be hired to audit the ministry's annual financial statements. While independent agencies (JIC, JSMO, JCWA) will rely on its own external audit firms that their performance is found satisfactory.

40. In relation to strengthening accountability of use of public funds, the Jordan Audit Bureau 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.

41. 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. 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.

#### *Flow of Funds Arrangements*

42. 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*

43. 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.

#### *Application of the Anticorruption Guidelines*

44. 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.

45. *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.

46. 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.

47. The GoJ launched several initiatives to strengthening the rule of law<sup>3</sup>, protecting public money<sup>4</sup>, and combating corruption<sup>5</sup> 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 e 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 with.

### *Transparency*

48. 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 committee is housed at the prime ministry and is expected to be operational by end 2020.
- (f) JONEPS deployment will increase transparency of procurement processing and contract management and will allow building a reliable database on the system performance, among others.

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<sup>3</sup> Several laws were amended, including the Illegitimate Profit Law, the Audit Bureau Law, and the Integrity and Anti-Corruption Law.

<sup>4</sup> 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

<sup>5</sup> 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

49. **Access to information.** There were no consequences for government departments, if they failed to fulfill their obligations as stated in the law. Furthermore, the petitioner is required to cover the expenses associated with the production of information with no specific ceiling.

50. **Public complaints handling.** A Central Government Complaints Management System is maintained in the MOPSD<sup>6</sup> 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 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.

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<sup>6</sup> See website: <http://mopsd.gov.jo/en/Pages/Side%20Nav/Government-Complaints-Unit.aspx?MenuItem=4>