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Jordan Fiscal Reform Bridge Activity (JFRBA):

REINFORCING THE FISCAL FOUNDATIONS FOR JORDAN'S ECONOMIC GROWTH

Final Report—July 2016



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Foreword



This report entitled *REINFORCING THE FISCAL FOUNDATIONS FOR JORDAN'S ECONOMIC GROWTH* contains an account of the Jordan Fiscal Reform Bridge Activity project or JFRBA (October 2014–July 2016), one of USAID's leading projects in Jordan, implemented by DAI and its partners Nathan Associates, Georgia State University and Ihtiraf Consulting. JFRBA constitutes a continuation of its predecessor project, the Fiscal Report Project II also executed by DAI between October 2009 and September 2014.

It provides a detailed account of the project, its activities and their impact, and showcases the efforts of a dedicated team of extraordinary Jordanian and international technical experts. It highlights the challenges and successes of JFRBA and its far-reaching accomplishments in fiscal reform. JFRBA worked hand in hand with our counterparts in the Government of Jordan to strengthen the country's fiscal foundations and reinforce the conditions for equitable economic growth. JFRBA's efforts supported performance and transparent-oriented fiscal policy formulation, implementation, and public financial management—activities which are vital at a time of great economic uncertainties in the region and in Jordan in particular.

JFRBA's technical teams worked hard to achieve six principal objectives: improving effective policy analysis and execution; improving the efficiency of public resources through stronger public financial management (PFM); implementing monitoring and evaluation methodologies within the Government of Jordan; enhancing revenue mobilization through improved revenue administration; advising in the passing of the legal framework for public-private partnerships; and strengthening efficiency in trading across borders.

The implementation of this multidimensional, cross-sectoral project is the successful practical expression of the United States Agency for International Development's (USAID) vision in providing targeted technical assistance in support of Jordan's quest for building a sustainable fiscal reform process and significantly improving broad public financial management.

The project enjoyed a close relationship with the USAID/Jordan Mission's senior leadership and staff, particularly with the Office of Economic Development and Energy. It is particularly indebted to Contracting Officer Representative (COR) Yasser Bayado for his unwavering support, guidance and true partnership.

The project also deeply appreciates the partnership and close cooperation of all Government of Jordan counterparts, who were crucial to achieving JFRBA's goals. Most sincere thanks go to the senior management and technical staff of the Ministry of Finance, the General Budget Department, the Income and Sales Tax Department, and the Jordan Customs Department.

JFRBA recognized the important roles played by women and young people in public affairs. Therefore, all technical components developed their strategies and work plans with this essential factor in mind. As this report describes, JFRBA contributed to Jordan's public sector reform by empowering women and youth with the professional skills and motivation to establish themselves as agents of change in government affairs.

Lastly, JFRBA is most grateful to DAI's professional team and leadership at the home office in Bethesda, Maryland, for their continued support, guidance and faith in the project's core mission and values. JFRBA embodies DAI's vision in international development:

Transforming ideas into action—action into impact.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Roberto Toso', written over a horizontal line.

Roberto Toso
JFRBA Chief of Party

Abbreviations

AMS	Audit Management System	KPI	key performance indicators
AMU	Audit Management Unit	LTO	Large Taxpayers Office
ASYCUDA	Automated System for Customs Data	M&E	monitoring and evaluation
BI	Business Intelligence	MENA	Middle East North Africa
CDCS	Country Development Cooperation Strategy	METAC	Middle East Regional Technical Assistance Center
CITS	Comprehensive Integrated Tariff System	MOA	Ministry of Agriculture
COR	Contracting Officer's Representative	MOF	Ministry of Finance
DRM	Domestic Resource Mobilization	MTFF	Medium Term Fiscal Framework
EFF	Extended Fund Facility	MTO	Medium Taxpayers Office
FDA	Food and Drug Administration	NITC	National Information and Technology Center
FDI	foreign direct investment	PAP	Pre-Arrival Processing
FRP II	Fiscal Reform II Project	PDD	Public Debt Directorate
FRPFM	Fiscal Reform and Public Financial Management	PEP	Public Expenditure Perspectives
GBD	General Budget Department	PFM	public financial management
GDP	gross domestic product	PGA	partner government agency
GFMIS	Government Financial Management Information System	PPP	public-private partnership
GoJ	Government of Jordan	PPPU	Public Private Partnership Unit
GST	General Sales Tax	QRR	Quarterly Review Reports
ICT	information and communications technology	ROB	results-oriented budgeting
IMF	International Monetary Fund	SBA	Stand-By Arrangement
IPA	Institute of Public Administration	SEPD	Studies and Economic Policies Directorate
IPSAS	international public sector accounting standards	SMART	specific, measurable, achievable, relevant, and time-bound
ISMS	information security management system	STA	Small Taxpayers Office
ISTD	Income and Sales Tax Department	SW	Single Window
IT	information technology	TADAT	Tax Administration Diagnostic Assessment Tool
JC	Jordan Customs	TAMIS	Technical and Administrative Management Information System
JD	Jordanian Dinars	WCO	World Customs Organization
JFRBA	Jordan Fiscal Reform Bridge Activity		
JSMO	Jordan Standards and Metrology Organization		



Executive Summary

Jordan has been significantly impacted by the ever-changing economic and political landscape that followed in the wake of the financial crisis in 2009 and political upheaval in 2011. Shocks to Jordan's economy from the escalating Syrian refugee crisis as well as the disruption of Egyptian natural gas, Jordan's most reliable source for electric power generation, has put severe strain on the government and its finances. Tourism, a major sector of the economy, has been particularly hard hit and worker remittances and foreign direct investment (FDI) have slowed. This has collectively resulted in economic slowdown, growing public debt, a sharp increase in the deficit, and decimated foreign currency reserves.

Against this background, the Government of Jordan required new approaches and tools to reduce the fiscal deficit and pay down and prevent debt. The USAID-funded Jordan Fiscal Reform Bridge Activity (JFRBA) launched in October 2014 in order to build on the accomplishments of the Fiscal Reform Project II and to sequence the government's economic reform efforts and help strengthen its fiscal foundation for growth. JFRBA's assistance contributed towards improved performance in public spending and administration of public resources, enhanced accountability and transparency, and enhanced tax administration and revenue generation through sound evidence-based tax policy and enhanced cross-border trade.

JFRBA's strategy was built upon the continued work of six technical teams whose goal was to establish six pillars that together would form the basis for sustainable fiscal development.

Pillar I: JFRBA worked directly with the General Budget Department (GBD), supporting the design of a budget monitoring and evaluation (M&E) framework as one of the cornerstones of the Government's results oriented budgeting (ROB) measures. As part of designing the M&E framework, the technical team reviewed key performance indicators (KPIs), assessed performance-based information and reporting at pilot

ministries, and developed a series of tools which serve as the basis for government departments and units' enhanced budget performance information and reporting. The GBD now has the tools to assess budget performance while identifying factors that affect budget results. Furthermore, the team built on previous efforts to incorporate gender-responsive budgeting by providing improved gender-disaggregated KPIs to be incorporated into the budget law, gender budget templates, data collection and analysis processes.

Pillar II: JFRBA supported Jordan's Income and Sales Tax Department (ISTD) to improve tax administration and encourage tax reform. This assistance contributed to improved performance in key tax administration outcome areas, prioritizing activities that contribute to tax revenue mobilization including support to voluntary tax compliance, effective risk management, accurate reporting of tax declarations, timely payment of taxes and effective revenue management.

JFRBA also supported the development of a comprehensive tax compliance risk plan, including risk areas ranging from registration, filing, payment and declaration reporting. This plan supports the ISTD in identifying their highest tax compliance risk areas, developing strategies for tackling tax evasion and avoidance, and ultimately contributing to improved tax revenue mobilization.

Pillar III: At the Ministry of Finance, JFRBA focused on three priority areas: (1) providing critical advisory services to senior management at the Ministry on key issues related to fiscal recovery and reform and contributing to evidence-based policy analysis; (2) assisting the Government and Ministry of Finance to finalize a new lending agreement with the IMF and a new US-backed loan guarantee; and (3) building sustainable capacity within the Ministry of Finance for research, economic policy, macro-fiscal forecasting techniques, and medium-term debt administration. JFRBA's efforts helped to preserve fiscal stability during critical times for the country, promoting economic growth, greater efficiency



in public expenditures, and increasing revenues for the government.

Pillar IV: JFRBA introduced a number of programs to improve Jordan's regional and international trade posture. Projects such as the Single Window, the Golden List, pre-arrival processing (PAP), and the rebuilding of internal training capacity significantly boosted Jordan's global reputation in terms of trade and customs administration. A more efficient and modern Customs Department means greater investment in Jordan and a healthier business environment.

JFRBA's support for Jordan Customs Department's mission was not limited to increasing revenue collection, but encompassed the department's overall role in the health of the national economy, including investment promotion, trade facilitation, the combating of smuggling, environmental protection, and the controlling of movements of passengers, goods, and vehicles crossing the borders.

Pillar V: JFRBA provided cross-cutting capacity building support to the Public-Private Partnership Unit (PPPU) within the Ministry of Finance. The PPPU is the Government of Jordan's central clearing-house for developing and delivering public-private partnership (PPP) projects across all government ministries. JFRBA helped with the drafting of the PPP regulation, which

further ensured that Jordan's PPP program follows international best practices and industry norms in terms of designing and implementing PPP transactions. A well-regulated, transparent process will attract critical investment while safeguarding the public interest.

Pillar VI: In close collaboration with JFRBA, the Ministry of Finance completed the implementation of the Government Financial Management Information System (GFMIS) at all central government ministries and departments.

The GFMIS is an automated, consolidated financial and accounting network for Government of Jordan ministries, departments, and regional financial centers, connecting them through the Ministry of Finance. The GFMIS ensures that all public financial resources and transactions are properly accounted for, monitored, and controlled in real time. An integrated financial network for the public sector constitutes one of the most important ingredients for informed decision-making and accountability.

JFRBA's holistic approach across all six pillars has improved human and institutional capacity in key sectors of the Government of Jordan's fiscal infrastructure. JFRBA's long-term focus has made sure that Jordan's public sector leaders are equipped with technical knowledge and supported by up-to-date technology. This

leadership cadre will be responsible for achieving greater transparency, accountability and fiscal responsibility leading to improved governance and citizen satisfaction. Within this approach, effective outreach and gender equality represent two key cross-cutting elements. The JFRBA communications and outreach strategy differentiated between “communication about development” and “communication for development.” The goal was not only to transmit information, but to broaden the spectrum of participation and deepen engagement among all stakeholders, both public and private. JFRBA’s outreach activities not only raised awareness, informed, and persuaded, but also listened to partners, explored new ideas, understood stakeholder preferences, empowered participants at all levels and built a consensus for change.

JFRBA implemented a wide range of activities to promote gender equality and empower women in public service. At all stages of project planning, JFRBA recognized and integrated gender-disaggregated data and positioned the Government of Jordan to rectify inequalities. Referencing the project’s own Gender Analysis Report 2014, technical teams continually assessed the environment for opportunities for gender integration. JFRBA developed a monitoring and evaluation plan that included specific, measurable, achievable, relevant, and time-bound (SMART) performance indicators that allowed for scrutiny of effectiveness and efficiency

of activities. The monitoring and evaluation plan was an integral part of the full performance management cycle, which measured whether or not project objectives were consistently being met. The plan ensured that the project performed well across all technical teams and allowed the management team to identify challenges and adapt over time.

Lastly, we are pleased to report that JFRBA delivered the totality of the work plan as agreed with counterparts and the subsequent work plan modifications requested by the same counterparts plus a number of unplanned or “opportunistic” deliverables. Some of the most significant and high impact “opportunistic” deliverables are: The Tax Expenditures and Tax Incidence Studies which were specifically requested by the Ministry of Finance and the International Monetary Fund as they discuss the upcoming Extended Fund Facility (EFF) program for Jordan that places a top priority on improving Domestic Resource Mobilization (DRM). Supporting this effort was also a recent technical review and subsequent recommendations by JFRBA to modify the existing Income Tax Law approved in December 2014. Another major unplanned deliverable by JFRBA was the guidance, support and demonstration of the GFMIS team to the Government of Jordan rolling out the GFMIS platform into at least three government institutions that were not part of the JFRBA plan.



CHAPTER 1

Introduction

PROJECT IDENTIFICATION

The Jordan Fiscal Reform Bridge Activity (JFRBA or Bridge) is a 22-month contract signed between USAID and DAI which extended USAID's support to the Government of Jordan to improve public financial management and increase financial stability. JFRBA consolidated and built upon Jordan's critical macroeconomic reform gains made over the last decade with a view to achieving robust and inclusive growth. From October 1, 2014 through July 31, 2016 JFRBA focused on three priority areas, among others: (1) enhancing policy advice and macroeconomic analysis; (2) promoting public financial management by fully institutionalizing the Government Financial Management Information System (GFMIS), and (3) providing support to the Public-Private Partnership Unit (PPPU).

The objective was to build a strong fiscal infrastructure to enable the government and economy to withstand political and economic shocks through broad-based, inclusive growth.

JFRBA maintained a simple management structure that allowed for flexibility in the face of changing needs and priorities of USAID and Government counterparts. The project's organizational structure was around six technical teams assigned to the partner institutions. Team leads were empowered with a high degree of technical autonomy and decision making authority.

Total USAID funding of the JFRBA project was \$9,692,076.61.



PROJECT CONTEXT

After years of steady recovery following financial turmoil in 2009 and political uncertainty in 2011, Jordan's economy continues to be dragged down by security spillovers emanating from Syria and Iraq, and an ongoing refugee crisis. Tourism and trade have been severely affected by the worsening security situation in Syria and Iraq and the total closure of trade routes with these two countries. With over 631,000 registered Syrian refugees, Jordan grapples with a range of development challenges including worsening unemployment (the average rate in the first half of 2015 was 12.5 percent compared to 11.9 percent in 2014).

As a result, growth has slowed significantly, investor confidence has weakened, and public debt has grown. In the past, international financial support allowed the Government to cushion these shocks, but recently, foreign aid has dried up despite the huge responsibilities Jordan shoulders due to regional political turmoil.

The three drivers underlying Jordan's reform efforts are:

1. **Macroeconomic stability** to strengthen investor confidence and withstand economic shocks. Continued stability is a precondition to achieving goals of inclusive and equitable growth.
2. **Equity and inclusion** for Jordanian citizens to improve their well-being and quality of life.
3. **Growth and jobs**, in particular for the young, so that Jordanians have an opportunity to work and improve their economic and social conditions.

PROJECT OBJECTIVES AND APPROACH

USAID OBJECTIVES

Development Objectives:

1. Broad-based, inclusive economic development accelerated

Intermediate Results:

1. Fiscal stability and public financial management improved
2. Private sector competitiveness increased

JFRBA OBJECTIVES

JFRBA pursued six principal objectives:

1. Improving effective policy analysis and execution;
2. Improving efficiency of public resources through stronger public financial management ;
3. Implementing monitoring and evaluation methodologies within the Government of Jordan;
4. Enhancing revenue mobilization through improved revenue administration;
5. Supporting the Public-Private Partnership Unit (PPPU); and
6. Strengthening efficiency in trading across borders.

PROJECT MANAGEMENT

DAI partnered with Nathan Associates, Ihtiraf Consulting, and Georgia State University to achieve these objectives.

JFRBA's principal staff was composed of six technical teams with a goal of establishing six "Pillars" addressing the objectives above and which together would form the basis for sustainable fiscal development. The six technical teams were attached to their respective government counterparts.

COUNTERPARTS

JFRBA worked closely with six key Government of Jordan institutions:

1. The Ministry of Finance (MOF)
2. The Government Financial Management Information System Directorate (GFMIS)
3. The General Budget Department (GBD)
4. The Income and Sales Tax Department (ISTD)
5. The Public-Private Partnership (PPP) Unit at MOF
6. The Jordan Customs Department (JC)

USAID SUPPORT

JFRBA worked closely with USAID's Jordan Mission, headed by Mission Director Jim Barnhart. The principal points of contact include Russ Bauer, Director of the Economic Development and Energy Office and Yasser Bayado, Contracting Officer's Representative (COR).

CHAPTER 2

Jordan Fiscal Reform Bridge Activity in Action

JFRBA worked to achieve its six principal objectives: improving effective policy analysis and execution; improving efficiency of public resources through stronger public financial management (PFM); implementing monitoring and evaluation methodologies within the Government of Jordan; enhancing revenue mobilization through improved revenue administration; building public-private partnership capacity; and strengthening efficiency in trading across borders. These objectives form the six “Pillars” around which the project organized its technical teams.

This chapter provides an overview of JFRBA’s six technical teams, their activities, and their impact as well as two additional sections entitled *Effective Communications* and *Outreach and Empowering Women*, which review the project’s activities related to external outreach and gender.

JFRBA worked with a wide range of institutions to achieve the following goals:

1. Build capacity within the Ministry of Finance for more effective policy analysis and execution. This has encompassed macro and fiscal forecasting techniques, medium term debt strategy, and results-oriented budgeting.
2. Roll-out the Government Financial Management Information System (GFMIS) to all government institutions under the central government budget.
3. Improve efficiency of public resources through stronger public financial management (PFM), and adoption of monitoring and evaluation methodologies within the Government;
4. Enhance revenue mobilization through improved tax administration;

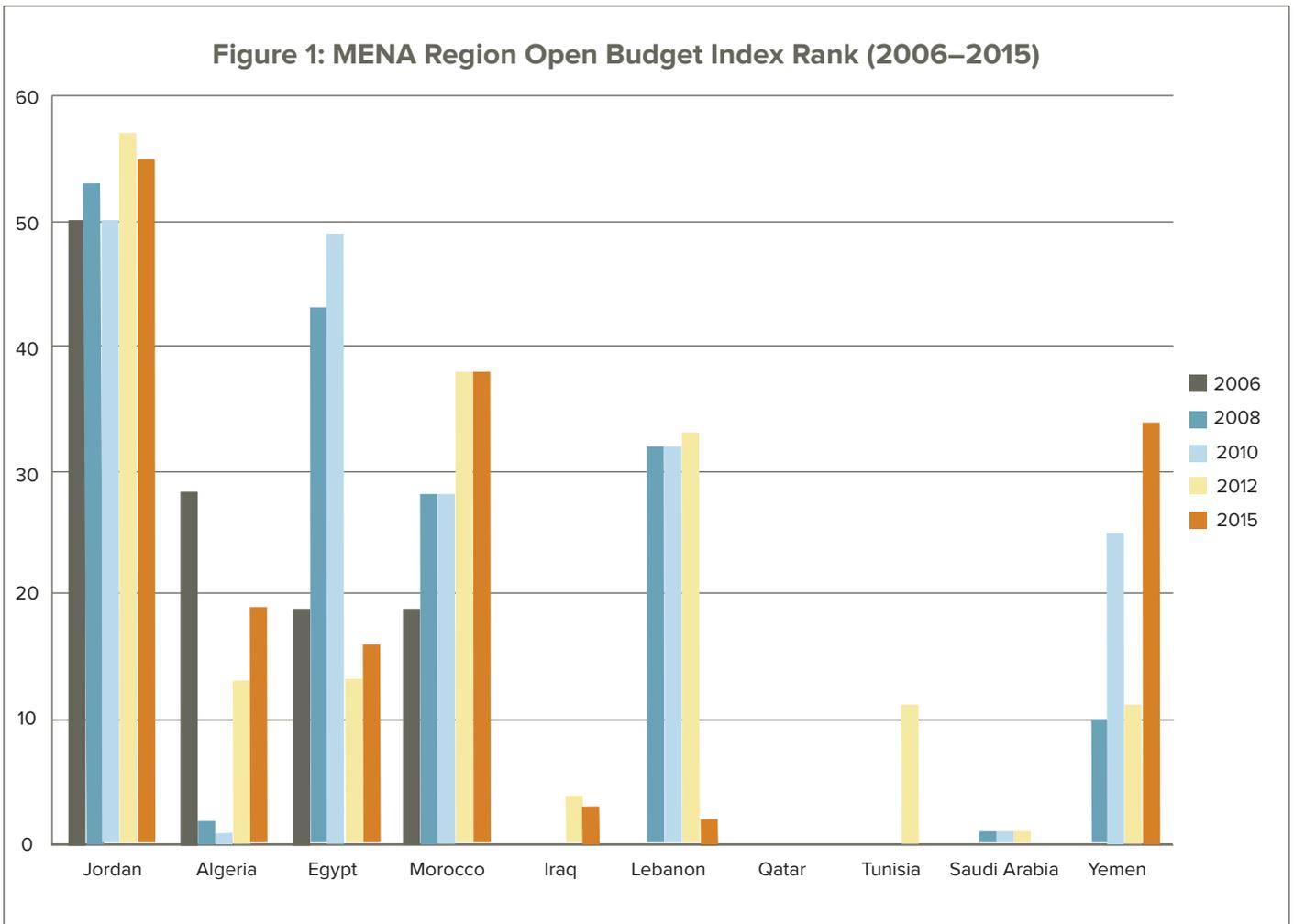
5. Support the role and operations of the Public Private Partnership (PPP) unit at the Ministry of Finance
6. Strengthen efficiency in trading across borders.

PILLAR I: IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF PUBLIC FINANCIAL MANAGEMENT

OVERVIEW

An essential method for improving public financial management is enhancing essential budgeting processes and approaches. JFRBA supported Jordan’s General Budget Department (GBD) in strengthening its results-oriented approach by streamlining the budgeting process and improving the efficiency and effectiveness of the management of public resources. JFRBA’s technical experts partnered with key staff from the GBD and line ministries to make significant improvements in budget preparation, analysis, and implementation.





Jordan has ranked the highest out of other peer countries in the region in the Open Budget Index since 2006, significantly improving its ranking since 2012.

Source: International Budget Partnership, Open Budget Survey 2015

The Government of Jordan, with support from JFRBA, has enhanced public resource utilization by applying improved budget templates, frameworks and tools which will result in a more effective delivery of services to Jordanian citizens, whether in health, education, security or water, among others.

JFRBA developed a robust monitoring and evaluation (M&E) framework, which allows the GBD to better assess financial and performance information in support of improved budget allocation and public spending. In addition, the team strengthened and deepened previous efforts to introduce gender-responsive budgeting by improving sensitization at the GBD and pilot ministries about gender budgeting and the public sector, improving gender Key Performance Indicators (KPIs) reported in the budget law, and increasing GBD’s capacity for gender-disaggregated data collection and analysis. All of

these efforts contribute to enhancing Jordan’s budget transparency and accountability, further enhancing Jordan’s leadership in the region in this area, as the following MENA-based Open Budget Index graph shows.

ACTIVITIES

JFRBA provided consistent technical support to the GBD and the Ministry of Finance (MOF) in improving public financial management. JFRBA’s support included improved capacity for budget monitoring and evaluation at the GBD; information technology modernization; and a critical review and overhaul of key performance indicators and performance reporting at seven pilot entities including the Ministries of Health, Education, Labor, Public Works, Energy and Mineral Resources, the Department of Statistics and the Income and Sales Tax Department.

Strengthen Results-Oriented Budgeting Capacity

JFRBA continued to support the development of a more robust results-oriented budgeting (ROB) model at the GBD. It provided expert guidance to GBD and pilot government ministries and departments in designing clear and appropriate key performance indicators (KPIs), as well as improving performance-based data and reporting techniques, which are crucial inputs to the ROB's M&E system to maximize the utilization of public resources. JFRBA also prepared and disseminated the *Public Expenditure Perspectives 2015* report, a comprehensive analysis of government expenditures in key economic sectors.

Public Expenditure Perspectives 2015

The Government of Jordan, with the support of JFRBA, released the *Public Expenditure Perspectives (PEP) 2015* report. The report was the result of evidence-based analysis by a team of American and Jordanian experts and assessed four key economic sectors: Education, Health, Electricity, and Water.

PEP 2015 was the second joint effort by the GBD and JFRBA to evaluate the budgetary effects of Jordan's economic drivers. The first report was completed in 2011. Both reports assessed how government resources produce the services that the people of Jordan need

Figure 2: Recommended Electricity Initiatives Comprising Key Ingredients for an Action Plan





most and how those services can be most effectively and efficiently delivered.

Fiscal limitations and constrained planning capacity restrict Jordan's ability to make new investments and plan for the future—a situation that has been exacerbated by the influx of refugees from Syria and other external factors. The recommendations enshrined in PEP 2015 support the goals of *Jordan 2025: A National Vision and Strategy* as well as USAID's objectives of strengthening the Government of Jordan's public finances, creating a more results-oriented budget, and modernizing fiscal planning.

Review and Revision of Budget KPIs

KPIs establish a link between financial allocations and budget performance, providing sign posts at the high-

est level of program management about achievement of results. KPIs must be carefully designed so that they accurately signal that programs are delivering intended results and whether value for public money is being obtained. The development of effective KPIs requires agreement on the intended results that government is seeking (the outcome) and a definition of program success (the objective). This implies the existence of a coherent link between the problems the program seeks to address, the program's intervention, and the intended result.

JFRBA conducted a comprehensive review of seven pilot entities (Health, Education, Labor, Public Works, Energy and Mineral Resources, Statistics and Income and Sales Tax Department) KPIs, comprising 26 budget programs and 82 KPIs, as well as performance data and reporting practices, including gender KPIs. JFRBA's

experts provided detailed feedback and recommendations for improving budget KPIs, budget programs and their objectives, delivered to pilot ministries through workshops and capacity building activities. Based on the findings of the comprehensive review of pilot ministries' performance information and reporting, JFRBA also developed a series of frameworks, templates and other tools for the GBD and pilot ministries to use as the basis for developing sound budget KPIs, ensuring that KPIs meet sound criteria for their inclusion in strategic plans, annual performance plans and operational plans. KPI workshops reinforced these efforts, providing pilot ministries with revised KPIs, including gender KPIs in support of changes on the 2017 budget submission.

A KPI Framework and Assessment methodology was completed, which provides guidelines, templates and criteria for developing KPIs. This methodology was introduced as a crucial guide for government ministries to develop KPIs that facilitate the required performance information to support review and analysis of budget results and service delivery.

The JFRBA has been critical in facilitating understanding among government partners from a variety of ministries on the importance of KPIs and performance information and reporting.

Develop Monitoring and Evaluation Capacity

JFRBA's goal was to help the Government of Jordan make smarter and better justified budget allocations based on program performance. Monitoring and Evaluation systems comprise procedures, schedules, and work practices performed by GBD and ministry staff, who gather, review, and evaluate information to achieve GBD's goal of recommending better, wiser allocations of scarce budget resources.

Making results-oriented budgeting (ROB) work in Jordan requires being able to monitor and evaluate financial and performance information to ensure that funds are being used effectively and efficiently to achieve the desired results. The GBD took the initiative to advance ROB in Jordan through the development and implementation of a monitoring and evaluation framework that allows for enhanced performance information and reporting, deeper review and analysis of financial and performance data, KPI tracking, budget allocation recommendations, and ultimately better results.

JFRBA supported the GBD to outline a govern-

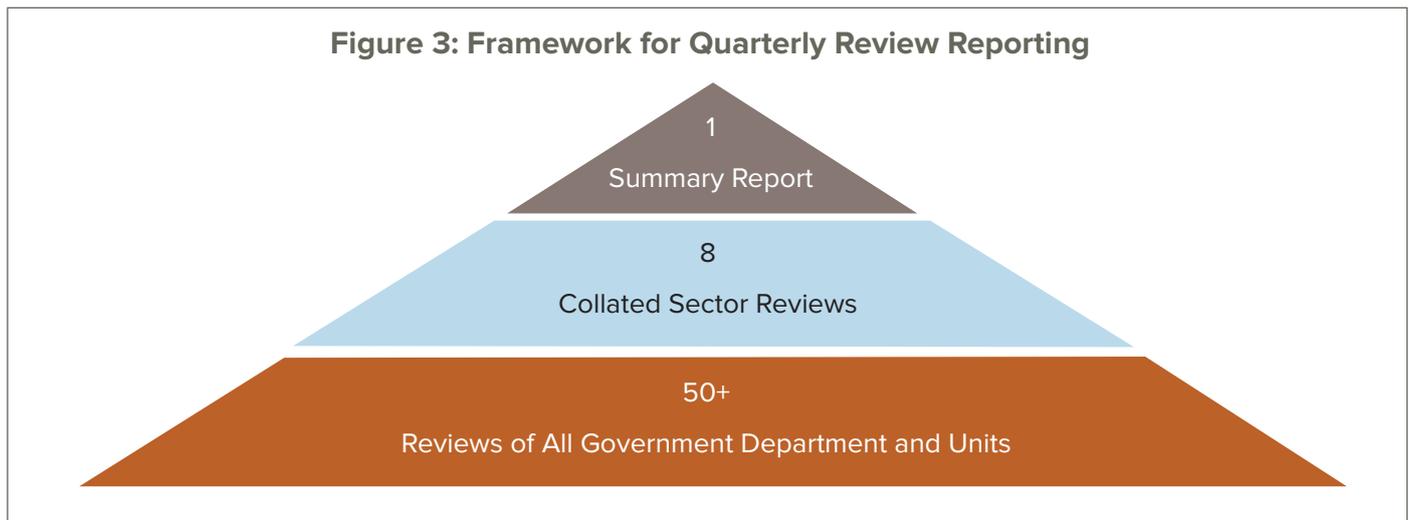
ment-wide framework for monitoring and evaluation applicable to all government departments and units, providing the approach and methodology, performance and reporting requirements, the enabling environment, roles and responsibilities of GBD and other agencies, output guidelines, standardized templates and other tools for developing strategic plans, annual performance plans and KPIs.

JFRBA also supported GBD's development of a framework for Quarterly Review Reports (QRR), a methodology for reviewing and analyzing financial and performance information, whether line ministries meet their quarterly performance targets, challenges and risks to meeting targets, recommendations for budget allocations, and risk mitigation. The QRR framework provides the necessary formats, detailed schedule tables, flowcharts, roles and responsibilities, and templates for reporting on budget performance achievements on a quarterly basis. As the M&E framework is gradually introduced into the line ministries through updated strategic plans, annual performance plans, work plans and quarterly performance reporting to the GBD, the M&E framework will result in quarterly performance review reports that analyze public spending of government-wide ministries, departments and units. These quarterly review reports, as well as the consolidated annual budget performance report will not only contribute to better budget allocations but also to greater transparency and accountability.

Figure 3 on the next page presents the approach for QRR in a pyramid-like approach, under which detailed reviews of financial/performance information for all government departments and units result in 50+ QRR reports prepared by budget analysts. Next, sector leads collate these detailed reports into 8 sector reports. Consequently, one summarized whole-of-government QRR is prepared by consolidating performance information on the budget for presentation to parliament and the public at large. QRRs present analysis of budget performance, KPI target achievement or non-achievement, justifications for KPI deviations, and a proposed plan to remedy non-achievement and lessons learned about good practices in service delivery.

Gender Responsive Budgeting

JFRBA supported the five pilot ministries participating in the general KPI Review by proposing gender-specific KPIs, as well as providing capacity building and train-

Figure 3: Framework for Quarterly Review Reporting

ing to pilot line ministries on how to incorporate these KPIs in the budget law. Furthermore, JFRBA included capacity building on data for deeper and richer analysis of the variable impact of government spending on men and women. The project used the Gender Responsive Budgeting (GRB) manual to work with a selected ministry to enhance this capacity, supported by both international and local experts who provided advice and best practice experience from neighboring countries through a literature review along with consulting expertise from recognized experts.

The General Budget Department held a three-day workshop for government agency staff to launch its new Gender Responsive Budgeting (GRB) Manual. The manual is the first of its kind at introducing gender-specific guidelines and criteria into the budget preparation and allocation process. The primary goal of the workshop was to assist and guide the General Budget Department and line agencies in implementing the GRB Manual as well as to enhance staff capabilities with gender responsive budgeting best practices.

GBD Networking Infrastructure Modernized

JFRBA upgraded outdated servers at the GBD, modernized its networking infrastructure, and also updated their Oracle systems. In the past, system performance was extremely slow and the IT department lacked spare parts, resulting in long periods of downtime daily. Following these updates, the performance of the system has improved drastically: tasks that previously took ten minutes now take as little as 20 seconds and system downtime has been decreased to zero.

OUTCOME SUMMARY

- The *Public Expenditure Perspectives 2015* report assessed how government resources produce the services that the people of Jordan need most and how those services can be most effectively and efficiently delivered. The report provides a roadmap for improving budget KPIs for the four sectors reviewed and identified particular budget-related challenges.
- Comprehensive review of KPIs for six pilot ministries including KPI workshops to reinforce KPI best practices and provide revisions for the 2017 budget submission. Gender-specific KPIs for pilot ministries were developed for incorporating into the budget law.
- JFRBA supported GBD in outlining a framework for monitoring and evaluation for all government entities and Quarterly Review Reports. Other frameworks covered development of KPIs, strategic plans and annual performance plans.
- GBD, with support from JFRBA, upgraded its server capacity to improve system performance and overall functioning of budget operations.
- JFRBA supported the rollout of the Gender Responsive Budgeting Manual and associated familiarization sessions for GBD staff. JFRBA also introduced specific gender-related KPIs for pilot ministries and provided gender-responsive budgeting templates and other materials to ensure that pilot ministries and, eventually, all government entities can incorporate gender-based KPIs.



PILLAR II: STRENGTHENING TAX ADMINISTRATION & SUPPORTING TAX REFORM

OVERVIEW

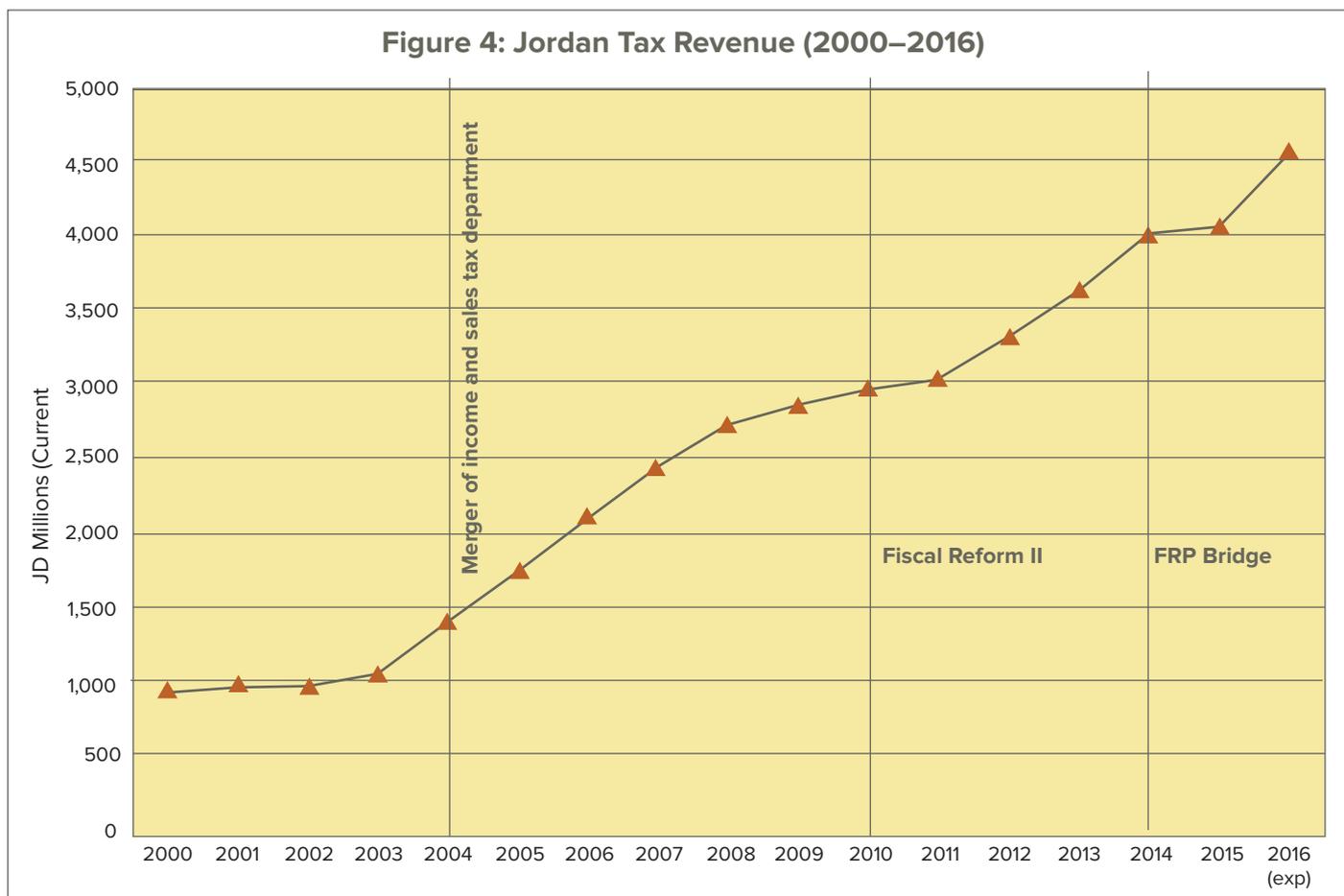
Tax reform is a central component for strengthening fiscal policy and preserving fiscal sustainability. Key to this effort is increasing tax revenue mobilization and maintaining a high level of tax compliance. While the Fiscal Reform Project II (FRP-II) provided assistance to the Income and Sales Tax Department (ISTD) through sequencing tax administration reform efforts, the JFRBA focused on strengthening ISTD's institutional performance and human capital through inculcating a performance culture permeating all support activities.

JFRBA's team of technical experts worked with ISTD to improve tax administration focus outcome areas through activities that integrate a performance-driven approach to operations; improve risk management approaches and tax audit; support taxpayer services to promote a culture of voluntary tax compliance and greater use of e-services; reduce tax arrears; and to undertake a

cross-cutting effort focusing on an in-depth assessment of needed IT modernization.

Since the merger of the income tax department and sales tax department in 2004, the ISTD has instituted many internationally recognized best practices. It has reorganized its operations along functional lines, rather than by tax type. It has decentralized operations to field offices and implemented taxpayer segmentation, with dedicated services for the country's largest taxpayers and separate directorates for small and medium-sized taxpayers and businesses. These and other innovations have drawn the attention of foreign and regional tax officials, who now see Jordan as an example of regional experience in employing new methods and technologies.

Tax Revenue in JD (current prices) as presented in Figure 4 shows the trend in tax collections since 2000. After static revenue collections in the early 2000s, revenue collections grew significantly after the merger of the income tax department and the sales tax department into the currently known ISTD. While the rate of growth slowed down from 2009 to 2011, it began



Source: Ministry of Finance, Finance Bulletin, May 2016.

to grow at greater rates again from 2012 to 2014, and slowed down again in 2015.

Tax Revenue in terms of GDP shows growth of nearly 1 percentage point from 2011 to 2014, but a downturn in 2015, partly attributed to declines in income tax collections from corporations, reductions in GST collections due to drop in oil prices and slow growth in collections from the personal income tax (see Figure 5 on the next page).

ACTIVITIES

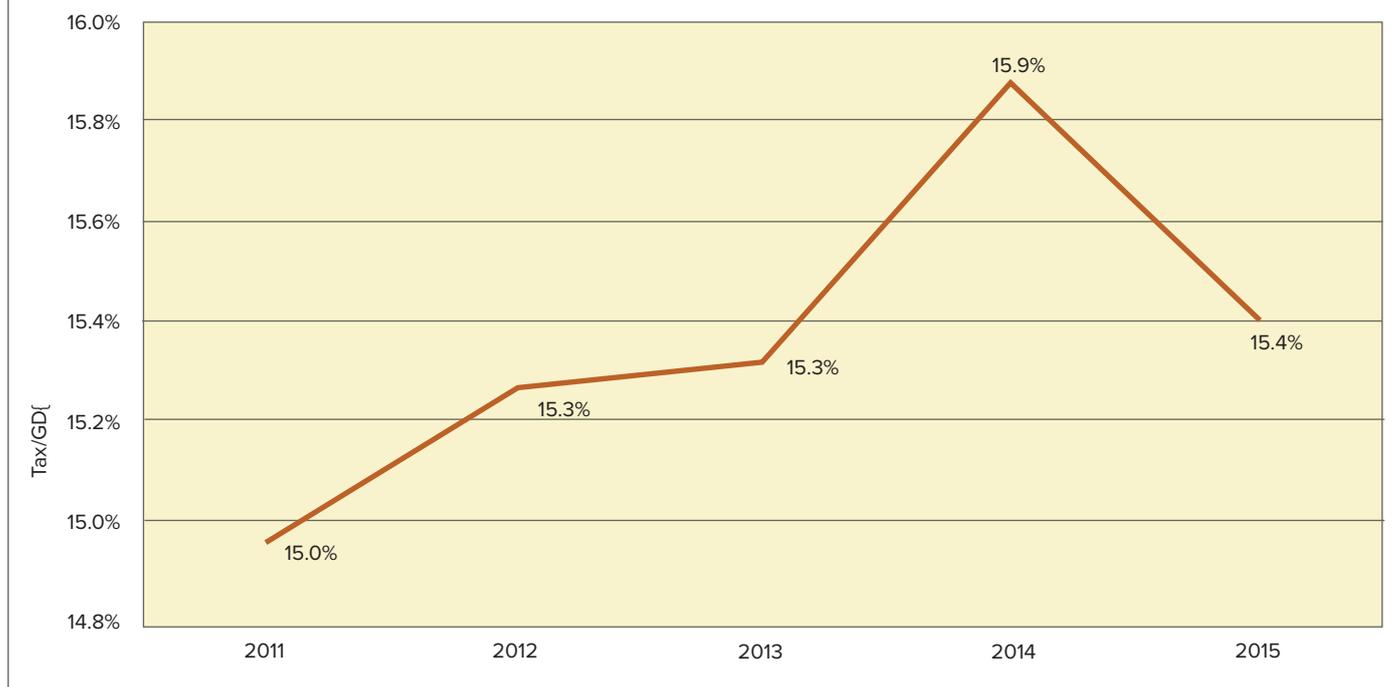
JFRBA provided continuous technical assistance to the Income and Sales Tax Department. JFRBA’s activities included capacity building and training, assessment studies and reviews, international benchmarking, and expert transfer of knowledge in five main areas:

Benchmarking Study and TADAT

FRP-II introduced the tax administration Benchmarking Report to the ISTD in 2010, as a performance

monitoring tool to inform decision making at the highest levels. The first update to this report was conducted in July 2013 and tracked 175 benchmark indicators during the period 2009–2012. A 2015 update measured 140 indicators of the overall performance of tax systems tracking the changes in the Jordanian tax system and its performance going back to 2009. It addressed all aspects of tax systems, including tax policy, tax administration, structure and organization. JFRBA supported the review and translation of the 2015 Benchmarking Report as well as its publishing and distribution.

In keeping with the goals of the benchmarking reports and performance driven approaches to ISTD’ strategic planning and operations, the JFRBA in collaboration with the IMF Middle East Regional Technical Assistance Center (METAC) supported the introduction of the recently developed Tax Administration Diagnostic Assessment Tool (TADAT). TADAT is a tool that allows for the assessment of strengths and weakness in a tax administration with a focus on performance outcome areas based on international good practices. JFRBA supported the delivery of TADAT training with

Figure 5: Jordan Tax Revenue (As % of GDP)

Source: Ministry of Finance, Finance Bulletins

IMF METAC experts resulting in 23 MOF and ISTD officers receiving TADAT-trained certifications.

Consequently, in coordination with JFRBA, USAID Washington and the IMF's METAC performed the first TADAT assessment in March 2016. The ISTD's cadre of TADAT-trained staff supported the assessment conducted by four external assessors and put to use skills learned in the TADAT training sessions. The TADAT country assessment was finalized and is to be published externally by decision from the ISTD, providing important performance information useful for the ISTD to update their strategic planning process as well as the operational plans in support of improved performance. Jordan is the first country in the region to deliver TADAT training prior to the TADAT assessment, taking the TADAT assessment to the next level by allowing tax officers to know and understand the methodology not only in support of the external assessment but also for doing internal re-assessments for performance management within the organization, as well as guiding the strategic planning process toward an outcome oriented approach.

IT Modernization

JFRBA continued to assist ISTD in comprehensively updating its IT strategy, building on support provided by FRP-II going back to 2011, when it first conducted an IT strategy update. IT modernization is necessary for enhanced income tax operations, including audits, enforcement, e-filing, e-payment, and taxpayer services. The updated strategy provides guidance to all related IT procurements for ISTD and provides specifications for hardware, software, and needed training in key areas.

With JFRBA support, ISTD completed and approved a far-reaching IT Strategic Plan for the entire organization. The plan envisions a future of automated processes, secure data systems, broader information requirements, and an IT infrastructure capable of supporting current business processes and future expansion. Several new state-of-the-art servers and additional hardware and software procured with the support of JFRBA has given the tax administration powerful tools for managing and monitoring information, enabling better decision making, better customer service, and better management of risks.



Strengthening Risk-Based Selection and Audit Management

Based on ISTD’s priority to improve audit management, JFRBA supported a holistic approach to audit management, establishing and prioritizing risk criteria for audit case selection, developing audit plans and improved allocation of resources, establishing a centralized audit management unit (AMU) to establish policies and procedures for conducting effective audits, and strengthening M&E for continuous improvement. Through JFRBA assistance, the ISTD over time has reduced the audit rate, improved audit productivity, reduced unnecessary contact between compliant taxpayers and tax officials, adopted a new tax audit manual, adopted a tax compliance risk plan and rolled out an automated audit management system (AMS). The new tax audit manual is available in both Arabic and English. The manual provides guidance on all aspects of audit function, including standards and procedures to be followed and adhered to, and promotes the highest level of professional competence. The manual also provides a basis for measuring audit performance and its procedures are intended to supplement the experience, competencies, skills, and judgment of audit officers in planning, conducting, and reporting on audits.

Procedures described in the audit manual were integrated and automated into the new Audit Management System (AMS) which further institutionalizes the manual’s recommended best practices. JFRBA further supported training programs for Large Taxpayers Office (LTO)

auditors during the roll out of the AMS, and trained the future trainers of the new tax audit procedures and AMS tool. As of May 2, 2016, the AMS had been rolled out to LTO auditors and as of July 3, ISTD had rolled out to medium taxpayers auditors. Feedback from auditors on the use of the AMS has been extremely positive. The AMS helps to streamline audit procedures, make audits more effective and ultimately contribute to increasing revenue generation. The ISTD is now gradually reducing the number of cases selected for audit, only focusing on those with higher risk, while also reducing the “no change” rate resulting from tax audits.

In support of further improving risk-based selection, JFRBA assessed the utilization of data analytics from available third party information, including the Social Security Corporation, the Customs Department, the Department of Land and Survey, the Ministry of Trade and Industry, Amman Municipality, the Traffic Department, the Central Bank of Jordan, and the Jordan Securities Commission. JFRBA provided a thorough assessment and provided detailed recommendations for more fully utilizing these data as input for risk-based audits.

The tax compliance risk plan now adopted at the ISTD supports the prioritization of compliance risk in four areas, including registration, filing, payment and declaration. The plan prescribes specific activities targeted to mitigating and tackling risks in these four areas to further increase the number of active taxpayers (see Figure 6), to promote timely filing/payment of tax liabilities

and accurate reporting of tax declarations, all of which supports revenue mobilization efforts.

Improving Tax Policy Analysis

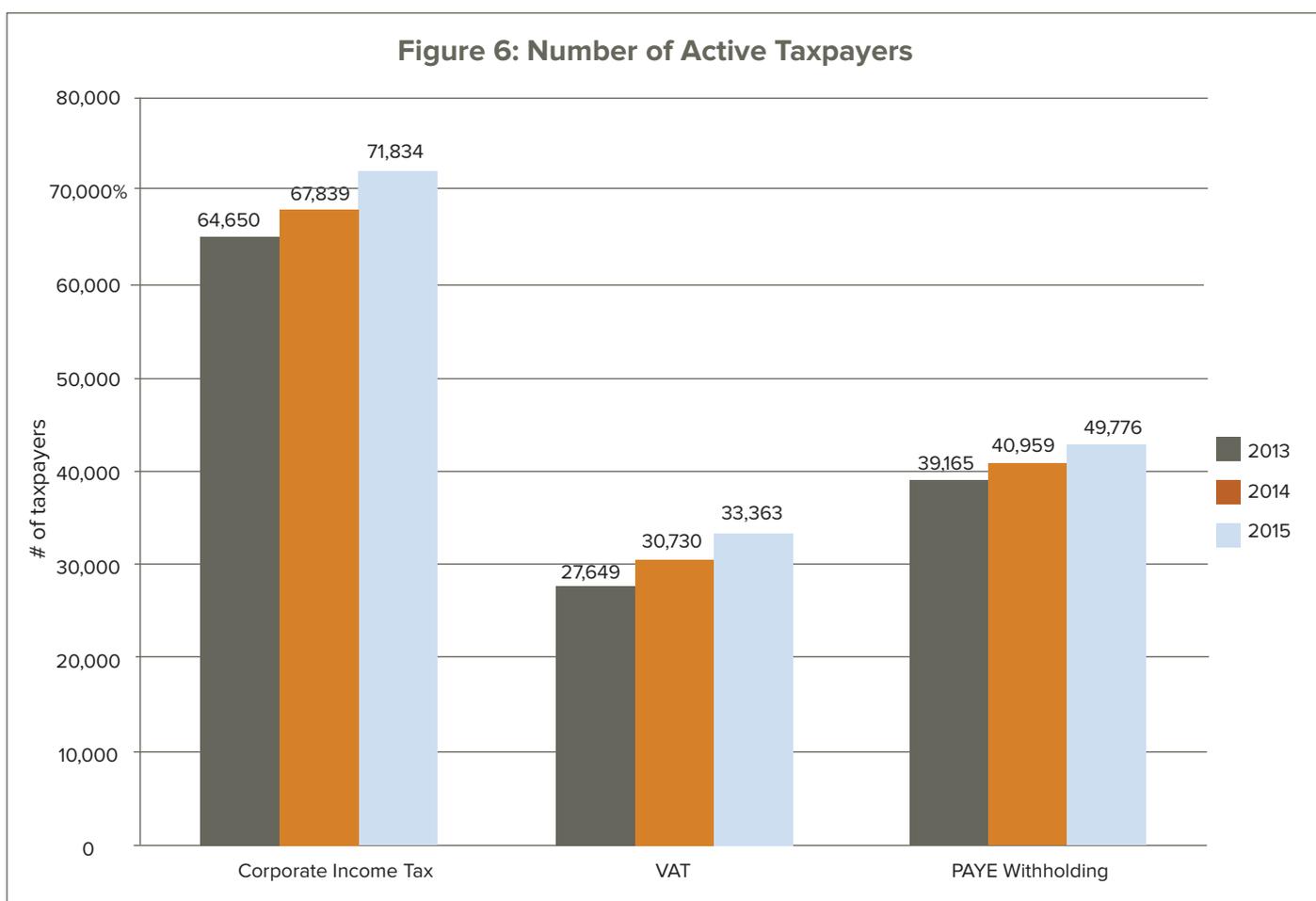
JFRBA’s major contribution to tax policy analysis has been providing evidence based analysis, policy options and recommendations on key tax legislation considerations and policy dialog. Key tax policy studies such as the tax expenditure and tax incidence provided a strong empirical basis for debating tax policy changes in the Jordanian tax system.

For example, the comments on the income tax legislation provide specific recommendations for improving the efficiency, equity and progressivity of the income tax system. The tax incidence study provided an overview of the burden of taxation on population deciles for all types of taxes, providing recommendations for improving the equity of the tax system. The tax expenditure study—quantifying the foregone revenue to the government due to tax exemptions and other tax incentives—provided an estimated amount of foregone

revenue due to tax exemptions by type of tax. This study also provides specific recommendations for streamlining tax expenditures and mobilizing greater tax revenue and contributed to Jordan’s meeting of conditional benchmarks during the IMF’ SBA program in Jordan, as it has served the government to guide and adopt recommendations for reducing tax exemptions and foregone revenue.

JFRBA assistance also contributed toward more efficient revenue management by supporting the development of a tax revenue forecasting model helping to improve fiscal planning, monitor against expectations and to inform remedial actions when revenue targets are not met. In order to strengthen the policy analysis capacity at ISTD, JFRBA also conducted various training seminars on tax policy models and tools, thus increasing the analytical capacity of ISTD and MOF staff and building a more sustainable framework for tax policy analysis in Jordan.

Figure 6: Number of Active Taxpayers





Enhance ISTD's Strategic Planning Function

JFRBA leveraged TADAT assessment findings to identify areas of improvement to be incorporated in the ISTD's Strategic Plan. JFRBA evaluated the strategic planning function and its influence and relationship over tax operations while promoting the integration of a performance management framework. JFRBA worked in close collaboration with the Research and Studies Division of the ISTD's Planning Directorate to facilitate modernization and institutional reform efforts.

ISTD became part of the pilot ministries for ROB and JFRBA supported the initial efforts for adopting the new GBD-promoted frameworks for updating the strategic plan, developing an annual performance plan, and revising budget programs and KPIs for the 2017 budget submission.

Enhanced Taxpayer Services

JFRBA supported the Government of Jordan with activities in the taxpayer service function, focusing mainly on supporting voluntary tax compliance, making sure that taxpayers have the necessary information and support to voluntarily comply at a reasonable cost. Support in the taxpayer service area included: enhancing the single window service centers; reorganizing the

taxpayer service functions across the various directorates and units involved; ensuring the call center provided current and accessible information to taxpayers; strengthening taxpayer education support programs; and obtaining taxpayer feedback on e-services products and general services.

As a result, the ISTD adopted earlier recommendations for reorganizing the taxpayer service directorate, integrating e-services into the directorate as well as assigning embedded taxpayer service and education specialists into the LTO (Large Taxpayers Office), MTO (Medium Taxpayers Office) and STO (Small Taxpayers Office), thereby contributing to meeting specific support needs of each of these taxpayer segments. Furthermore, the single window service centers were reformed to gradually adopt recommendations for streamlining processes and procedures that help reduce the amount of time that taxpayers spend at a service center, as well as ensuring that the taxpayer is provided with the support needed to comply.

JFRBA further supported the development of a tax topic database and management information reporting function for the service centers as well as the call centers, enabling them to provide consistent and accurate responses to taxpayers' inquiries, and track and moni-

tor call traffic and frequently asked questions, helping inform future tax education programs that can bridge identified gaps.

Improved Tax Collections and Arrears Management

JFRBA supported the assessment of the tax collections and arrears management at the ISTD by promoting timely payment of tax obligations and reducing the accumulation of tax arrears. Important recommendations were provided to the ISTD which are critical for categorizing tax arrears, developing plans and activities to effectively collect tax obligations and liabilities, and improve legislative provisions in this area.

Recommendations include the need to introduce additional stratification of accounts receivable/arrears in order to better understand the makeup of the tax debt and determine the most appropriate treatment strategy for addressing them. Furthermore, this additional stratification will allow the ISTD to establish a more realistic target for arrears collection and a potential for mobilizing revenue through tax arrears. For example, further stratification of the accounts receivable in the less than 5 year old accounts, in addition to a year by year comparison, would help to reflect progress made over time.

Other recommendations include organizational structure of the tax collection and arrears function at the ISTD, legislative changes such as write-off procedures for noncollectable accounts agreed to by all including the Ministry of Finance, and considerations for estab-

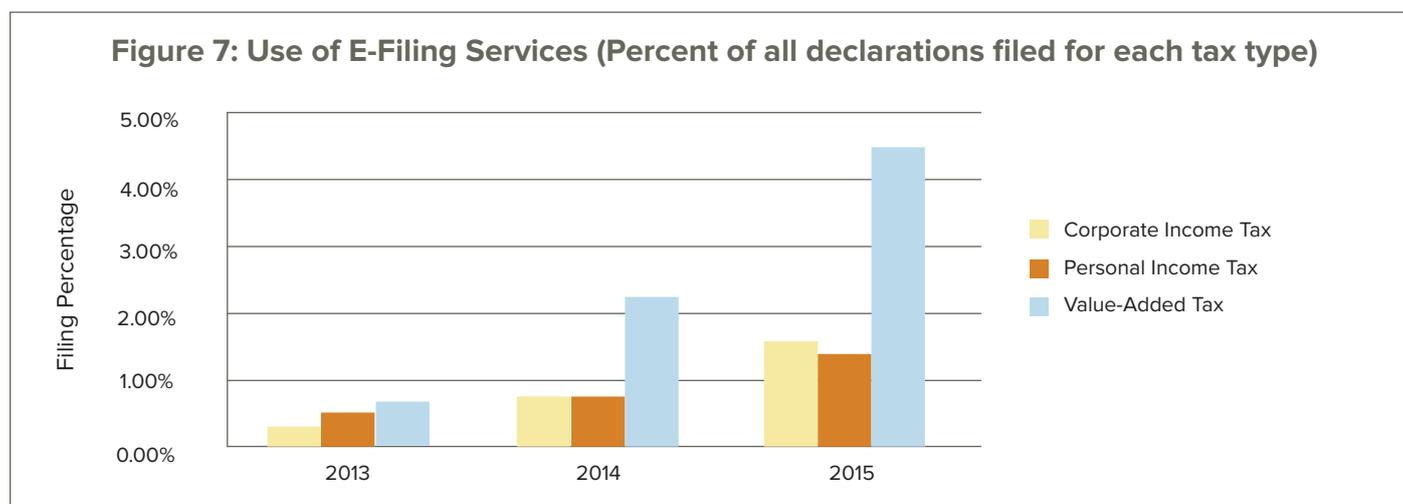
lishing policies and procedures to integrate calling taxpayers in an attempt to resolve outstanding tax arrears more promptly.

Increased E-Filing Rates for Large Taxpayers

JFRBA supported focus group sessions with taxpayers from the LTO and MTO which contributed to greater understanding of the challenges preventing greater usage of e-filing, e-payment and overall e-services platforms (see Figure 7). This dialog session revealed that significant obstacles still remain including a lack of flexibility in the system to allow tax agents to securely handle clients' e-filing and other e-services under a limited-access account in line with taxpayers' preferences. Source:

OUTCOME SUMMARY

- JFRBA provided support to build strong and sustainable institutional capacity in revenue forecasting and analysis, tax policy formulation and analysis, and tax models such as tax incidence and tax expenditures.
- JFRBA supported ISTD to prepare for TADAT reporting and analysis. Jordan's TADAT country assessment contributes to efforts to strengthen tax administration, enhance revenue mobilization, improve service to taxpayers, and promote voluntary tax compliance. Jordan is the first country to train tax officers on the TADAT methodology prior to the country assessment. Twenty three officials from



Source: Income and Sales Tax Department, TADAT Performance Assessment Report, March 2016

the ISTD and MOF are certified as TADAT-trained.

- ISTD completed and approved a far-reaching IT Strategic Plan for the entire organization. The plan envisions a future of automated processes, secure data systems, broader information and performance management requirements, and an IT infrastructure capable of supporting current business processes and future expansion.
- ISTD published an enhanced Tax Audit Manual which helps to streamline audit procedures within the department, increase revenue generation for the government, create greater transparency of operations, and establish a more just and impartial audit regime. ISTD integrated the manual into its Audit Management System (AMS).
- The tax studies have significantly informed tax policy discussions, breaking through perceptions and providing evidence-based policy options and recommendations for improved efficiency and equity of the tax system in Jordan. The evaluation and comments on the income tax law provided important input into tax policy options for further improving the income tax system, specifically by eliminating tax exemptions and loopholes; strengthening the framework for transfer pricing; modernizing legislation to allow for explicit treatment of mergers, acquisitions, and reorganizations; and including a special regime for small businesses to reduce their compliance costs and encourage their participation in the tax system.
- The Single Window service was redesigned following JFRBA recommendations for streamlining processes and procedures in support of providing accurate, timely, and current information necessary for taxpayers to comply. The LTO office also launched its single window service center serving the largest contributors to tax collections. The ISTD adopted recommendations for the reorganization of the taxpayer service function, and the call center now enjoys an improved database of tax topics and management information reports for meeting taxpayers' needs for improved tax compliance.

- JFRBA supported focus groups helping inform specific actions that the ISTD must take in order to increase rates of e-filing and e-services usage in general, among taxpayers.

PILLAR III: STRENGTHENING FISCAL POLICY DESIGN AND IMPLEMENTATION

OVERVIEW

JFRBA's efforts focused on strengthening fiscal policy and assisting the Ministry of Finance (MOF) in the formulation of resource-saving policy decisions based on sound policy analysis. The unpredictable geopolitical environment in which Jordan exists and several recent shocks to Jordan's economy (including the Syrian refugee crisis and the disruption of Egyptian natural gas) have caused a sharp economic slowdown and left the Government of Jordan vulnerable to increased deficits and dwindling foreign currency reserves.

The objectives of JFRBA's Ministry of Finance team were three-fold: (1) Provide critical advisory services to the Ministry of Finance on key issues related to fiscal recovery and reform; (2) Assist the government to finalize a new lending agreement with the IMF and a new US-backed loan guarantee, both required in order for Jordan to meet debt obligations and continue delivering critical services to its citizens; and (3) Build sustainable capacity within MOF for research, economic policy, macro and fiscal forecasting techniques, and medium term debt strategy.

The team also responded to short term requirements for providing immediate, day-to-day support to the Ministry of Finance.

ACTIVITIES

Studies and Economic Policy Department

Following up on previous support to MOF's Studies and Economic Policy Directorate (SEPD), JFRBA provided overall guidance and advisory support on macro-fiscal modeling and analysis to the SEPD by revising the macro-fiscal model in tandem with the SEPD's available resources and skills. The model was upgraded, keeping the broad structure of the



previous model—which consists of a set of variables and a system of equations that relate these variables to each other—but including only a few well-justified equations explaining key variables.

The macro-fiscal model and analysis provides an important basis for medium term fiscal framework (MTFF) and planning by providing a realistic resource envelope (as a key element of the framework for multi-year budgeting); a coherent set of assumptions for costing future outlays on existing and new programs; as well as debt sustainability analysis. JFRBA also developed a detailed sustainability plan for the SEPD to improve their capacity to use the models, to analyze data and to provide policy recommendations into the multi-year budgeting process in Jordan.

International Public Sector Accounting Standards (IPSAS)

JFRBA supported the ministry's plan to adopt IPSAS to boost Jordan's international ranking with regards to fiscal transparency criteria. As a first step, JFRBA jointly

drafted with the Ministry of Finance the roadmap to implement IPSAS over the following five years, which included an introduction to IPSAS principles and concepts to key government partners, and the requirements for the implementation of an IPSAS action plan. Following the government's 2015 endorsement of the roadmap, JFRBA worked with the Ministry of Finance to kick start the plan and integrate its efforts with the Government Financial Management Information System (GFMIS).

Business Intelligence Dashboard

JFRBA collected, classified, and forwarded important macro-fiscal data to the GFMIS in order to activate the Business Intelligence (BI) module within GFMIS. The BI module will help MOF senior management to analyze key data and apply analytical input to policy-based assessments and decisions.



National Program for Economic Reform and Stand-By Arrangement (SBA)

Faced with a challenging macroeconomic environment, the Government of Jordan embarked on a national economic reform program in 2012 supported by a thirty-six month Stand-By Arrangement (SBA) from the International Monetary Fund (IMF). The SBA helped Jordan to access \$2 billion of IMF credit and allowed for short- and medium-term fiscal adjustment as well as structural reforms aimed at improving the business environment, enhancing transparency, and fostering trade.

JFRBA provided support throughout the implementation and evaluation of the SBA, assisted in measuring key performance indicators and tracked important milestones. The project supported the MOF in collecting and evaluating data that comprised monthly and quarterly reporting to the IMF. JFRBA also engaged in IMF quarterly reviews that tracked the development of important economic aggregates and monitored the implementation of policy measures.

Public Debt Department (PDD) and Medium-Term Debt Strategy

JFRBA assisted the Public Debt Department (PDD) to strengthen its capacity to upgrade debt management and associated strategies. The project established operational guidelines within the PDD for streamlining processes and increased the capacity of analysts to perform risk and debt dynamics assessments.

Supporting Loan Guarantee Programs with the United States

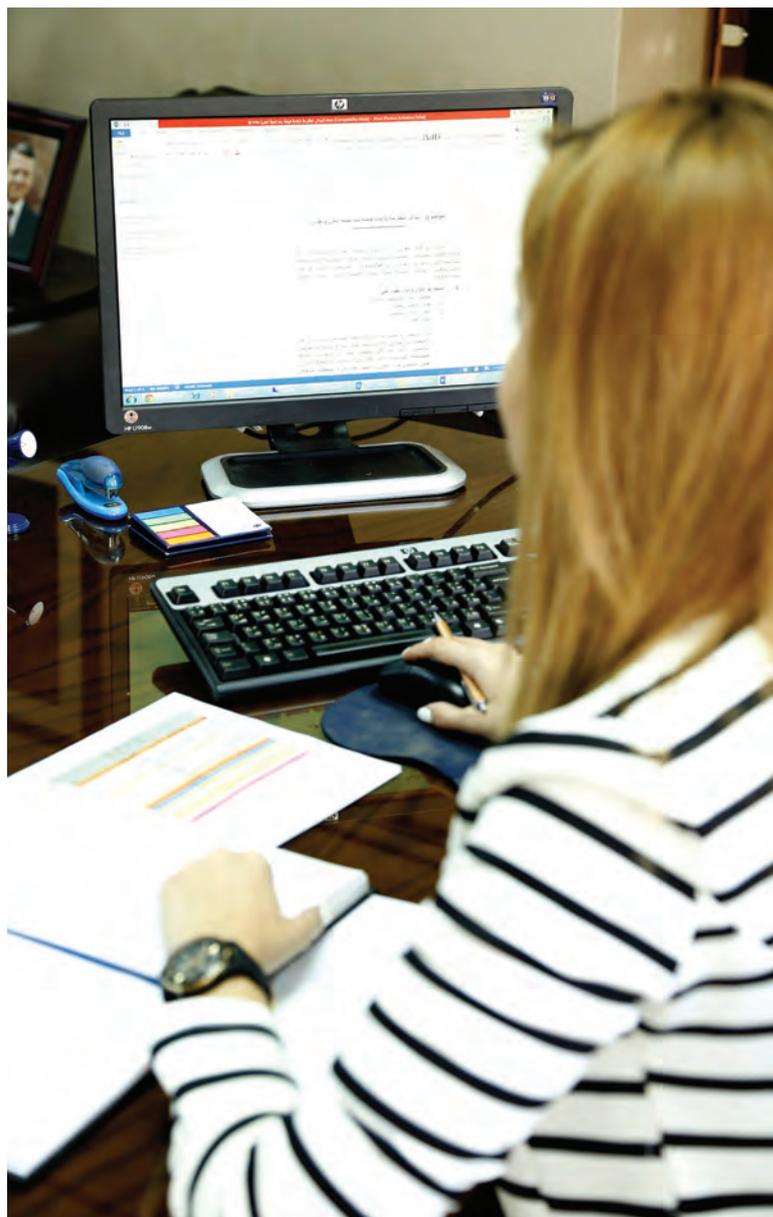
With the assistance of JFRBA, the governments of Jordan and the United States signed a third sovereign loan guarantee agreement, which was part of a continuing U.S. commitment to support Jordanian stability, security, and economic growth. The proceeds of the loan guarantee helped to ensure Jordan's ability to provide critical services to its citizens as it hosts an ever-growing number of refugees from Syria. The loan guarantee agreement was designed to support specific economic reforms to promote economic stability, growth, and prosperity.

This was the third U.S. loan guarantee to the Government of Jordan and backs the repayment of \$1.5 billion of Jordanian sovereign bonds. In 2013 and 2014, FRP II assisted the Government in signing two sovereign loan agreements amounting to USD 1.25 billion and 1.0 billion, respectively.

The guarantees were successful in supporting Jordan's reform efforts during a time of regional instability. For the third guarantee arrangement, JFRBA provided technical assistance and support to the Ministry of Finance in its work with all stakeholders to fulfill "conditions precedent" required by the U.S. government. JFRBA's support to the ministry also included expert guidance to ensure that bond issuances were timely and transparent.

OUTCOME SUMMARY

- Overall guidance and support to the Studies and Economic Policy Department helped to re-assess and upgrade the macro-fiscal model including only a few well-justified equations explaining key variables. The model also includes the modeling guide and user manual. This model is a key aspect for inputs into multi-year budgeting and improved financial management.
- Macro-fiscal modeling training was provided to MOF and ISTD staff. Greater capacity will allow MOF to monitor and evaluate important milestones that will be included in the IMF's new Extended Fund Facility (EFF) program. MOF is now in a better shape to produce policy reports and briefs to support senior management's decision making processes, including key measures required for the EFF program.
- Co-drafting the International Public Sector Accounting Standards (IPSAS) road map with the Ministry of Finance has provided the implementation timeline for the next five years, while also underscoring an appropriate action plan. JFRBA also reviewed the current public accounting setup and future needs, including integration of IPSAS measures with the Government Financial Management Information System (GFMIS).
- Laying the data foundations for the Business Intelligence module at GFMIS will help MOF senior management to analyze key data and apply crucial input to policy-based assessments and decisions.
- Operational guidelines and debt management tools for the Public Debt Department to strengthen its capacity to upgrade debt management tools increased the ability of analysts to analyze risk and debt dynamics.
- Support and advisory expertise to MOF ensured the successful signing of a third guarantee program with the U.S. Government for \$1.5 billion in Government of Jordan sovereign bonds.



PILLAR IV: FACILITATING TRADING ACROSS BORDERS

OVERVIEW

Increasing efficiency in cross border trade by facilitating the flow of goods in and out of Jordan was a critical task for JFRBA. The strengthening and modernizing of customs procedures, transactions, and processes facilitates trade and creates a competitive advantage for Jordanian businesses in international markets.

The Jordan Customs Department's (JC's) mission is not limited to collecting revenue, but comprises overall support for the national economy, including investment promotion, trade facilitation, the combating of smuggling, environmental protection, and the controlling of movements of passengers, goods, and vehicles crossing the borders. JC currently operates 35 major and minor customs centers, including clearance centers, border centers, and post office centers, in addition to customs houses located within the Qualified Industrial Zone.

JFRBA worked in close collaboration with both Jordan Customs and other partner government agencies

(PGAs) involved with regulating trade across borders as well as supply chain members from the private sector, such as traders and customs brokers, in order to modernize customs operations and to improve the flow of trade.

JFRBA provided technical assistance and advice in strengthening and upgrading various customs programs including the Single Window, the Golden List, Pre-Arrival Processing, and the Central Data Processing Center. JFRBA also provided training to JC staff in order to strengthen the capacity of the customs department to effectively operate new programs thereby ensuring sustainability. JFRBA also produced several key reports including the Time Release Study and the Trade Facilitation and Barriers Surveys for Jordan Customs to help further improve processes.

Finally, JFRBA also helped JC to upgrade its information and communications technology (ICT) to enhance service delivery, make operations more efficient, and communicate information to the private sector more effectively.





ACTIVITIES

Implementing a Single Window for Trade

JFRBA supported the development of Jordan's Single Window program to include 18 locations covering over 90 percent of all customs transactions in Jordan. The Single Window (SW) program is an integrated electronic government-wide system that collects, processes, and disseminates international trade data with minimal costs. The Single Window works with the Jordan Customs Department and six participating government agencies (PGAs), including Jordan's Food and Drug Administration, the Ministry of Agriculture, the Jordan Standard and Metrology Organization, the Energy and Minerals Regulatory Commission, the Ministry of Environment, and the Telecommunications Regulatory Authority.

Strengthening Jordan's Authorized Economic Operator Program (Golden List)

The Golden List is one of Jordan Customs' signature trade facilitation programs. It gives "preferred operator" status to Jordanian companies that demonstrate a strong compliance history with customs regulations. JFRBA worked in close partnership with Jordan Customs in order to assess and revise the Golden List program and to incentivize more companies to join.

JFRBA worked to expand participation in the Golden List, Jordan's authorized economic operator (AEO) program, to 59 active companies. JFRBA revised the Golden List program and its membership requirements to facilitate companies' enrollment and held several public-private dialogue sessions in order to introduce the revised program and attract more companies. The project's support also included a high level media campaign that included printing promotional brochures, banners, and manuals in addition to publicizing the program through newspaper articles and television coverage.

In addition, JFRBA worked with JC and other government agencies with similar programs (such as the FDA, JSMO, and MOA) to establish a National Golden List Program for all agencies under the Single Window.

Expanding Pre-Arrival Processing (PAP)

Among the most visible of Jordan Customs' efforts, the Pre-Arrival Processing (PAP) program seeks to improve cargo-handling processes at Aqaba Seaport, Jordan's sole seaport, and to reduce administrative barriers by shortening processing times and decreasing "red-channel" examinations. This included the provision of equipment to enable early commencement of clearance and release of cargo, promote risk assessment by isolating high risk

goods from low risk goods and lowering dwell time, and enhance effectiveness in service delivery. JFRBA introduced the PAP program in 2014 after conducting a comprehensive assessment of port operations. Aqaba port staff and stakeholders received technical training to improve the efficiency and effectiveness of operations and container handling procedures. Support included the implementation of PAP at the Passengers Terminal Station Customs House and provision of necessary equipment.

ICT Support

JC implements regulations, trade agreements, orders, rulings, and instructions on behalf of more than 28 government agencies. Therefore, establishing a centralized database for customs regulatory and legislative requirements can be extremely beneficial to the trading community, including foreign investors and government agencies, and results in a more transparent, predictable regulatory environment.

JFRBA supported the linking of Jordan Customs financial systems with the GFMIS and helped to finalize and integrate the Comprehensive Integrated Tariff System (CITS) module on ASYCUDA (Automated System for Customs Data). JFRBA helped JC to modernize its public, external website and to develop an internal network as a “customs encyclopedia.”

Trade Capacity Building

In 2011, Jordan Customs identified the refurbishment and upgrade of its Training Center as a priority. A review was conducted with Fiscal Reform Project II to identify necessary improvements to bring the training center in line with WCO regional standards. JFRBA continued to support the training center make improvements by expanding the pool of qualified trainers, renovating training rooms, and installing equipment essential to a modern training environment. As a result, the Jordan Customs Training Center was officially recognized as a WCO Regional Training Center in mid-2015.

Risk Management

JFRBA worked with Jordan Customs and partner government agencies to improve risk management processes which will eliminate duplication and reduce costs and

processing time. This led to increased discovery of customs infractions and non-compliance in customs declarations. In addition, JFRBA assisted Jordan Customs and its partners in introducing the Joint Inspection Mechanism (JIM) and e-inspection at the Amman and Aqaba Customs Centers to improve the effectiveness of shipment inspections and resolve chronic congestion at Jordan’s main trade gateway.

Additionally, JFRBA supported the Jordan Customs Department to earn the internationally-recognized ISO 27001 Certification in recognition of significant reforms to its information security management system. An information security management system (ISMS) is a set of policies concerning information security management- or IT-related risks. Jordan Customs worked side by side with JFRBA in order to conduct an accurate assessment of its ISMS infrastructure and to develop an action plan for implementing necessary changes to improve its management. JFRBA provided support in re-organizing tasks and responsibilities in order to meet the ISO 27001 certification standards and assisted in the development of evaluation and control mechanisms.

OUTCOME SUMMARY

- The Single Window program contributed to significant reductions in both import and export processing time and cost and continues to provide the trade community and government agencies with a “one-stop shop” for information submission and clearance processing for all customs activities relevant to the import, export, or transit of goods.
- A revised Jordan Customs Golden List program increased participation to 59 companies, reducing processing times and making the processing procedure more predictable.
- The Pre-Arrival Processing program reduced administrative barriers, shortened processing times, and decreased red-channel examinations while enhancing transparency and increasing the predictability of the clearance process in which an importer can clear goods.
- The successful launch of the Comprehensive Integrated Tariff System positions Jordan among the world’s strongest customs administrators in terms of

providing a single gateway for international trade. This system provides international traders with a single source of information such as duty and tax rates and other required documentation (e.g. certificates, quotas, restrictions, and licenses).

- The renewal and launch of Jordan Customs website and the development of an internal customs encyclopedia ensures transparency and a free flow of information among public and private stakeholders and provides a centrally-located database for all customs-related data products.
- The Jordan Customs Training Center strengthens the capacity of JC employees in Jordan and the region and equips them with international best practices in customs processes and trade facilitation.
- Improved risk management processes eliminate duplication and reduce costs and processing time leading to a greater ability to track customs infractions and non-compliance in customs declarations.
- The Joint Inspection Mechanism and e-inspection at the Amman and Aqaba Customs Centers improved the effectiveness of shipment inspections and resolved chronic congestion at Jordan's main trade gateway.
- Information security reforms improved the integrity of computerized information systems and linked them to standardized performance indicators. The ISO 27001 certification is a reflection of the significant changes JC enacted. The improved information security regime will prevent illegal conduct and establish a solid base for the safety and security of systems and information.
- JFRBA's support has contributed significantly to improving Jordan's global ranking in the World Bank's Doing Business Report – Trade Across Borders Indicator. According to the 2016 Doing Business Report, Jordan is now ranked 50th globally in terms of costs of doing business, up from 79th in 2011. Regionally, Jordan ranks first in the Arab world and second in the MENA region.



PILLAR V: PROMOTING PUBLIC-PRIVATE PARTNERSHIPS

OVERVIEW

The Government of Jordan has embarked on an ambitious, national public-private partnership (PPP) program with the broad objective of creating a driving force for economic growth and employment through well-defined partnerships in the infrastructure, utilities, and service sectors. Private sector participation in economic activity is required to counter international and regional challenges that have slowed economic growth and resulted in chronic fiscal turbulence. Therefore, Jordan needs to leverage private sector resources to meet infrastructure development requirements and to achieve the national development goals as outlined in the recently launched blueprint Jordan 2025: A National Vision and Strategy.

The 2014 Public-Private Partnership Law is the exclusive legal framework for public-private partnership projects in Jordan and takes into account all sectors, including water, energy, transport, municipalities, and information technology. In order to clarify and further strengthen the provisions set down in the law, Jordan has also released the Public-Private Partnership Regulation.

The Public-Private Partnership Unit hosted by the Ministry of Finance and supervised by the Public-Private Partnership Council led by the Prime Minister, acts as a central body for the supervision, regulation, and support of all PPPs conducted by the Government of Jordan.

In an effort to promote public-private partnerships in Jordan, JFRBA developed a plan to promote the government’s PPP program and create a supportive environment for PPP projects among public and private sector audiences.

ACTIVITIES

JFRBA provided continuous support to the Ministry of Finance to increase support, public and private, for the PPP Unit and its activities. JFRBA support covered the following areas:

PPP Legal Framework

JFRBA joined forces with the World Bank to assist the Ministry of Finance in drafting the PPP Law, which provides the legal umbrella for PPPs, including screening criteria, approval channels, and identification of key stakeholders. JFRBA also supported MOF by working with the World Bank on drafting a PPP regulation



which further streamlined PPP procedures and conditions. In particular, the regulation clarified the modus operandi for the PPP unit and the PPP council, and identified the PPP project cycle, while also underscoring some of the key items underlined in PPP contracts.

PPP Outreach Strategy

JFRBA prepared an outreach strategy, which caters to MOF’s requirements as one of the principal stakeholders, and ensures a supportive environment for PPPs among Government of Jordan ministries and departments, private companies, the general public, the media, and other key stakeholders. In order to achieve the broad goals of the PPP program, the outreach strategy aims to engage stakeholders using various media and outreach activities to ensure that:

- Expectations are responsibly managed;
- PPP program objectives are clear and understandable;
- PPP activities and procedures are transparent;
- The PPP Unit has a consistent pipeline of bankable, strategic investment projects.

This strategy will support the successful and timely implementation of the PPP program and will ensure that the PPP Unit is able to promote PPPs as an effective, sustainable tool for national development.

PPP Website and Database

JFRBA assisted the PPP Unit to create a website in order to allow investors, prospective project developers, and the Jordanian public to access PPP project information, past and present.

OUTCOME SUMMARY

JFRBA’s assistance to the Ministry of Finance focused on building PPP capacity in a number of areas starting with the legislative framework.

- JFRBA supported MOF in drafting a PPP law and a regulation in line with international best practices, while also attending to Jordan-specific needs. JFRBA teamed up with the World Bank’s PPP group on the completion of both pieces of legislation.
- The PPP Outreach Strategy provides the PPP Unit with a detailed roadmap for building PPP aware-

ness, increasing knowledge, and improving transparency and trust among all stakeholders potentially impacted by or interested in PPP projects. A high degree of transparency will help the PPP Unit avoid the mistakes of past programs, such as privatization, which many view as corrupt.

- The PPP website adds transparency and credibility to PPPs as a viable tool in funding capital projects, in addition to providing open source information on proposed projects to potential investors.

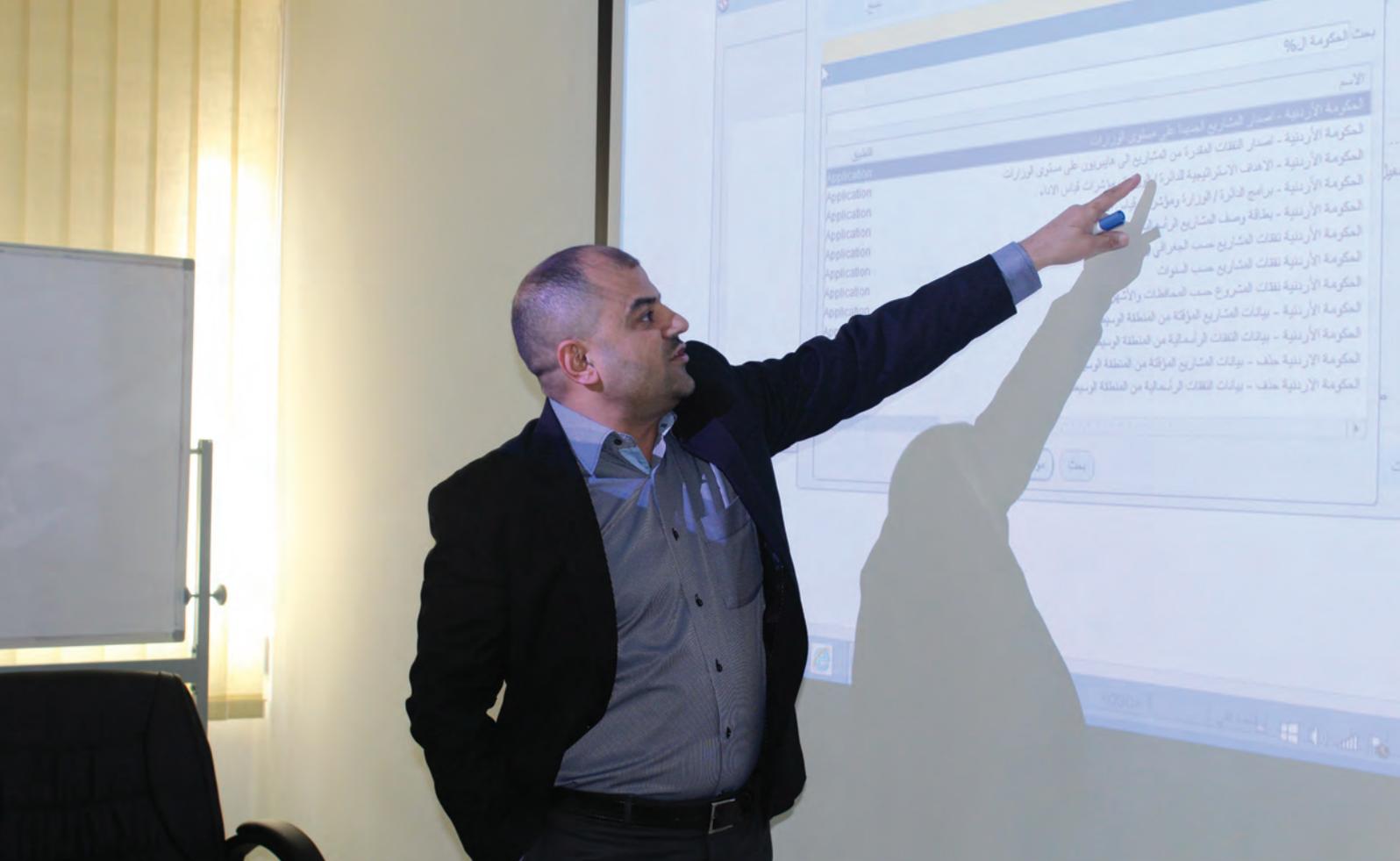
PILLAR VI: GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM (GFMIS)

OVERVIEW

The Government Financial Management Information System (GFMIS) is an integrated, automated system that provides accurate, real-time, comprehensive financial and accounting information about the Government of Jordan’s budget and financial management processes. By providing a full cycle of budget preparation, execution, and financial reporting, GFMIS ensures that state financial resources and transactions are properly accounted for, monitored, and controlled, while also adhering to existing laws and regulations.

Among the key tasks during the Bridge project was the complete roll-out of GFMIS to all central government institutions. JFRBA also provided technical training for





Government of Jordan budget-focused employees in running and using the GFMIS.

ACTIVITIES

Complete Rollout of GFMIS

After procuring an updated Government Financial Management Information System for the Government of Jordan through the Fiscal Reform Project II, the JFRBA program, in collaboration with the GFMIS unit of the Ministry of Finance, completed the implementation of the system across all centralized Government of Jordan institutions covering more than 70 institutions. JFRBA also helped to assess the implementation process, including the mapping of requirements and projected roll-out timelines. Extending GFMIS to all centralized Government of Jordan institutions was based on comprehensive evaluations of target sites to allow for smooth, effective sequencing of system implementation. This process consists of site analysis and preparation, end-user training, and data scrubbing and loading.

Implementation of Disaster Recovery Solution

JFRBA completed the installation and configuration of a disaster recovery (DR) solution, a much needed system to promote the dependability and integrity of the GFMIS by serving as a backup in case of down-time or

temporary system failures. The DR is vital for keeping critical business running smoothly while maintaining continuity of service. Prior to JFRBA's upgrade, the Ministry of Finance implemented a DR solution in 2008 which was a replica of no more than 70% of the production site. The JFRBA-introduced DR system has enhanced and replaced the old hardware with a new powerful and more reliable backup solution that better caters to the needs of the upgraded GFMIS. The DR site is hosted at the National Information and Technology Center (NITC).

Independent Entity Rollout Assessment

Following the full implementation of GFMIS at institutions within the central government budget, JFRBA assessed its rollout at institutions independent of the central budget with a prototype for accounting and financial reporting procedures, among others, that will be tailored for independent entity installations.

Continuous Capacity Building

The JFRBA team provided expert consultants and extensive support to increase the capacity of the GFMIS unit, enabling their staff to run the system once the JFRBA project concluded. This continuous capacity

building provided by JFRBA included trainings in project management, database administration and budget preparation.

As part of the capacity building process, JFRBA conducted post-implementation evaluations to identify any gaps or delays in operations and helped to integrate GFMIS teams at government institutions within their information technology (IT) departments to leverage existing human resources and skills.

International Public Sector Accounting Standards (IPSAS)

JFRBA continued to advance the adoption of International Public Sector Accounting Standards (IPSAS) and integrate them with GFMIS, which is now able to handle multiple accounting standards. The multi-year process of implementing IPSAS is yet another fundamental reform aimed at improving transparency and accountability of public sector institutions and is at the

core of JFRBA’s mandate of strengthening public financial management in Jordan.

OUTCOME SUMMARY

- **Proper, transparent accounting of financial resources**
By providing a full cycle of budget preparation, execution, and financial reporting, the new GFMIS implemented by JFRBA ensures that state financial resources and transactions are properly accounted for, monitored, and controlled, while also adhering to existing laws and regulations.
- **A model for sustainable, institutional change management**
Implementing GFMIS in public institutions proved to be a powerful tool for institutional “change management” due to the streamlining of internal business processes, and standard operating procedures. This “cultural change” is already setting the path for

Figure 8: GFMIS Timeline



institutional changes that would have sustainable impact across government institutions, resulting in greater operational efficiency and effectiveness.

- **Timely, informed decision making**

An integrated financial network for the public sector constitutes one of the most important ingredients for a timely, informed decision-making process. The public finance system in Jordan is now equipped with GFMS functions that enable decision-makers to allocate publicly available financial, capital, and human resources in ways that will most effectively serve the national interest.

- **Brings the Government closer to results oriented budgeting**

The GFMS helps the Government improve results-oriented budgeting by streamlining the process to allocate public resources and modernize fiscal planning.

- **Sets the foundations for the IPSAS implementation**

The GFMS is an effective platform for the Government's 5-year plan to implement the International Public Sector Accounting Standards (IPSAS) given its adaptability to apply more than one accounting standard. A tailored setup for accrual-based accounting, coupled with a specialized team will result in a successful implementation of IPSAS.

CROSS-CUTTING: EFFECTIVE COMMUNICATIONS AND OUTREACH

OVERVIEW

Effective communications and outreach surrounded all aspects of JFRBA's approach and were critical to achieving its goals. From enhancing tax administration to strengthening public financial management and creating a receptive environment for public-private partnership projects, communications and outreach activities enabled JFRBA's government partners to better connect with stakeholders across Jordan's fiscal and economic reform landscape.

JFRBA's communications and outreach efforts focused on fostering dialogue among public and private sectors,

the media, and Jordan's business and policy community on fiscal and economic reform.

Further, in order to communicate the various components of JFRBA's work plan, the Communications and Outreach Team pursued an active communications strategy using various tools including a bilingual (English-Arabic) website (www.frp2.org) and social media channels including Facebook, Twitter, and YouTube. The project also produced various publications including: Project Profiles (snapshots of JFRBA's objectives and activities), Quarterly Highlights (a newsletter summarizing JFRBA's main quarterly activities), Quick Reference Guides (detailed guides to each of JFRBA's six teams and their activities), and various success stories (capturing the results and impact of JFRBA's support). The Communications and Outreach team was instrumental in helping partners develop their own communications strategies.

ACTIVITIES

PPP Website

The JFRBA Communications and Outreach Team worked with technical experts to develop the PPP website. The team reviewed existing methods of knowledge management and distilled lessons learned from international experience to guide website development. The team also ensured that PPP Unit staff was educated in the means of editing and managing the website after launch.

PPP Communication and Outreach Strategy

The JFRBA Communications and Outreach Team, with the help of technical consultants, developed an expansive outreach strategy for the PPP Unit. Given the lack of public support for the recently concluded privatization program, a robust strategy for engaging public and private sector partners was critical for overall PPP program success.

Public Expenditure Perspectives 2015

JFRBA teamed up, for the second time, with the General Budget Department in publishing the *Public Expenditure Perspective 2015* report, a study assessing how government resources produce the services that Jordanians need most and how those services can be delivered more effectively and efficiently.



JORDAN

Public Expenditure Perspectives

AID
AMERICAN PEOPLE

Reform II Project
Building the
Foundational
Economic
Final Report 20...

BEN SY...
200...
AN UP...
THE II...
IN C...
BRID...



Women and Youth in Fiscal Reform

The team created various multimedia products, including documentary videos, which highlighted the impact of women and youth across the various aspects of fiscal and economic reform in Jordan.

Training and Events

Led by its Events Officers, the Communication and Outreach Team provided training and events coordination for all core pillars.



CROSS-CUTTING: EMPOWERING WOMEN

OVERVIEW

The low labor participation rate among women is a major challenge for Jordan's economic development. Making up half of Jordan's population, it is crucial

to empower Jordanian women to become agents of economic change. JFRBA enthusiastically supported the inclusion of women in the various pillars of the project.

ACTIVITIES

JFRBA produced the Gender Responsive Budgeting Manual, which will act as a guide specific to Jordan's economic and social environment. It is intended to enhance the capacity of General Budget Department staff to apply gender budget analysis tools and assist them in supporting gender initiatives. The manual will build understanding of gender-responsive budgeting as a tool for promoting gender equity and accountability to women's rights as well as efficiency and transparency in budget policies and processes. This manual will develop skills required to effectively mainstream gender in planning and budgeting processes at the national level.

Despite a number of initiatives in gender equality, Jordan is still ranked 134th out of 142 countries in the World Economic Forum's Gender Gap Index for 2014. Not only are these rankings extremely low, but reflect a regression over time. Between 2006 and 2014, 105 countries, or 95%, have made progress, while six countries have gone backwards. Jordan is one of those six. Jordan has reduced the gender gap in female education and health. Notwithstanding, Jordan continues to have one of the world's lowest rates of women's participation in the workforce. Constraints on women's political participation also persist despite expanding quotas for women in national and municipal bodies.

The Director General of the General Budget Department, Dr. Mohammad Al Hazaimah said "The manual reflects the General Budget Department's efforts in advancing fiscal reforms and making the budget more responsive to women's rights and needs."

Gender Responsive Budgeting will help the general budget department to track the way that budgets respond to women's priorities and the way that governments use funds to reduce poverty, promote gender equality, reverse the spread of disease, and lower the rates of maternal and child mortality, among many others. It helps ensure the Government of Jordan's accountability to international commitments made to women and to achieving the Millennium Development Goals.

CHAPTER 3

Performance Management

OVERVIEW

JFRBA's underlying objective is improving public financial management in Jordan in order to strengthen the fiscal foundation of the government and increase financial stability of the country. In order to measure the progress of activities and ensure that expected results and outcomes are produced, JFRBA developed an annual Activity Monitoring and Evaluation Plan (M&E Plan) that lays out a conceptual and operational framework to measure progress in its primary objectives and identify successes.

METHODOLOGY

JFRBA's M&E Plan served three key purposes:

1. Linking the project's strategic objectives, indicators, and intermediate results and outcomes to the USAID/Jordan Mission Country Development Cooperation Strategy 2013-2017 (CDCS), Development Objectives, and USAID's Foreign State F-indicators through a clear results framework.
2. Linking the project's activities and outputs to its strategic objectives.
3. Ensuring the efficient and effective use of project resources in support of the project's stated objectives.

In addition to communicating project results to USAID and external stakeholders, the M&E Plan was critical for the day-to-day management of activities. It allowed team leaders and management to learn and adapt project activities in real time. The M&E Plan was a critical tool for guiding the project and allowed USAID to further design activities to achieve the proj-

ect's objectives. JFRBA regularly relied on M&E data for its decision-making process and regularly updated its management information system database—the Technical and Administrative Management Information System (TAMIS)—based on the M&E Plan and its data.

MONITORING AND EVALUATION PLAN

In cooperation with JFRBA team leads and in accordance with the project's work plan, the M&E team set SMART (specific, measurable, attainable, realistic, and time-related) performance indicators and defined monitoring concepts in collaboration with government counterparts.

Results Framework

JFRBA developed its framework to support the Country Development Cooperation Strategy (CDCS) development objectives and related supporting Intermediate Results (IRs) 1.1 and 1.4 as well as related Sub-Intermediate Results.

Setting Specific Indicators

JFRBA included indicators in the activity M&E Plan to ensure consistent measuring of project results. The indicators include the relevant indicators from the Foreign Assistance Framework (FAF)—F indicators and a set of project management indicators. These indicators measure the impact of the specific activities and provide additional information on each: 1) the type of indicator, 2) our approach to collecting data, 3) frequency of measurement, and 4) annual targets. As stipulated in the USAID Evaluation Policy of 2011, data is disaggregated by gender when appropriate. Indicators are gender-sensitive, developed as part of the overall process

of systematically integrating the gender dimension into the different aspects of the project.

There are three main types of performance indicators that we used in order to measure the results of the project: output indicators, outcome indicators, and impact indicators.

1. *Output indicators* focus on the sub-objective or program level. These output indicators measure the quantity of products, stakeholders, and services related to project activities. Most of these indicators are linked to the relevant project objectives.
2. *Outcome indicators* are mostly short- and medium-term indicators that focus on measuring results at the objective level. Outcome indicators are assigned to a specific objective and most are not repeated throughout the project's results framework.
3. *Impact indicators* are focused on measuring the achievement of the overall contract objective.

The combination of all indicators, augmented by additional performance information—such as survey data, Government of Jordan performance data, case studies, special assessments, and technical reports—allow the project's stakeholders and senior managers to “roll up” performance achievements from the activities to the objectives to the project goal and then to the Jordan CDCS development objectives. This will be an iterative process thereby making short-, medium-, and long-term performance data available for management decisions and to inform program design at all levels.

Assessment of Data Quality

ADS 203.3.5.3 sets out guidance on verifying and assessing the quality of data provided to USAID. Clearly defining project performance indicators, documenting the data collection processes, continuously monitoring, and conducting quality audits allows the JFRBA M&E team to assess whether reports accurately reflect what is happening. The Senior M&E Advisor is responsible for assessing the quality of the data reported. Ongoing data quality assurance activities consist of:

- Building data quality assessment into normal work processes.
- Conducting ongoing reviews, rather than limited to quarterly, semi-annual, or annual.

- Conducting unannounced site visits and reports.
- Reviewing output data maintained in TAMIS.
- Gathering feedback from data users and other stakeholders.
- Ensuring third-party validation of performance data.

For each performance indicator, the JFRBA M&E team collects primary data, monitor change as related to the relevant baseline, disaggregate data to identify differentiated results, and explain notable variance from targets. Most of the performance data is stored in the project database, TAMIS, for quick retrieval for reporting, analysis, and reference purposes.

Reviewing Performance Information

JFRBA management usually holds quarterly strategic review sessions to review performance data collected. These strategic review sessions—to which the USAID COR and, as appropriate, Government of Jordan representatives are invited—provide opportunities to review progress on project implementation and the results of project activities in order to confirm that targets have been met or are on track. The project M&E team will also review baselines, actual achievements, targets, and results

Reporting Performance Results

JFRBA reports on the results of its M&E Plan at different stages. The reports are shared with the technical teams and discussed with counterparts for decision making and for taking action in order to stay on track or get back on track. In the context of the year, the team produces activity M&E reports on:

- USAID F-Indicators: The project recognizes that it may not significantly contribute to the achievement of the set indicators.
- JFRBAII Management Indicators: These indicators are used internally to manage the different project activities.

Data-Driven Decision Making and Organizational Learning

Driven by JFRBA's Senior M&E Advisor, the project uses M&E data for both performance reporting as well as for organizational learning. The M&E team uses activity M&E reports not only to learn internally about



the progress of a certain activity but also for future decisions such as:

- **Operational decisions.** These decisions are generally structured, routine, and short-term-oriented, such as management of events.
- **Strategic decisions.** These decisions are usually adopted by senior project management, government, and the USAID Mission, such as the reduction of the primary fiscal deficit.
- **Non-routine decisions.** These are typically in response to new or unforeseen circumstances beyond the scope of operational processes, such as the Fiscal Impact of the Syrian Refugee Crisis study under JFRBA.
- **Tactical decisions.** These typically address the necessary adjustments required to implement longer-term strategies, such as procurement of new

servers to guarantee the sustainability of certain information technology software.

Given their structured nature, activity M&E reports are used to enhance communications, help the JFRBA teams rapidly understand the context in which they are operating, and inform how each output contributes to the outcomes of the project and consequently to the related USAID Mission IRs and DOs in a cause-and-effect relationship.

Additionally, the JFRBA teams use activity M&E reports to communicate with Government of Jordan counterparts' leadership and officials. They used reports to raise awareness and foster data-based decision making through performance data which are analyzed, evaluated, and compared to best practices. For example, the results of the tax benchmarking study that indicates the overall performance of Jordan's tax department, ISTD, in comparison to different international indicators, helps form the basis for future tax administration reform in Jordan.

OUTCOME SUMMARY

The major challenge of monitoring and evaluation lies in measuring impact. While it is fairly simple to measure what goes into a project, such as funds and staff time, it can be difficult to determine exactly what impact a project has had on the social and economic wellbeing of Jordanians and Jordanian society. Demonstrable outcomes open up channels of communication with stakeholders and thus contribute to more transparency and accountability. They also create opportunities for improved management of the project, and allow for lessons learned that can be applied to future projects.

JFRBA delivered the totality of the work plan as agreed with counterparts and the subsequent work plan modifications requested by the same counterparts plus a number of unplanned or “opportunistic” deliverables. Some of the most significant and high impact “opportunistic” deliverables are the Tax Expenditures and Tax Incidence Studies which were specifically requested by the Ministry of Finance and the International Mone-

tary Fund as they discuss the upcoming Extended Fund Facility (EFF) program for Jordan that places a top priority in improving Domestic Resource Mobilization (DRM). Supporting this effort was also a recent technical review and recommendations by JFRBA to modify the existing Income Tax Law approved in December 2014. Another major unplanned deliverable by JFRBA was the guidance, support and demonstration of the GFMS team to the Government of Jordan rolling out the GFMS platform into at least three government institutions that were not part of the JFRBA plan. Finally, and as USAID decided to put on hold the hiring of technical experts to support the formation of a PPP Unit at the Ministry of Finance, our PPP Team in collaboration with the World Bank supported the drafting and the passing by Parliament of the PPP Law and the corresponding by-laws.

CHAPTER 4

Project Operations

ADMINISTRATION AND MANAGEMENT

Project operations were directed by JFRBA's management team, which coordinated closely with the DAI home office in Bethesda, Maryland, and USAID's mission in Amman, Jordan. The JFRBA management team was based in Amman and served as the overall project driver and oversaw the work of the six technical teams and cross-cutting activities. The primary objective of the management team was to ensure that JFRBA's objectives were achieved.

JFRBA was committed to ensuring that all project activities were executed with integrity and transparency and in full compliance with USAID, DAI and Government of Jordan counterpart requirements.

JFRBA coordinated activities with its respective teams and government counterparts throughout the lifecycle:

- **Planning:** JFRBA worked closely with all six teams to prepare an annual work plan that outlined activities set for each year and the required estimated budget. The annual work plan was reviewed by the management and finance teams.
- **Implementation:** JFRBA's management team followed up and coordinated all activities to ensure the work plan was executed with integrity, excellence and full transparency.



- **Monitoring & Evaluation:** JFRBA's management team oversaw the monitoring and evaluation process with the project's M&E specialist.
- **Communication:** JFRBA's management team oversaw communications and outreach to ensure that the project's results were communicated clearly, effectively and accurately.

Furthermore, JFRBA pursued strict procedures that included:

- **Procurement:** An open bidding process was followed to procure products and services required to implement the activities set in the work plan and achieve the project's objectives. All procurement processes were executed with three main guiding principles: (1) cost-reasonableness, (2) cost-effectiveness, and (3) prudence. Requests for proposals were announced in local newspapers and via social media, opening up opportunities for the local market in Jordan to participate in a fair and transparent manner.
- **Recruitment:** A thorough recruitment process was followed to hire local staff, short term consultants, and long-term employees for JFRBA. All recruitment processes were executed in a transparent manner to ensure fair competition and equal opportunity reaching as many qualified Jordanian candidates as possible and attracting the best talent.

- **Financial Management:** JFRBA's management team worked closely with the DAI home office and USAID to ensure full compliance with both internal and external requirements set by DAI and USAID respectively. It was crucial to adhere to regulations in order to ensure proper financial management, budget execution and reporting. Proper control measures were adopted by JFRBA to mitigate risks and address challenges. Risks to the project included conflicts of interest, fraud, mismanagement, poor business ethics, and a lack of professionalism.

- **Human Resource Management:** Building capacity of JFRBA staff and ensuring a professional and harmonious work environment was crucial to project success. Team building exercises were implemented to ensure cohesion and maintain a cooperative spirit and various training sessions were conducted, including awareness sessions for staff regarding their rights and obligations, ethics, and disclosure agreements to ensure confidentiality and protect intellectual property.

It was crucial for JFRBA's management team to ensure that all procedures, financial and administrative, were properly executed and are in full compliance with USAID and DAI requirements.

CHAPTER 5

Lessons Learned

Similar to the Fiscal Reform II Project, JFRBA's efforts were aimed at improving the performance of GoJ's fiscal policy and management machinery. However, the focus was mainly on three priority areas: enhancing policy advice and macroeconomic analysis; promoting public financial management by fully rolling-out and institutionalizing the Government Financial Management Information System (GFMIS); and building Public-Private Partnership (PPP) capacity.

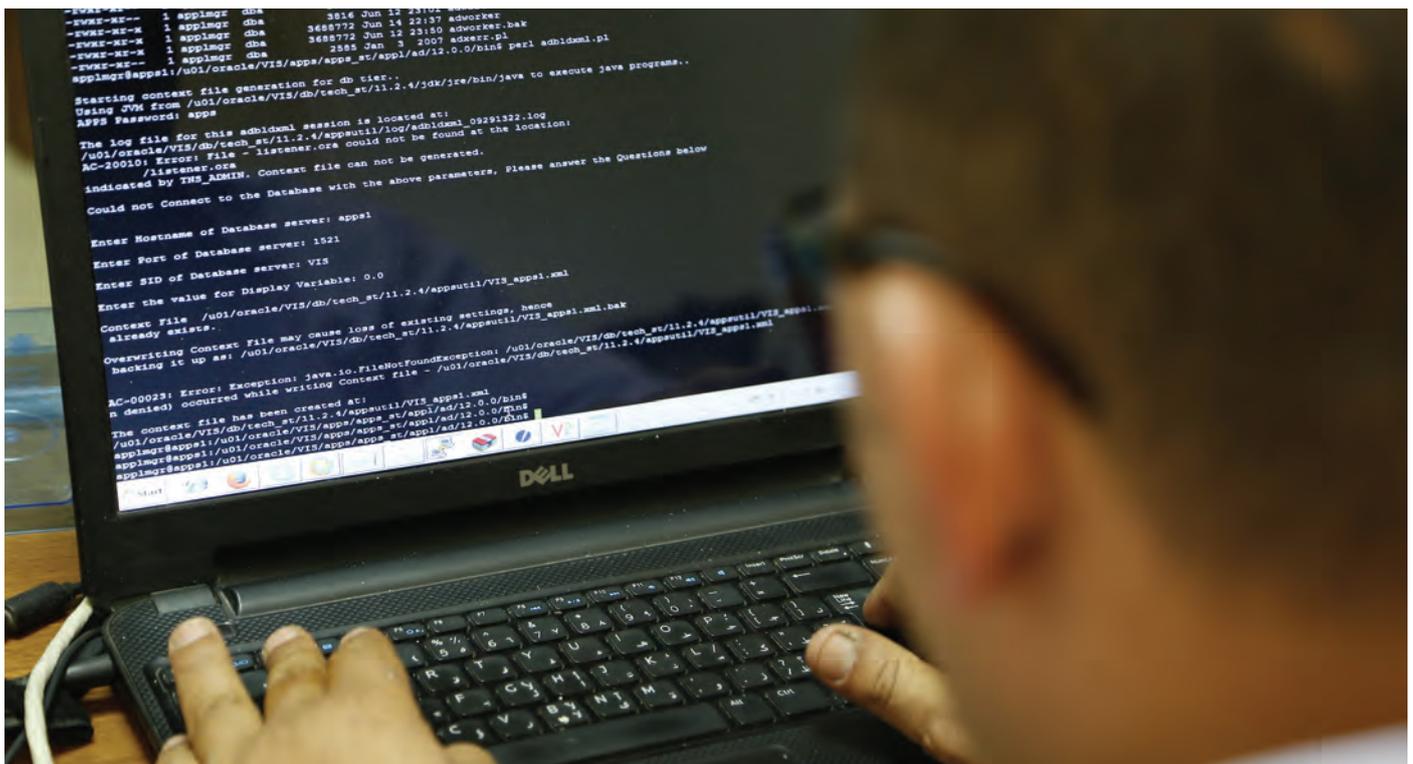
At the opening of the Bridge contract in October 2014, the project “downshifted” into a more deliberate strategy to consolidate gains and begin to hand-off responsibility for project objectives to the GoJ through a lower intensity of assistance to more than half of FRP-II project objectives. The project shifted into the hands of

an all-Jordanian team with scaled back embedded advisors with the exceptions of GFMIS and the SEPD—both institutions that relied heavily on project assistance and from which major deliverables were required (full roll-out of GFMIS and compliance with IMF reporting requirements).

This section summarizes the learnings gained not only through the period of JFRBA but also takes into consideration the context provided by the predecessor project, FRP-II.

FINDINGS

In many ways, this project had a complex dual mandate: 1) To contribute to the US foreign policy objective to maintain the stability, and specifically fiscal solvency,





of the government; and 2) to sustain improved fiscal policy and management by the Government of Jordan through technical assistance to the Ministry of Finance and its subordinate offices. The lessons learned address this dual mandate and are divided into two categories: (a) Delivery of fiscal stability driven measures and (b) the sustainability of those efforts. This is followed by a separate discussion on the issue of embedded advisors specifically and its impact on sustainability.

Delivery of results to secure fiscal stability.

1) Since the early days of FRP-II, the GFMIS initiative was faltering. Two years behind schedule, mired in a legal dispute with a contractor, and lacking vigorous commitment from the GoJ, it was not clear that the initiative would move forward to completion.

FRP-II's biggest focus starting in July 2012 was to reshape the GFMIS senior team, provide targeted international expertise and help to replace the Head of the Unit. These decisions led to a redoubled commitment by the GoJ, correction of critical system failures, and major acceleration of the system roll-out to government ministries under JFRBA. **Throughout this period, the project employed between 7–9 direct embedded advisors who were the principal driving force behind system operations, roll-out and training. GFMIS is now fully rolled-out to central government institutions as of the second quarter of 2016 and that achievement would not have been possible without that embedded team.**

- 2) At the Ministry of Finance, a project employee served as the Acting Director of the Studies and Economic Policy Department (SEPD)—a key project counterpart. He also led a team of local and international experts working to build the capacity of the SEPD. However, the capacity of the SEPD was weak to start, largely owing to the fact that the analysts employed by the department simply did not have adequate technical background to execute complex, quantitative economic analysis. In 2011, when the Arab Spring broke out and spread to Jordan, disruptions in Jordan's energy supplies meant that sound macroeconomic planning was an urgent necessity to achieve stability through access to emergency funds from the IMF, which also required proper policy analysis, forecasting, and reporting of key economic and fiscal parameters. **Project staff had to assume a more hands-on role to ensure that the GoJ could comply with the data and reporting requirements to keep emergency funds flowing into government coffers—which they achieved in support of SEPD analysts. Without this embedded support, the GoJ could not have the capacity to maintain macroeconomic stability during a political economy crisis.**
- 3) Another demonstrable impact of project assistance came from the improvement in Customs' performance against "Trading Across Borders" rankings under the World Bank Doing Business report. **This component has had multiple embedded advisors within Jordan Customs throughout the project's lifespan, crucial to providing access, responding to Customs' needs, and delivering formal and informal training/mentoring.**

- 4) The Results Oriented Budget component had one embedded advisor at the General Budget Department (GBD) throughout the project who facilitated access to analysts and managers for technical expertise and served as an overall liaison between senior management of the project and GBD leadership. In the initial stages of the project, expatriate advisors were also embedded within the GBD, and STTA experts would work from the GBD offices to be near their beneficiaries. The transition from line-item to results oriented budgeting is more about changing organizational culture and the states of mind of government planning officials than about changing budget forms. The GoJ's support for the transition to ROB cleared the way politically for this type of culture and behavior change toward a greater focus on performance. **But it took the project's influence over a span of years for the GBD to make that transition.** Leadership of the GBD has bought into the tenets of ROB for the last three years and has propagated that approach to senior managers. However, most budget analysts continue to view the performance focus of their job as an additional burden to their existing responsibilities rather than a reform or shift in the way they think about their existing responsibilities. Therefore, additional work remains. **ROB has been institutionalized and progress was achieved through persistence, but the specifics of what that institutionalization means has a number of gaps versus the ideals of a more results oriented budget.**
- 5) Finally, the tax administration reform component has seen perhaps the most ups and downs of any project initiative. The early years of FRP-II saw intensive training and capacity building at the ISTD—in part through a local and expatriate advisor embedded within the institution—fully owned and embraced by the institution and spurred on by the project. Later on, it became clear that FRP-II needed to move beyond training and capacity building into more on-the-job assistance to put the new tools into practice, but were met with staunch institutional resistance to change. **During the Bridge period, the project and ISTD reinvigorated its relationship in areas of mutual interest leading to significant efficiency gains and revenue increases as a share of GDP.**

Sustainability of delivered assistance.

1. In the case of GFMIS, now that the system is active and institutionalized throughout all of the central government, a tipping point has been reached and the system cannot simply be left to fall into disrepair or neglect without serious negative consequences to the GoJ's ability to maintain its financial cycle. From this point forward, the imperative for the GoJ to increase its internal capacity to manage the system on its own will ratchet up considerably. USAID assistance will continue to GFMIS to ensure that is the case, and to also roll-out the system to independent institutions under FRPFM. The bottom line, however, is that the GFMIS Unit is still not fully self-sufficient and will not be unless the GoJ is willing to nurture its own experts organically and make sure capacity building to Ministry staff is continuously provided internally to ensure proper functioning and management of the system nationwide.
2. In the case of the MOF/SEPD, the GoJ's lack of staff capacity within the institution throughout the length of the project has hampered the impact of any capacity building. That said, the SEPD can now independently operate the following models supported by the project: the macro-fiscal model, microsimulation model, revenue projection model, and the medium term debt strategy. The SEPD also has a basic capacity to maintain and utilize the Medium Term Fiscal Framework. This relatively basic level of capacity is sustainable. Higher order skills of conducting original policy analysis using those tools that is useful to the Minister himself have not been sustainably developed. Efforts have been made and are currently underway to build more of these skills within the analysts but without any certainty that the practice of policy analysis will continue beyond the assistance of the project.
3. The project's assistance to Jordan Customs has been fully aligned with what is a very reform-minded institution relative to the rest of the GoJ, which means support may be sustained by GoJ leadership that is committed to continuing to improve its Trading Across Borders ratings and obtain international certifications for its operations.

4. Support to ROB is sustainable as the project has been able to effect the needed culture change within the General Budget Department and selected line ministries to focus on programs and results through their spending. However, as mentioned in the section above, this was achieved through sustained effort over a period of six years encompassing both the FRP-II and JFRBA projects. Additional effort is still required to institutionalize those achievements through additional changes to budget formats, capacity building to lower-level analysts, greater focus on gender based budgeting and the completion of the Monitoring and Evaluation system to accompany the budget process.
5. Finally, support to the ISTD has gathered significant momentum toward modernizing their tax administration practices, but will require continued investment to maintain that forward progress. The institution has become more efficient, productive and focused with our assistance and still has remaining space to improve with continuing support in areas such as taxpayer services, IT modernization, arrears enforcement and continued movement toward risk-based audit case selection.

ARE EMBEDDED ADVISORS CONTRIBUTORS TO SUSTAINABILITY OF REFORMS?

One of the major lessons learned over the course of both FRP-II and the 22-month Bridge is that there

are important trade-offs between accomplishing fiscal stability and achieving fiscal sustainability. In this regard, attention has been placed on the embedded advisor structure of the project’s implementation model. Embedding advisors within counterpart institutions is a common approach in projects of all different technical foci around the world and so it is valuable to reflect on the specific experience of this project, which relied on selected embedded advisors to achieve project goals. There are pros and cons to this approach:

The key issue behind “embeddedness” is the role of the advisor and how he/she views the purpose of being embedded. Many successful advisors, both short and long-term, expatriate and Jordanian, viewed themselves as fundamentally capacity builders who were embedded to ease the physical and intellectual barriers between their counterparts in need of assistance, and themselves as the expert. On the other hand, there were a number of other advisors—particularly ex-Government of Jordan employees—who may have had divided loyalty between the project and the Government. Despite those possible divided loyalties, the dedication of these advisors was largely heroic. The alignment of the project’s interests with the government’s meant that even advisors with potentially divided loyalties were some of the most important individual contributors to project success. In sum, the principal lesson learned by this project on embedded advisors is that while the model can be highly effective and impactful, it can also have certain sustainability risks. Advisors in this mold were often the

Pro	Con
Project staff is physically present, strengthening social relations, mutual understanding of work priorities, and providing immediate support.	The strength of advisors’ connection with the project as a technician can be reduced, creating a blurry line between their status as project staff versus government employee, especially when advisors are former government employees.
Capacity building can be delivered informally, on the job; a proven adult learning technique that emphasizes experiential learning over classroom lecture/training.	Advisors can lose perspective on their role as enablers and teachers, and revert to assuming roles of “doing the work”; replacing rather than building capacity.
Experts gain significant access to high-level decision makers, otherwise inaccessible data and reports, and information that the project and USAID find useful.	Assistance becomes less demand-driven, and increasingly based on the experts’ personal perceptions gained from being present within the institution.
The presence of experts makes their work more relevant to the priorities of the institution on a day-to-day basis versus waiting for a counterpart to reach out with a request for assistance.	Assistance becomes driven by external agents, as opposed to being provided and managed organically, hence delaying internal progression of technical self sufficiency.

most effective staff in crisis management because they had the institutional knowledge and credibility to get important work approved and accomplished quickly—much as a high performing civil servant would. Embedded advisors are a viable implementation methodology; highly effective and in many cases ideal for targeted uses. An implementation approach that features embedded advisors should have a time-bounded scope of work for each individual advisor with clear outputs, performance metrics, and a clearly defined exit strategy from the very beginning of the advisors' placement. Thus, an embedded approach should not be abandoned in Jordan or in other contexts, but instead should be deployed more selectively, learning from the experience of FRP-II and Bridge.

SYNTHESIS OF LESSONS LEARNED

The project performed exceptionally well in crisis. It mobilized intensive and appropriate assistance responsive to USAID/Jordan even when doing so was financially and contractually risky for the Contractor. Lessons from both the successes and challenges of can be summarized as follows:

- Particularly in Jordan, incremental progress should be accepted as the norm for development progress, acknowledging that political economy factors inhibit more rapid change.
- Use of embedded advisors should carefully consider the role and type of advisor and the sustainability concerns that the combination creates.
- Embedded advisors should have a specific timeline to adhere to, pending task completion and knowledge transfer. In most cases, the latter is difficult to quantify, let alone materialize; hence measures are needed to identify milestones (and associated indicators) that clearly define measurable outputs and deliverables by the counterpart.
- Compromise between satisfying short-term needs of the counterpart and long-term capacity building have important trade-offs that need to be identified and understood in order to achieve both counterpart satisfaction and long-term sustainability of assistance.



Transforming ideas into action—action into impact.

