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JORDAN BUDGET MANUAL

A GUIDE TO POLICY, PROCESS, AND ANALYTIC TECHNIQUES

January 2012

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ACRONYMS

BPPP:	Budget Policies and Priorities Paper
CIPFA:	Chartered Institute of Public Finance and Accountancy
DOS:	Department of Statistics
GBD:	General Budget Department
GFMIS:	Government Financial Management Information System
GIZ:	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GDP:	Gross Domestic Product
GOJ:	Government of Jordan
IMF:	International Monetary Fund
INTOSAI:	International Organisation of Supreme Audit Institutions
JD:	Jordanian Dinar
KAA:	King Abdullah II Award for Excellence in Government Performance and Transparency
KACE:	King Abdullah Center for Excellence
KPI:	key performance indicator
MOF:	Ministry of Finance
MOPIC:	Ministry of Planning and International Cooperation
MOPSD:	Ministry of Public Sector Development
MTEF:	Medium Term Expenditure Framework
MTFF:	Medium Term Fiscal Framework
NAF:	National Aid Fund
NGO:	non-governmental organization
OECD:	Organization for Economic Co-operation and Development
OTA:	United States Treasury Office of Technical Assistance
PEFA:	Public Expenditure and Financial Accountability
ROB:	results-oriented budgeting
SEPD:	Ministry of Finance Studies and Economic Policies Department
SMART:	specific, measurable, achievable, relevant, and time-bound (performance targets)
USAID:	United States Agency for International Development
UNCDF:	United Nations Capital Development Fund
WB:	World Bank
ZBB:	Zero Based Budgeting

I. INTRODUCTION

I. Glossary

See also Chapter V Organizational Responsibilities for information on the government departments and units involved in the budget process.

The following words mentioned in this manual shall have the specified meanings hereunder unless the context indicates otherwise:

Activity: A subdivision of a program's current expenditures. In most cases there is currently only one activity per program, but there can be more.

Annual Budget Law: The Annual Budget Law consists of two parts: the General Budget Law (made up of a principal volume and a detailed volume) and the Government Units Budget Law. The General Budget Law provides the budget for government departments, while the Government Units Budget Law provides the budget for government units. See the detailed entries for General Budget Law and Government Units Budget Law.

Budget analyst: In the context of this manual, a budget analyst (or simply "analyst") is anyone at a government department and unit, including GBD, MOF, and other budgetary and planning government departments, who works on the budget process, because anyone who participates in the budget process needs to be skilled in understanding and developing budget information and policy. It also includes managers and staff in governorate offices who work with government departments and units to develop requests for capital projects in their governorates. People who help prepare the budget are not only in finance or budget offices, but also in implementation, policy, personnel, and planning offices.

Budget Calendar: A list of the key work products required for preparation of the budget, who is responsible for each product, and when each product will be completed.

Budget Circular: The official request to government departments and units asking them to provide GBD with the Government Department and Unit Annual Budget Law Proposals, covering the budget year and two subsequent indicative years. The Budget Circular explains the macroeconomic and government financial framework for the Draft Annual Budget Law, including the total government revenue estimate and the total ceiling for public expenditure. It also explains the general policy themes and specific policy guidance and decisions that government departments and units must use in developing their Draft Annual Budget Law Proposals.

Budget Policies and Priorities Paper: The Budget Policies and Priorities Paper is a document used in the budget process to establish the progress the Government of Jordan intends to make in the budget year towards its medium and long-term goals. It describes budget performance priorities, especially changes in priorities from previous years. It is used to guide GBD review of Government Department and Unit Budget Requests and preparation of the Budget Circular.

Budget Speech: The Executive Branch's explanation to Parliament of the budget and the government policy that the budget promotes.

Budget year: The budget year is the year for which funding is appropriated in the Annual Budget Law. For example, in the 2012 Annual Budget Law, the budget year is 2012. See also "indicative year".

Budgetary and planning government department: See “government department”.

Capital expenditure: In general, these are expenditures incurred for the acquisition of land and other physical assets, intangible assets, government stocks, and non-military, non-financial assets, of more than a minimum value, with an expected lifetime of more than one year. Capital expenditures are often recorded in a separate section (or capital account) of the budget, or into an entirely separate budget for capital expenditures (OECD, 2001). In the context of Jordan’s budget processes, capital expenditures are divided into three categories: continuous (operations, maintenance, and supplies for completed projects; this category does not match the general definition of capital expenditure), underway or committed (projects not yet completed), and new.

Control category: The Annual Budget Law appropriates funds (i.e., it defines the maximum financial resources) for each category the law identifies as a control category. The control categories are: sub-items for economic classification budgeting, projects for programmatic classification of capital expenditures, and activities for programmatic classification of current expenditures. For these control categories the actual expenditures in a year should not exceed the levels in the Annual Budget Law.

Current expenditure: Expenditure other than for capital expenditure. Examples of current expenditures include salaries and wages, operations and maintenance, utilities, consumable goods, and any expenditures less than a minimum value set at a level specific to the institutional context (applies to public and private sector institutions).

Department: See “government department”.

Draft Annual Budget Law: The Executive Branch’s proposal for the Annual Budget Law, at the full scope and level of detail that will be presented in the final law.

Draft Supplementary Annual Budget Law: The Executive Branch’s request for adjustments to the Annual Budget Law after it has been ratified.

Economic classification budget format: An economic classification budget format is a way of allocating or presenting the allocation of budgetary resources. This format emphasizes inputs, usually within a broader organizational framework of the government department or unit. The line items in this format identify the specific types of goods or services acquired or transfer payments made within a particular program or subprogram. This concept of organization by type of expense may also be called a “general ledger accounts”, “object”, “expense”, or “line-item” classification. (OTA, 1997)

Final Budget Ceilings: The Final Budget Ceilings serve as Jordan’s MTEF because they set government department and unit funding levels within the constraints of the MTEF expenditure targets for current expenditures, capital expenditures, and transfers to government units over the three-year timeframe of the budget year and the two subsequent indicative years. The ceilings are sent individually to each government department and unit in a brief letter that generally accompanies the Budget Circular.

Fiscal: Relating to an organization’s finances. “Fiscal” in this manual generally refers to the finances of the Government of Jordan.

Fiscal space: Room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy. The idea is that fiscal space must exist or be created if extra resources are to be made available for worthwhile government spending. A government can

create fiscal space by raising taxes, securing outside grants, cutting lower priority expenditure, borrowing resources (from citizens or foreign lenders), or borrowing from the banking system (and thereby expanding the money supply). But it must do this without compromising macroeconomic stability and fiscal sustainability—making sure that it has the capacity in the short term and the longer term to finance its desired expenditure programs as well as to service its debt (Heller, 2005). In the context of Jordan’s budget process, fiscal space typically refers to the available resources for new capital projects, while considering current expenditures and existing capital expenditures (i.e., continuous and underway or committed).

Fiscal year: The year that starts from the first of January and ends on December 31 of the same year. It is the regular annual budget and accounting period for which provision of revenue and expenditure is made, and for which accounts are presented, excluding any complementary period during which the books may be kept open after the beginning of the following fiscal year. (OECD, 2001)

Funding allocation: The amount of money provided to each government department and unit through the Annual Budget Law.

GBD Draft Annual Budget Law Proposal: GBD’s revision of the government departments and units’ proposed budget, including performance information and narrative statements, at the full scope and level of detail that will be presented in the Annual Budget Law. According to the Budget Calendar, the GBD Draft Annual Budget Law Proposal is submitted in October.

GBD Funding Proposal: An informal table showing proposed budget ceilings for each government department and unit (i.e., each chapter in the Annual Budget Law), for the budget year and the two subsequent indicative years. For each year, funding is broken down into: current expenditures, capital expenditures, and total expenditures. It is developed based on GBD’s review of the Government Department and Unit Budget Requests and is used to prepare the Final Budget Ceilings. According to the Budget Calendar, the GBD Funding Proposal is submitted in August.

GBD management: The Director General, the Assistant Director General, and the Director of Studies and Information.

General Budget Law: The Government of Jordan’s plan for the next fiscal year to achieve the national goals within the medium term financial framework. The General Budget Law provides the budget for government departments. It is made up of a principal volume and a detailed volume. The General Budget Law and the Government Units Budget Law together comprise the Annual Budget Law. See also “Annual Budget Law” and “Government Units Budget Law”.

Government department: Any ministry, department, authority or public body whose budget is included in the General Budget Law.

This manual describes the complementary roles of all the involved actors in the budget cycle, including budgetary and planning government departments (e.g., GBD, MOF), as well as other government departments and units. For the purpose of this manual, it is useful to understand the complementary but differentiated roles they play:

- Government departments and units make budget requests to fund their work and use appropriations to implement programs.

- GBD and budgetary and planning government departments review, analyze, and make recommendations and decisions on the budget, e.g., funding allocations.

Note that GBD and other budgetary and planning government departments are also “government departments”, and must request funding for their operations, but for simplicity, this manual focuses on their role to review, analyze, and make recommendations and decisions on the budget. See also “government unit” and Chapter V Organizational Responsibilities.

Government Department and Unit Budget Requests: The Government Department and Unit Budget Requests are the first proposals in the budget process with funding information at the level of detail that will be presented in the Annual Budget Law, down to the level of the Detailed Volume of the General Budget Law. According to the Budget Calendar, they are submitted in July.

Government Department and Unit Annual Budget Law Proposals: The first presentation of the government departments and units’ proposed funding, performance, and other information at the full scope and level of detail that will be in the Annual Budget Law. The funding must match the levels specified in the Final Budget Ceilings. According to the Budget Calendar, they are submitted in September.

Government unit: Any public body, institution, authority, or financial or administrative independent establishment whose budget is included in the Government Units Budgets Law. While ultimately accountable to the Executive and Legislative Branches, government units have greater autonomy in their operations than government departments. For example, a government unit may have fixed term appointments of its executives and the right to raise and use revenue to cover the cost of operations, unlike government departments. The term “independent public institution” was formerly used to apply to government units. See also “government department” and Chapter V Organizational Responsibilities.

Government Units Budget Law: The Government Units Budget Law provides the budget for government units. The Government Units Budget Law and the General Budget Law together comprise the Annual Budget Law. See also “Annual Budget Law” and “General Budget Law”.

Key performance indicator: See “performance indicator”.

Indicative years: The indicative years are the two years after the budget year (see definition for “budget year”), in the Annual Budget Law. The Annual Budget Law shows funding levels in the indicative years for planning purposes, but does not appropriate funds for them. The eventual appropriated funds for the indicative years, when they become the budget year, may be different from the indicative levels.

Independent public institution: See “government unit”.

Manpower Tables: The tables that contain the number, title, categories, and levels of the jobs and/or salaries for the government departments and units in accordance with the provisions of the Civil Service Bylaw and other relevant legislation. They are published as a single volume with each government department and unit in a separate chapter.

Medium Term Expenditure Framework (MTEF): The detailed public expenditure plan expected for the government departments and units within the medium term.

Medium Term Fiscal Framework (MTFF): The government fiscal plan and policy in the medium term based on the expectations of the national economy and based on certain foundations, assumptions and projections for key economic indicators. The MTFF projections are generally presented at the government level, but may also present information at the sectoral level.

Re-estimates: Re-estimates are updates to macroeconomic and government financial projections for the current fiscal year, carried out at various times during the fiscal year based on the most recent actual partial year figures.

Ministry: See “government department”.

Objective: A desired results to be achieved by government at the level of the Kingdom, departments or units, programs, subprograms, activities, or projects (OECD, 2001). See also “performance indicator” and “target level”.

Performance budget format: A way of presenting budgetary information in which the line items are quantified outputs and the funding for each line item is the cost of producing the specified amount of output.

Performance budgeting: See “results-oriented budgeting”.

Performance indicator: A quantitative measure of what the government is achieving in terms of its progress towards reaching an objective. The term “key performance indicator” (KPI) is often used interchangeably with “performance indicator”, but KPI can be used to refer to the performance indicators that are most important to an organization or representative of its work, e.g., the KPIs may be the subset of performance indicators presented in a budget or other strategic document. See also “objective” and “target level”.

Planning ceiling: Target funding level to guide initial budget requests. Planning ceilings are typically presented at the government department or unit level. Planning ceilings generally represent a starting point for budget analysis and discussion that is adjusted over the course of the budget process. See also “Final Budget Ceiling”.

Policy: The actions or strategy that a government takes to achieve its objectives. A policy can be summarized into a sentence, but it should be backed up by longer analyses and descriptions to more fully describe the strategy. The policy may be quantitative or qualitative. In practice, people often use the term “policy” to refer to the objective, and omit the action or strategy. If needed, one can clarify between “policy actions” and “policy objectives”. In some cases, there may be ambiguity between what is an action and what is an objective, but in other cases it is clear that the action has been omitted, which is often a sign that the actions have not been selected yet, or that the actions are not attractive and thus aren’t publicized.

Program: A grouping of activities and projects one level below government departments and units. A program is designed to achieve a specific objective or closely related objectives. A program should have an identifiable target population; a defined budget, staffing and other necessary resources; and clearly defined objectives and outputs (OECD, 2001). The program is the primary unit of analysis for ROB in this manual, but the analytic techniques described here should also be applied to subprograms, activities, and projects.

Program budget format: A program budget format is a way of allocating or presenting the allocation of budgetary resources. This format emphasizes the categories of work or

services. The line items in this format identify types of work that government does or the types of services it provides. (OTA, 1997)

Project: A subdivision of a program’s capital expenditures, forming a set of integrated tasks or units of work, with a fixed time schedule, a dedicated budget, and clearly defined objectives and outputs (OECD, 2001).

Proviso language: Language in the Annual Budget Law used to clarify budget management issues and to handle special situations. Jordan has proviso language included in the Annual Budget Law in the form of legally binding “articles” in the budget law, which only applies to that year’s budget.

Results-oriented budgeting: Results-oriented budgeting (ROB) is a process for government departments and units (as preparers) and budgetary and planning government departments (as reviewers) to allocate resources based on the problems and needs the programs, subprograms, activities, and projects address and the results they are expected to achieve. The allocation is informed by trends in performance, needs, problems, and opportunities. In addition, analysis from ROB can be used to guide and improve program implementation. The eventual ROB document may contain information presented in a combination of program and/or performance budget formats. In general, the terms “results-oriented budgeting” and “performance budgeting” refer to the same concept.

Subprogram: A smaller collection of related activities and projects designed to achieve a specific objective, within a program. A program can be divided for analysis into smaller groupings, called “subprograms”.

Target level: The quantitative degree or amount of performance that the government anticipates it will achieve towards an objective, by when, as measured by the performance indicator, given the planned structure and funding level for the program. The target level and the indicator together form the target. See also “performance indicator” and “objective”.

2. Purpose of the Manual

a. How to Use the Manual

The Annual Budget Law of the Hashemite Kingdom of Jordan is the “government’s plan for the next fiscal year to achieve the national goals within the medium term financial framework” (GOJ, Organic Budget Law, No. 58 for the year 2008). The budget must justify the Government’s use of public funds that could otherwise be used directly by the private sector through reduced taxes. The budget is a legal document that must be prepared in accordance with the legal foundation for budgeting in Jordan, which is found primarily in the Organic Budget Law, but also in other legal documents, including the Constitution, the Public Debt Management Law, the Civil Service Bylaw, and the Social Security Law.

This manual accurately represents the budget process at the time the manual was written or updated and describes the procedures required to comply with the statutory requirements of the budget process. However, changes in procedural or statutory requirements may be made by the General Budget Department (GBD), Ministry of Finance (MOF), the Council of Ministers, or other authorized government bodies, and those changes take precedence over the procedures described in this manual. Every effort will be made to update the budget manual so that it quickly incorporates changes to the budget process. As a draft budget

manual, it is approved for testing and revision, so that its procedures can be approved for implementation of statutory requirements of the budget process.

This budget manual provides clear, targeted guidance to help government departments and units, GBD, and others make Jordan's budget process more transparent, useful, and effective. It puts special emphasis on explaining the analytic techniques that are necessary for successful ROB implementation.

The manual is intended to be used by budget analysts at government departments and units and GBD, by experienced and new employees, by managers and their staff. It provides information to improve budgeting skills through guidance on how and why to perform budget analysis. It also describes each step of the budget process, listing the basic requirements and referencing the techniques that are appropriate for each step. The goal is to help people working on the budget process not only to fulfill the technical requirements, but also to add value to the process at each step, so that the budget is a more useful tool in guiding Jordan's Government. Appendix 6 Training Program suggests which sections of the manual could be used as part of a series of budget courses.

Who Is a Budget Analyst?

This manual gives guidance to budget analysts on how to prepare Jordan's annual budget. A budget analyst (or simply "analyst") is anyone at a government department and unit, including GBD, MOF, and other budgetary and planning government departments, who works on the budget process, because anyone who participates in the budget process needs to be skilled in understanding and developing budget information and policy. When this manual talks about "budget analysts", or simply "analysts", it refers to all people who prepare, review, revise, implement, and communicate the budget. Budget analysts include:

- Government department and unit managers and staff in finance, policy, personnel, and planning offices
- Government department and unit managers who develop budgets for their programs, subprograms, activities, projects, directorates, divisions, sections, or other organizational units
- Managers and professional staff at GBD
- Managers and staff at MOF and other budgetary and planning government departments who participate in the budget process
- In addition, governorate managers and staff who work with government departments and units to develop requests for capital projects in their governorates

Depending on your specific job or role in the budget process, certain parts of the manual will be more useful to you.

Chapters II-VI of the manual explain the techniques of budgeting:

- Chapter II How the Budget Process Shapes Policy explains what the budget process needs to achieve to help develop government policies that benefit Jordan, in essence the goals of ROB.
- Chapters III Jordan's Legal Framework, IV Budget Classification, and V Organizational Responsibilities explain the rules of the budget process: what the law requires, how the budget classification system provides an unambiguous representation of funding allocations, and what the responsibilities are of different parts of the government in development and implementation of the budget.

- Chapter VI Analytic Methods is particularly important and challenging, as it explains some essential analytic tools required to make informed decisions about what government should be doing and how to make analysis most effective. Analysis raises budgeting from a formulaic or arbitrary process to an informed policy process that helps achieve government's strategic objectives.

The second part of the manual explains the mechanics of the budget process and suggests how the techniques from the first part can be applied to each step.

Chapter VII Budget Process – Introduction introduces the approach used to provide guidance on the budget process in the following chapters.

Chapters VIII Budget Process – Planning, IX Budget Process – Preparation, X Budget Process – Ratification, XI Budget Process – Execution, and XII Budget Process – Auditing and Evaluation explain what happens during the five stages of the budget process: planning the fiscal and policy framework, preparing the Draft Annual Budget Law based on that framework, ratification of the Annual Budget Law, implementing the programs in the budget (execution), and auditing and monitoring budget execution to ensure compliance with the budget law and evaluate the effectiveness and efficiency of government expenditure.

The third part of the manual gives additional guidance on two specialized topics:

Chapter XIII Capital Budgeting focuses on how to assess the costs and benefits of capital projects in order to prioritize funding.

Chapter XIV Personnel Budgeting (Formations) provides detailed rules for calculating personnel numbers, levels, and costs.

The budget manual will be developed over time, with some chapters to be completed later, and the entire manual subject to periodic updates (approximately every three years). The initial focus in 2011 has been on the chapters relating to budget planning and preparation.

b. General Goal of Budgeting

The General Budget Department (GBD) in the Ministry of Finance (MOF) is responsible for preparing a budget that uses limited resources to maximize achievement of national objectives. In the Planning Stage, MOF and GBD prepare the budget framework, with approval from the Council of Ministers. In the Preparation Stage, GBD develops the draft budget based on requests and proposals by government departments and units. The draft budget is reviewed by various consultative bodies and approved by MOF and the Council of Ministers. In the Ratification Stage, Parliament approves the Annual Budget Law, and the King ratifies it. In the Execution Stage, government departments and units implement the budget, with oversight by GBD and MOF. In the Auditing and Evaluation stage, the Audit Bureau, GBD, and government departments and units review the execution of the budget for conformity with legal requirements and progress towards policy objectives.

Results-oriented budgeting (ROB) is a process for determining the best use of funds, by connecting the cost of each program or subprogram with the results it achieves. GBD, in partnership with all government departments and units, is in the process of strengthening the use of ROB techniques. This manual describes the analytic techniques for ROB and how to implement them within the framework of the Jordan budget system.

The end goal of the budget process is not simply to make a budget, but rather to make good policy through the tool of the budget. Therefore, it is important to think of the budget

process in terms of its role in developing and implementing policy. At the same time, a properly implemented budget process also ensures that public funds are spent in the manner legally required, consistent with the objectives of the Government of Jordan, for the benefit of all Jordanians.

ROB Will Help Government Departments and Units Achieve the Goals of the National Agenda:

According to the National Agenda, the King has “stressed the importance of establishing the principles and standards by which we measure success or failure, highlighting the need for a competent government apparatus that believes in team work targeted towards achieving goals and expected results, and that is based on the principles of competence, worthiness, and accountability.” ROB can also help achieve the fiscal reform objectives of the National Agenda, especially with respect to government efficiency. (GOJ, National Agenda 2006-2015)

ROB Will Help GBD Accomplish Its Mission:

The GBD mission is, “the best allocation of available financial resources, in accordance with advanced methodologies that enable the ministries, departments, and government units to realize national objectives and priorities exceeding the expectations of service recipients.” (GBD website, 2011)

3. Methodology

The Budget Manual was developed through the following processes:

- Review of the previous Budget Cycle Manual and Budget Analyst Manual from 2003.
- Review of the Organic Budget Law No. 58 for the year 2008.
- Evaluation of international examples of budget manuals.
- Evaluation of international literature on recommended practices for budget processes and ROB analysis.
- Evaluation of existing GBD ROB analysis through practical experience working with GBD staff on budget processes, combined with interviews of international budget experts with experience in Jordan.
- Interviews of GBD management and staff on budget processes and ROB analysis, combined with review of existing budget process documents.

4. Acknowledgements

This budget manual for the Government of Jordan was drafted initially through the USAID Fiscal Reform II Project, with essential guidance, collaboration, review, and revision by GBD management and senior staff and by the GIZ Senior Budget Advisor to GBD.

Development of the budget manual has also relied on work by the international budget community in previous budget manuals and budget process guidance documents, which are cited throughout this manual. The most important source document is the United Kingdom’s “The Green Book - Appraisal and Evaluation in Central Government” and the Republic of Moldova’s “Budget Handbook” prepared in collaboration with the United States Treasury’s Office of Technical Assistance. This manual also relies on additional budget guidance from several international organizations, including the European Union, the International Monetary Fund, the Organization for Economic Co-operation and Development, the United Nations, the United States Agency for International Development,

United States Treasury's Office of Technical Assistance, and the World Bank. See Appendix 7 References.

II. How the Budget Process Shapes Policy

Jordan's Annual Budget Law represents an annual plan for what actions the Government of Jordan will take to achieve its policy objectives. The budget is a policy document, as well as providing a framework for management and accountability. It provides specific details on who will do what to achieve the national development goals for the Government. Budget analysts need to understand how the budget process shapes policy so that they can use it to develop and implement useful policy to guide Government actions.

What Is “Policy”?

The term “policy” has a variety of different related meanings. It generally means:

- *The actions or strategy that a government takes to achieve its objectives.* A policy can be summarized into a sentence, but it should be backed up by longer analyses and descriptions to more fully describe the strategy. The policy may be quantitative or qualitative.

Here are some summary examples of government policies:

- To privatize wireless communications.
- To increase the use of risk assessments in guiding customs inspections.
- To reduce taxes on energy efficiency devices by 50%.

However, in practice, people often use the term “policy” to refer to the objective, and omit the action or strategy. If needed, one can clarify between “policy actions” and “policy objectives”. In some cases, there may be ambiguity between what is an action and what is an objective, but in other cases it is clear that the action has been omitted, which is often a sign that the actions have not been selected yet, or that the actions are not attractive and thus aren't publicized.

Here are some examples of policy objectives that do not include the action or strategy:

- To reduce the deficit to 3% of GDP.
- To increase assistance to the poor.

A quality budget is not merely an incremental adjustment to last year's spending, but rather a decision about how to spend government funds in the most effective manner, within overall fiscal constraints.

Checklist: Fundamentals of Developing a Budget

To develop the plan of action described in the budget, analysts should:

- Be knowledgeable about the objectives and policy recommendations in all governmental planning documents
- Recommend and prioritize funding for the work and results that can best achieve policy objectives (link funding to objectives)

- Ensure that each program’s work (tasks, processes, actions) is consistent with its responsibilities and that the activities represent a coordinated – not conflicting or duplicative – effort between government departments and units and between different organizational units of each government department and unit.

By creating links between policy objectives, funding, and results, an analyst can identify those activities that create the best value, considering the cost for achieving different results. Traditional budgets – using “economic classification”, “line-item”, or “expense” formats – link funding to the inputs that the government will buy (i.e., how much money will be spent on salaries, vehicles, utilities, buildings, etc.), but do not explain how each of the items will achieve different results. Modern budgets – using “program” or “performance” formats – link the expenditures to what they will achieve (how much money will be spent on each of the outputs that benefit the citizens). The difference between economic classification formats and performance formats is like the difference between a shopping list for groceries and a description of the meal that can be made with those ingredients. The ingredients are important, but if we trust that the cook can buy the ingredients, what we really care about is the meal he or she produces.

The first part of this chapter describes different budget formats (ways of presenting budget information), including Jordan’s format. It also explains how the different formats change the direction of the policy discussion during budget preparation, by focusing on different types of issues. The second part explains how results-oriented budgeting (ROB) uses performance information, and why performance information is a more useful tool for developing policy than economic classification information, or at least a necessary addition. The third part of this chapter describes the different stages of the budget process. It explains what needs to be accomplished at each stage in order to develop a successful plan for achieving the Government of Jordan’s policy objectives. The link between policy objectives, program budget, and performance indicators is explained in detail in Chapter II.2 Results-Oriented Budgeting (ROB) and Chapter VI Analytic Methods.

I. Budget Formats

There is no single budget format that provides complete decision-making information to the people who determine funding allocations and use the budget as a plan for action. There are several different systems, and a budget may be presented using any one or a combination of several of these. Each system presents its own perspective and emphasis, which affects not only the discussion accompanying budgetary decisions but also the result. (OTA, 1997; USAID Jordan Fiscal Reform II Project, June 2010)

Modern Budgeting:

Modern budgetary thinking is clearly moving towards performance, with a focus on outputs and a more consistent and sustainable linkage to government policy. For this to become a reality, the operational structure of the budget must evolve towards one that is focused on outputs (as opposed to inputs) and does not simply follow incremental rules. The structure must be able to accommodate the setting of objectives, to the assignment of specific responsibilities for achieving results, and to systematic review and analysis, to ensure that budgetary allocations reach their intended targets. Once established, such a structure must also be amenable to the assignment of managerial responsibility and accountability. (UNCDF, 2006)

This section describes three categories of budget formats – economic classification budgets, program budgets, and performance budgets – beginning with the format of Jordan’s budget – a mixed format. This section explains how each budget system works and what it can and cannot do. An understanding of the different systems will help you use performance budget information to implement ROB.

It is important to remember that a given budget can be presented in any or all of the budget formats. Each budget format is a way of presenting the expenditure information, but the underlying budget itself stays the same, regardless of how it is presented. What does change depending on the budget format is the information we receive and the aspects of the budget that are highlighted. Sometimes, collecting the budget execution data needed for a certain budget format can be difficult. For example, there may be a tradeoff between the challenge of collecting information for a performance budget and the value of that information in making better decisions and improving results. Jordan’s Government Financial Management Information System (GFMS) system can collect all the information needed to present the budget in any of the formats.

Note that any of these budget formats can be used for multi-year budgeting, by providing additional columns for each year’s budget or indicative budget.

Comprehensive Budget Presentation

In any of the budget formats, the information should cover all expenditures by all government departments and units, including expenditures that are funded by sources outside of the central treasury. In some cases, government units may be given the right to fund their activities through revenues they raise themselves. In other cases, government departments and units may receive grants from foreign sources, or fund activities through domestic or foreign loans. The budget should include all of these major expenditures, to provide assurance that scarce resources are allocated to the priority programs, subprograms, activities, and projects and that legal control and public accountability are properly enforced. Including all these expenditures makes the total amount of expenditures available to government departments and units certain and transparent. In turn, this makes macroeconomic planning easier and reduces the risk of corruption and waste. Budget comprehensiveness does not mean that all expenditures should be managed according to the same set of procedures. In order to promote efficiency, specific arrangements for administering some programs may be established, provided that they do not lead to a fragmented approach to budgetary planning and expenditure policy formulation, and loss of expenditure control. (OECD, 2001)

The standards of budget presentation, and thus scrutiny and accountability, that are applied to expenditures financed from funds, government units, or special accounts should not be lower than those applied to other expenditures. (OECD, 2001)

Therefore, the following minimum rules should be applied to every expenditure program, whatever its mode of management and source of financing:

- Estimates of all revenues and expenditures should be shown in the budget.
- Estimates of expenditures should be shown in gross terms in the budget, whatever the form of legislative authorization for these expenditures, and not simply the expenditures net of revenues. That is to say, expenditures and revenues may be combined in net totals only after the separate individual expenditure line items and the expenditure totals are presented.

- All expenditures and revenues should be classified on the basis of the same classification system.
- Accounts of government units and special accounts must be subject to external audit on a regular basis.
- The government’s financial reports should include the operations of government departments and units, and consolidate their financial data when presenting government-wide totals. (OECD, 2001)

Budgetary Documents, According to the OECD:

“Budgetary information presented to the parliament should include all the elements needed to assess government fiscal policy and its future impact.... The budgetary documents should contain most or all of the following information:

- Medium-term macroeconomic and fiscal projections.
- A statement of budget policies and fiscal policy objectives.
- Ministry or agency narrative statements explaining the sectoral activities to be funded, their objectives and expected results.
- Revenue and expenditure estimates, measured in gross terms even when appropriations are calculated on a net basis. These estimates should cover all central government revenues and expenditures, including special funds and accounts, if any.
- Authorizations for forward commitments, if any.
- Financing from external sources, including grants and loans.
- A statement of contingent liabilities resulting from state government of third party debts, and an estimate of payments likely to be required under those guarantees during the budget year.
- A statement of major identifiable fiscal risks.
- A statement of tax expenditures.” (OECD, 2001)

a. Jordan’s Budget Format

Mixed Budget Formats

Budget presentations may use a combination of budget formats.

- Many countries, including Jordan, use a combination of program and economic classification budget formats.
- In either an economic classification format or a program format, additional information may list performance information. Historical tables may show budgeted and executed amounts from previous years.

Jordan uses a combination of program and economic classification budget formats, with some information from performance formats (see descriptions below). The allocation of funding by program can connect funding with the target results, if the program’s goals and performance target levels are properly described. Jordan’s budget is not formally a performance format, since the cost of achieving each performance indicator is not displayed. Jordan also uses economic classification budgeting that provides information on what is bought. Economic classification budget information is provided both at the government department or unit level and at the program level.

Program budget. Jordan presents one level of program budget information for current expenditures to break down government department and unit funding and two levels for capital expenditures. The budget provides funding detail at the project level for capital expenditures. Jordan's Chart of Accounts includes a segment for programs, subprograms, activities, and projects.

Matching organizational responsibility to program budgets helps to promote management accountability for achieving program objectives.

Example of Jordan's program budget presentation:

Ministry of Agriculture

- Program 1: Administration and support services
 - Current Expenditures
 - Capital Expenditures
 - Project 1: Administration project
 - Project 2: Establishing agricultural risk fund
 - Project 3: Reinforcing the institutional abilities for the Ministry of Agriculture
 - Etc.
- Program 2: Animal resources, veterinary and laboratories
 - Current Expenditures
 - Capital Expenditures
 - Project 1: Animal resources, veterinary and laboratories project
 - Project 2: Epidemical survey for human and animals
 - Project 3: Procedures to face bird flu
 - Etc.
- Program 3: Forests and pastures and nurseries development
 - Current Expenditures
 - Capital Expenditures
 - Project 1: Forest and pastures and nurseries project
 - Project 2: Introducing water harvest methods / grants
 - Project 3: Pastures development project in Jordanian Badia
 - Etc.
- Etc.

Economic classification budget. Jordan presents three levels of economic classification budget information detail to break down government department and unit program funding.

Example of Jordan's economic classification budget presentation:

Ministry of Water and Irrigation

Program: Administration and support services

- Expense Group 1: Compensation of employees
 - Expense Subgroup 1: Salaries, wages, and allowances
 - Expense Item 1: Classified employees' salaries
 - Expense Item 2: Permanent unclassified employees' salaries
 - Expense Item 3: Contract employees' salaries
 - Etc.
 - Expense Subgroup 2: Social security contributions
 - Expense Item 1: Social security
- Expense Group 2: Use of goods and services

- Expense Subgroup 1: Use of goods and services
 - Expense Item 1: Rents
 - Expense Item 2: Telecommunications services
 - Expense Item 3: Water
 - Etc.
- Expense Group 3: Other expenditures
 - Expense Subgroup 1: Other current expenses
 - Expense Item 1: Scientific scholarships and training courses
 - Expense Item 2: Non-employees bonuses

Performance budget. Jordan provides performance information within the program budget structure. Funding levels can be connected to the performance indicators through information provided outside of the formal budget submission. The budget shows performance information at the government department and unit level (strategic objectives), and at the program level (program objectives).

To enhance ROB, Jordan budget analysts can supplement the formal budget submission with information on the funding level associated with each performance indicator, funding information at the subprogram level, or funding information at a detailed level in the organizational structure. This additional performance information tied to budget allocations can enhance the budget process' contribution to the development and implementation of Government policy.

Hypothetical Example Budget

The following discussion explains the different individual formats that Jordan's mixed format uses. It gives examples of how to present budget information in different format, using the same underlying budget. It uses as an example, a hypothetical Ministry of Land Management that is responsible for permitting and monitoring land use activities that have environmental impacts, and for collecting and treating hazardous waste from those activities. In each of the following sections describing a budget format, there is a table that shows how the various budget formats present different parts of the overall budget information.

Ministry of Land Management: 400,000 JD

Programs/Organizational Structure

- Permits Directorate:
 - Monitoring Division: 60,000 JD
 - Enforcement Division: 80,000 JD
 - Outreach Division: 10,000 JD
- Environmental Directorate:
 - Collection Division: 60,000 JD
 - Treatment Division: 130,000 JD
- Administration Directorate:
 - Administration Division: 60,000

TOTAL: 400,000 JD

Inputs

- Permits Directorate:
 - Salaries: 80,000 JD
 - Goods and Services: 15,000 JD
 - Buildings: 45,000 JD

- Equipment: 10,000 JD
- Environmental Directorate:
 - Salaries: 45,000 JD
 - Goods and Services: 25,000 JD
 - Buildings: 85,000 JD
 - Equipment: 35,000 JD
- Administration Directorate
 - Salaries: 35,000 JD
 - Goods and Services: 10,000 JD
 - Buildings: 10,000 JD
 - Equipment: 5,000 JD

Total: 400,000 JD

Outputs

- Permits Directorate:
 - Applications Processed: 20,000 JD
 - Reports Reviewed: 40,000 JD
 - Site Visits: 60,000 JD
 - Hearings: 20,000 JD
 - People Trained: 10,000 JD
- Environmental Directorate:
 - Kilograms of Waste Collected: 60,000 JD
 - Kilograms of Waste Processed: 80,000 JD
 - Kilograms of Waste Stored: 50,000 JD
- Administration Directorate
 - Administration: 60,000 JD

Total: 400,000 JD

b. Economic Classification Budget Format

An economic classification budget format emphasizes inputs, usually within a broader organizational framework of ministry, directorate, or other organizational unit. The line items in this format identify the specific types of goods or services acquired or transfer payments made within a particular program or subprogram. This concept of organization by type of expense may also be called a “general ledger accounts”, “object”, “expense”, or “line-item” classification. The discussion of economic classification budget formats is based on information in the Republic of Moldova’s “Budget Handbook” (OTA, 1997).

Obtaining budget request data in an economic classification format from budget institutions is simplified because this classification is found across all government departments and units. The focus of an economic classification format is on the purchase of goods and services. Proposed expenditures for salaries, social security contributions, supplies, equipment, etc. are shown. Itemization may be detailed (for example, showing postage, courier, and telephone costs separately) or summary (for example, showing communication costs as a single line-item).

Performance measures, activities, and results may also be part of an economic classification budget format. An economic classification format may show objectives that are achieved during the budget year and some that are multi-year endeavors. Nevertheless, an economic classification format does not typically show the costs associated with each individual performance target.

Table I presents a hypothetical example of an economic classification format budget (not based on a real ministry) in which the budget is divided by organizational unit (in this case, directorates) and then divided into the types of expenses (economic classifications). The expenses are: salaries, goods and services, buildings, and equipment.

Table I: Example Economic Classification Budget Format

Ministry of Land Management

Permits Directorate

Type of Expense	Expenditure (JD)
Salaries	80,000
Goods and Services	15,000
Buildings	45,000
Equipment	10,000
Subtotal	150,000

Environmental Directorate

Type of Expense	Expenditure (JD)
Salaries	45,000
Goods and Services	25,000
Buildings	85,000
Equipment	35,000
Subtotal	190,000

Administration Directorate

Type of Expense	Expenditure (JD)
Salaries	35,000
Goods and Services	10,000
Buildings	10,000
Equipment	5,000
Subtotal	60,000

TOTAL: 400,000 JD

Advantages of an Economic Classification Format:

- Widely used in budget presentations, probably due to tradition, simplicity of preparation, and ease of understanding.
- It allows for tight control of expenditures, making sure money is spent as planned by each organizational unit and bills are paid.
- Year-to-year comparison is easily obtained from accounting records that are maintained in the same format.
- It does not require the introduction of new concepts.

Disadvantages of an Economic Classification Format:

- Fails to show a relationship between the funds budgeted and the objectives and results to be achieved by an organization.
- Only if the budget is broken down into very detailed organizational units before presenting the line items, does an economic classification format begin to correlate with specific budget funded activities carried out by the organization.

- Even if expenditures are made in accordance with the budget, the format does not normally identify beneficial public results.
- Rigid control of expenditures by detailed categories of economic classification may limit management flexibility to allocate resources based on unanticipated events and evolving needs.

c. Program Budget Format

This section discusses first what is a program and then what is a program budget format.

What are a program, a subprogram, an activity, and a project?

- A program is grouping of activities and projects one level below government departments and units. A program is designed to achieve a specific objective or closely related objectives. A program should have an identifiable target population; a defined budget, staffing and other necessary resources; and clearly defined objectives and outputs (OECD, 2001). The program is the primary unit of analysis for ROB in this manual, but the analytic techniques described here should also be applied to subprograms, activities, and projects.
- A subprogram is a smaller collection of related activities and projects designed to achieve a specific objective, within a program. A program can be divided for analysis into smaller groupings, called “subprograms”.
- An activity is a subdivision of a program’s current expenditures. In most cases there is currently only one activity per program, but there can be more.
- A project is a subdivision of a program’s capital expenditures, forming a set of integrated tasks or units of work, with a fixed time schedule, a dedicated budget, and clearly defined objectives and outputs (OECD, 2001).
- Government departments and units should try to make the program structure match the organizational chart, so that there is a single manager responsible for each grouping of activities and projects, working to achieve a specific objective, through the use of a specific funding allocation in the Annual Budget Law.
- Descriptions of programs, subprograms, activities, and projects in the budget should enable one to infer what actions take place, i.e., what the employees actually do, on a day-to-day basis.

For example, in the 2010 Budget, the Ministry of Environment had a Managing Wastes and Chemical Items Program. This program’s services include building a hazardous waste treatment center, collecting hazardous waste, and maintaining a database to track hazardous waste. Currently, the program has one activity for all current expenditures, while it divides the capital expenditures into nine different projects. It could divide the program into subprograms for treating hazardous waste, collecting hazardous waste, and maintaining a hazardous waste database (each with capital and current expenditures). The program is eventually divided into current activities and capital projects. The challenge to implementing this detailed program budget structure with subprograms, activities, and projects is that it requires detailed cost allocation.

The determination of which activities and projects make up a program is a judgment call that is made by the government departments and units in collaboration with GBD. GFMS gives the capability to divide each program into subprograms. The final level of programmatic categorization is the activity and project. In the program budget format, a

classification of programs (with subprograms and/or activities and projects) is developed so that the reporting of budget execution can be in program terms. The remainder of the discussion of program budget formats is based on the Republic of Moldova's "Budget Handbook" (OTA, 1997).

Checklist: How to Form Programs Based on Activities and Projects

The following guidelines will help decide how to form programs and subprograms from the activities and projects in a government department or unit:

- A program budget needs to align management accountability with programs. Program structure should be aligned with the organization chart so that there is a single person in management with direct responsibility for the success of the program. Managers should not share an appropriation or program funding. To do so masks accountability and management responsibility.
- A program should encompass a significant portion of the budget. There is not a specified minimum size, but programs and subprograms that are significantly larger or smaller than the average should be reviewed to determine whether they should be divided or combined.
- If subprograms are used, each program should have a manageable number of subprograms. If there are more than 6 subprograms in a program, you should consider merging subprograms.
- A program may be funded from several budget funds (e.g., general revenue, special, extra-budgetary).
- There should be a clear programmatic division between support services (for internal purposes) and direct services (for external purposes). All support services – and no direct costs – should be within the Administration and Support Services program. Direct costs should be allocated to the direct service programs to which they contribute. For example, medical supplies used in primary and secondary health services should be included in the health services program, rather than in a program for procurement of medical supplies (IMF/WB, 2009).
- The program name should readily describe what the program does so that the public will have a sense of its purpose and/or what problems it addresses.

A program budget format emphasizes the categories of work (tasks, processes, actions) or services. The line items in this format identify types of work that government does or the types of services it provides.

A program budget format includes several components:

- the objectives to be achieved, related to the government department or unit's strategic objectives and to any specific or general national policy document
- the identification of the work to be undertaken during the year (how the objectives will be achieved)
- the most important accomplishments to date
- the resources required for this work

Performance measures, work, and results may also be presented as part of a program budget format. A program format may have objectives that are achieved during the budget year and some that are multi-year endeavors. A program format may not show the cost associated with each individual performance target.

The operating budgets for each subprogram – as well as the budgets for organizational units if they do not match one-to-one with the programmatic divisions – are developed by managers and may be used for control purposes during the year.

Advantages of a Program Format:

- Can provide greater transparency to government and to the public when program names describe work or outputs in commonly understood terms and concepts, if the official organizational chart structure is not easily understood and an economic classification structure doesn't explain what is being done.
- By expressing budgets in the common language of programs, the needs and priorities of each program are better understood than budgets organized by official organizational chart structure or economic classification expenses. Discussions and budget decisions can be more meaningful when the budget is presented in more understandable terms.

Disadvantages of a Program Format:

- Requires more staff to work with government departments and units and to prepare analyses. At least initially, the Parliament may take a longer time in discussion, may be more critical, and may make more amendments - just because the budget has been made more transparent.

Table 2 presents a hypothetical example of a program budget in which the budget is divided by program unit, matching the organizational structure. The program units are: monitoring, enforcement, outreach, collection, treatment, and administration.

Table 2: Example Program Budget Format

Ministry of Land Management

Program Name / Division	Expenditure (JD)
Monitoring	60,000
Enforcement	80,000
Outreach	10,000
Collection	60,000
Treatment	130,000
Administration	60,000
Total	400,000

d. Performance Budget Format

What Is a Performance Budget Format?

A performance budget format is a way of presenting budget data organized by the results, outputs, or outcomes that the funding achieves (instead of the inputs or items that the funding purchases, or the programs that are supported).

Performance budgeting is about results. Performance budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding to the results. A performance budget format makes systematic use of performance information. There are numerous different types of performance budget formats, varying both in the details and in

the degree of sophistication. The discussion of performance budget formats is based on information in the Republic of Moldova's "Budget Handbook" (OTA, 1997).

Performance budgeting considers what is being accomplished (outputs and outcomes), and how it is done (efficiency with respect to cost or inputs). Key to this analysis is identifying what inputs are required to produce outputs. A performance budget format often presents unit costs (the average cost of producing one unit of output) and also non-fiscal but quantitative measures of performance, e.g., utilization rate of hospital beds, kilometers of road per paving machine. A performance budget format can present information at different levels of detail. It works best when each entry in the budget presentation shows one cost for one service, instead of a group of services. Otherwise, you can't make analyses based on the direct connection between budget and performance.

Checklist: Key Information in a Performance Budget Format

While the mechanics of a performance budget format differs from one approach to the next, all approaches strive to answer three basic questions in budgeting:

1. What will government do? List the work (tasks, processes, actions) for which funds are required.
2. What is the cost? Identify the costs of the work.
3. What will be achieved? Show the results to be produced: the services to be rendered (the outputs) and the benefits to the public for each category of work (the outcomes).

A performance format emphasizes the managerial function in that it bases budgets on how much progress has and will be made toward achieving specific results that each manager is responsible for. Initially, acceptable or achievable performance standards may be derived from the funding allocated. Once the baseline standard is established for the relationship between performance and cost, the relationship (e.g., unit cost of performance) can be used to estimate future funding needs to achieve a desired performance result. In the case of budget cuts, the standards can provide information on the effect of the cuts on the services to be performed.

If certain programs are not delivering their intended outcomes or are doing so at excessive cost, focusing the attention of budget decision makers on this information can foster healthy discussion about whether such programs need to be ceased, scaled down, or fundamentally revised.

A performance format is not based entirely on fiscal data in the accounting system. For example, a labor ministry may establish the following performance indicators:

- Number of clients served per year
- Number of clients permanently employed per year
- Cost per client served
- Cost per permanently employed client

Advantages of a Performance Budget Format:

- A performance format changes the focus of discussion from economic classifications to broader objectives and performance and, therefore, facilitates informed budgetary decision-making.
- Provides powerful incentives for government departments and units to spend more efficiently and effectively.

- Holds managers accountable for achieving specific results for funds received, if there is a single manager responsible for each result, rather than responsibility split between several managers.
- Allows comparison of costs for outputs or outcomes across organizations and programs, which facilitates performance assessment and promotion of the most efficient work.
- Shifts the emphasis away from input controls and gives managers greater flexibility in using their allocations to meet their commitments more effectively, and at lower cost.
- Gives managers more responsibility for allocating funds.

Disadvantages of a Performance Budget Format:

- It is no simple task to develop measures that give appropriate qualitative as well as quantitative information. The problem comes in the obtaining a consensus of how much effort should be made for performance measurement and what is an appropriate standard of measurement.
- Performance evaluation and use of the data remain subjective and in-depth operational experience is required in order to judge or infer the appropriate level of performance to justify government funding.
- The development of performance budgeting places heavy demands on personnel, requiring better-trained staff than is needed for an economic classification budget.

Table 3 presents a hypothetical example of a performance format in which the budget is divided by work process and its corresponding output. The output units are: issuing permits, reviewing reports, inspecting sites, prosecuting violations, educating businesses, collecting waste, processing waste, storing waste, and administration. Each organizational unit would typically have its own output that it was responsible for.

Table 3: Example Performance Budget Format

Ministry of Land Management

Work Process	Output	Unit Cost (JD/unit)	Number	Expenditure (JD)
Issuing Permits	Applications Processed	10	2,000	20,000
Reviewing Reports	Reports Reviewed	20	2,000	40,000
Inspecting Sites	Site Visits	60	1,000	60,000
Prosecuting Violations	Hearings	100	200	20,000
Educating Businesses	People Trained	25	400	10,000
Collecting Waste	Kilograms Collected	15	4,000	60,000
Processing Waste	Kilograms Processed	20	4,000	80,000
Storing Waste	Kilograms Stored	0.8	62,500	50,000
Administration	n/a	n/a	n/a	60,000
	Total			400,000

Coordinating Program and Performance Budgeting with Organizational Structure

To the extent possible, the program and performance budget should merge into a single budget presentation, aligned with the organizational structure of the government

department or unit. The components of the organizational structure should directly match the programs, subprograms, activities, and projects funded in the Annual Budget Law, which should directly match the performance structure of the outputs being created and the results being achieved. The manager of an organizational unit is thus responsible for using the resources identified for his or her program, subprogram, or activities and projects to produce a clearly specified output and achieve clearly specified results. It is easiest for budget analysts to achieve this synchronization in the budget presentation between organizational structure, program structure, and performance structure by reorganizing the budget presentation to match the organizational structure and identifying performance goals for each unit in the organizational structure.

2. Results-Oriented Budgeting (ROB)

a. Policy of ROB

What Is Results-Oriented Budgeting?

Results-oriented budgeting (ROB) is a process for government departments and units (as preparers) and budgetary and planning government departments (as reviewers) to allocate resources based on the problems and needs the programs address and the results they are expected to achieve. The allocation is informed by trends in performance, needs, problems, and opportunities. In addition, analysis from ROB can be used to guide and improve program implementation. The eventual ROB document may contain information presented in a combination of program and/or performance budget formats. In general, the terms “results-oriented budgeting” and “performance budgeting” refer to the same concept.

What is the connection between policy and budget? Because resources are finite, policy decisions about whether to spend more money on education than roads, on safety than health, on investments than salary are at the heart of budget making. A budget office can only participate in these policy decisions if the budget makes decisions about what results should be achieved by deciding how much funding they should receive. If the budget merely states what inputs are to be purchased, government departments and units develop the policy plan, while the budget office’s role is primarily to verify that spending was implemented according to the plan. (USAID Jordan Fiscal Reform II Project, June 2010)

How does ROB connect policy and budget? ROB brings policy decisions into the budget process, by stating what policy objectives are to be achieved, who is responsible for implementation, what work they will undertake, and – very importantly – how much money the government will spend on that work. If this plan is properly developed and presented in the budget, the budget will represent an agreement on how to prioritize government actions and results. Experience has shown that there is no one-size-fits-all approach to improving this budget-policy link, but the key to any good budget is good policy. This manual, and especially Chapter VI Analytic Methods, explains how to strengthen budget preparation by using analysis. (USAID Jordan Fiscal Reform II Project, June 2010)

Who does ROB? As a reminder, this budget manual is for all budget analysts, at government departments and units, GBD, and other budgetary and planning government departments. Budget analysts at government departments and units who are preparing their Budget Requests and Draft Annual Budget Law Proposals should use ROB analysis in developing

their proposals, just as budget analysts at GBD and other budgetary and planning government departments should use ROB in reviewing those proposals.

How can ROB improve the process of making policy? If implemented properly, ROB can bring a systematic approach to looking at policy issues, rather than considering problems one at a time. Unfortunately, in practice, policy decisions are often made by responding to the request of a well-connected person, or an individual problem reported in the media. This process can be called “anecdotal policy”, meaning the government tries to address problems individually. If each person must submit their request individually, the government won’t have time to hear all of them, and has no way of prioritizing the most important requests. ROB improves on these policy practices by establishing a consistent process for analyzing the value of all the funding requests with respect to the benefits, comparing the value of different work (tasks, processes, actions), and recommending funding levels based on the value of the different work components. This process can be called “systematic policy”. As described in more detail later in this section, the budget cannot be decided solely through ROB. Ultimately, budget decisions are made by senior officials who take into consideration numerous factors, including political issues. However, they will make better decisions if they have the ROB information and recommendations to help them understand the budget issues.

Checklist: Fundamental Questions in ROB Analysis

An ROB analysis compares (1) the importance of each problem and (2) the benefits of the different policies to solve each problem:

1. To judge the importance of a problem that a government department or unit requests funding to solve, a budget analyst should ask, “Are there better uses for these resources?” This question should be asked when developing proposals in the government departments and units *and* when reviewing proposals in government department and unit budget offices, GBD, or other budgetary and planning government departments. The request may sound important on its own, but if this request is compared with other policy issues, it may turn out to be less important. Because the budget covers all government work, ROB develops policy by comparing all areas where government could do something to help, within government departments and units and between government departments and units. ROB develops budget recommendations by prioritizing funding for the most important and useful policies.
2. To judge the benefits of different policies to solve the problem, a budget analyst should ask, “Are there better ways to achieve this objective?” Even if an individual request is important, the policy solution that is best for the person or government department or unit making the request may not help other people who also have the same problem. ROB develops policy by looking at all the people affected by a problem and designing solutions that provide the best benefits to everyone who is affected.

Example of Anecdotal vs. Systematic Policy:

Imagine that there was a dangerous pothole on your street. How would you get it fixed?

- **Anecdotal policy:** The public works department’s policy on potholes is to fix the ones reported by people with *wasta*. If you know someone in the public works department, you could call them up, and perhaps they would fix it. But most of us don’t have friends at the public works department. So, you might call the talk radio station and

ask them to call the government or publicize your problem. Unfortunately, only a few people get their problems discussed on the air, so that is unlikely to work.

- **Systematic Policy:** The public works department's policy on potholes is to minimize the damage caused by potholes by prioritizing pothole repair according to the danger each one poses. The public works department has a registry where people can report potholes. Based on the size of the pothole and the amount of traffic on the street, the government develops a schedule for fixing them. More important potholes are fixed sooner, while less important ones have to wait longer. If you report a dangerous pothole, it will be fixed quickly. An even better systematic policy would be if the public works department systematically examined streets for potholes and prioritized work on the most serious ones first.

Systematic policy gives you a much better chance that your problem will be addressed, if it deserves government attention. ROB is a way of focusing government attention on the most important problems.

What is the relationship between ROB and the political process? Budgeting is central to effective operations of a modern government. It is the primary tool for the implementation of government policies and programs. Each year the Government of Jordan and the Parliament must decide how much to spend to carry on the work of the government, and how to raise the money to fund the approved spending levels. Consequently, a budget of a country is political document. (USAID Jordan Fiscal Reform II Project, June 2010)

ROB is a way to use the budget process to help make the best policy, programming (what actions or work to achieve the policy), and budget choices given both political realities and resource constraints. Although expenditure choices are necessarily political, it is the role of the budget process to provide politicians and other key decision-makers with a coherent menu of options for meeting both their own priorities, and those of society as a whole. In this context, improving budget allocations depends not only on a good ROB system, but also on the ability to secure support and agreement, particularly political support and agreement, and to cultivate a demand for disciplined, policy-based decision making. Tools such as ROB have the potential to improve budgetary decision-making, but they can never replace the political process of making those resource choices. (USAID Jordan Fiscal Reform II Project, June 2010)

What else can ROB do besides supporting policy decisions? ROB can also contribute to aggregate fiscal discipline. Improving expenditure prioritization means an improved capacity to make "fiscal space" (in the general sense of room in the budget) for new spending initiatives without increasing overall expenditure. ROB can improve the efficiency of government services, by focusing attention on the cost to provide a service or achieve a result and giving government departments and units the opportunity to free up funding for new initiatives if they can achieve their basic responsibilities more efficiently. Government departments and units that are able to meet their performance objectives while reducing costs could be allowed to use the savings for new or expanded initiatives (USAID Jordan Fiscal Reform II Project, June 2010). For example, if the Ministry of Agriculture can reduce the cost per vaccination for livestock, it could apply the savings to increased research efforts on improved crop varieties.

How does ROB use other planning documents? The ROB process develops a budget that distributes funding to the government departments and units and their work based on the priorities established in strategic planning and program planning documents. Due to budget constraints, there is not enough funding to cover all work in support of all objectives in the

planning documents. Sometimes, different planning documents establish conflicting objectives. The ROB process should integrate the findings promoted by these planning documents and develop consistent policy messages. The allocation of funding, the work selected, and the setting of performance targets in the budget should define an integrated plan of action for achieving the objectives set out in the other planning documents. Money is a good way to harmonize different policies, just as it is a way of weighing the value of different purchases you could make in a family.

Jordan’s planning documents include documents at a high strategic level – the National Agenda, the National Executive Development Program, the Government Implementation Plan, the previous year’s General Budget Speech, the government action program submitted by the Prime Minister to Parliament, royal initiatives, and government departments and units’ strategic plans – and at a more detailed implementation level – program, subprogram, activity, and project plans that may be used internally at each government department and unit (see references in Appendix 7 References). These planning documents should all be used to guide development of the Budget Law. The Budget Law is also an annual planning document, and it operates at the more detailed implementation level, since it represents an annual plan of action for the government. Figure 1 shows that in ROB, the documents that represent strategic planning, budgeting, and program planning influence each other and must all be coordinated, with strategic planning documents providing higher level information and budgeting and program planning documents providing more detail.

Figure 1: ROB Is Based on Links Between These Levels/Documents



An Example ROB Analysis for Livestock Immunization:

1. The subprogram objective is to prevent the outbreak of disease amongst livestock.
2. Scientific analysis tells us the percentage of livestock that must be immunized to prevent outbreak of disease.
3. The target immunization percentage and the total number of livestock give us the required number of immunizations.
4. The number of immunizations and the cost per immunization give us the total cost to achieve the strategic objective of preventing disease outbreak.

How does ROB connect to other reform initiatives? ROB should not be seen as an isolated initiative. It should be viewed, rather, as part of a set of broader reforms – often referred to as managing-for-results – designed to focus public management more on results delivered and less on internal processes. These broader reforms include civil service reforms designed to increase the motivation and incentives of public employees; organizational restructuring to increase the focus on service delivery and improve coordination; and institutional and oversight changes to strengthen public accountability for performance. ROB is an important complement to implementation of the GFMIS system, which will make information for ROB

more easily available and also reduce the bureaucratic workload of budget analysts so they will have more time for ROB analysis. Action on these and a range of related fronts all help improve the efficiency and effectiveness of public expenditure. (IMF, 2009a)

b. Benefits of ROB

The ROB processes described in this budget manual provide a variety of benefits that can strengthen performance of government departments and units and GBD and help them achieve the objectives described in their strategic plans. Many of these benefits of ROB processes are helpful in improving performance on KAA criteria (see Chapter II.2.c Connection Between ROB and KAA). Key benefits of ROB are as follows:

Planning Benefits of ROB

- Improves allocation of resources among programs to where they will do the most to support objectives at the national level and at the government department and unit level, by improving expenditure prioritization. The ROB process includes methodologies for prioritizing work (tasks, processes, actions) using an analysis of the policy justification for the work (based on program objectives, the reason for government involvement, distribution of benefits, comparison with alternatives, and the proper role for government versus the private sector) and an analysis of the incremental costs and benefits (based on evaluation of past and proposed funding levels and performance levels, and proposals for program changes to improve performance).
- Improves aggregate fiscal discipline. Improving expenditure prioritization means an improved capacity to make “fiscal space” (in the general sense of room in the budget) for new spending initiatives without commensurately increasing aggregate expenditure (USAID Jordan Fiscal Reform II Project, June 2010). It also facilitates fiscal consolidation when this is necessary by helping government target spending cuts at its least effective or least socially important programs. And insofar as ROB (and related government reforms to improve results) succeeds in improving the efficiency of government services, it enables government to do more with less and helps contain the long-term upward pressure on aggregate public expenditure. (IMF, 2009a)
- Strengthens budget requests by showing how programs contribute to objectives, and the impacts of changes in budget.
- Helps develop policy and supports policy decisions by connecting capabilities and work (tasks, processes, actions) with objectives. If you can't explain what the program does, it is hard to justify funding it.

Management Benefits of ROB

- Provides greater flexibility for government departments and units and managers to choose the input mix (the allocation of funding between economic classification line items) that can most efficiently deliver services. As ROB and financial control systems mature, budget offices may reduce the large number of distinct limits imposed upon expenditure by economic classification in traditional budgeting. However, it will often be appropriate to maintain separate spending limits on expenditure items particularly susceptible to corruption and abuse (entertainment, travel, etc.), and on expenditure items where there is limited flexibility to reduce costs (particularly personnel costs). (IMF, 2009a)

Evaluation Benefits of ROB

- Measures progress toward achieving objectives at the national level and at the government department and unit level, which allows evaluation of whether efforts are proceeding according to plan or need to be changed.
- Supports making comparisons to improve efficiency and effectiveness of program operations.

Performance and Accountability Benefits of ROB

- Provides incentive for government departments and units to spend more efficiently and effectively by making them aware that their performance will influence their level of funding and by reducing or streamlining the controls that impede good performance. (IMF, 2009a)
- Strengthens accountability for results, if the budget allocations and performance goals are tied to the organization's management structure.

Communication Benefits of ROB

- Provides summary information to management on what the program is doing.
- Communicates policies, objectives, and accomplishments to people outside the government department or unit.
- Strengthens government credibility in the eyes of citizens.
- Improves transparency of government operations.

When people understand the budget better, they can provide more informed comments and suggestions, which can be used to develop a more responsive budget and target funding towards the most important and useful services.

Consider, for example, the Ministry of Social Development's program to assist juvenile offenders become productive members of society. The Ministry could use performance indicators to evaluate whether that juvenile offenders who participate in its programs are less likely to commit crimes again than juvenile offenders who do not participate in its programs. If the results are positive, the Ministry could argue for increased funding on the basis that a certain funding increase for the program will decrease crime by quantifiable amount.

As another example, the documentation of ROB processes in this manual can help GBD address issues in its strategic plan, such as developing clear, organized, and structured directions for performance monitoring and assessment; documenting experience and skills; and helping address' requests for financial resources. (GBD, Strategic Plan 2011)

c. Connection Between ROB and KAA

The King Abdullah II Award for Excellence in Government Performance and Transparency (KAA) recognizes the importance of many of the components of ROB. A complete and properly functioning ROB process will help a government department or unit score well on several of the KAA criteria. The following components of ROB are relevant to KAA:

- Establishing benchmarks and ensuring data quality to support annual review of performance indicators, and then taking corrective action (changing what is being done or funding levels) to improve performance.
- Tying program performance indicators to institutional goals and national goals.

- Establishing methodologies (budget plans) to achieve institutional objectives and to implement work plans.

Many of the work processes that the KAA Leadership and Knowledge Criteria highlight are needed for ROB. If a government department or unit uses ROB, it will have many good responses for these criteria. In the following discussion, the relevant KAA questions are presented along with answers that explain how ROB can help answer the question. The answers are not intended to be used directly in a KAA submission, but they show the strong agreement between ROB and KAA, and indicate what aspects of ROB could be most helpful in formulating the KAA responses. The components of ROB are described more fully in the next section, Chapter II.3 Stages of the Budget Process, and in Chapter VI Analytic Methods.

Note that the specific questions for the KAA submission may change over time, but the general concepts remain applicable.

Questions for the Leadership Criterion (150 points)

Sub-Criterion Number (3): Monitoring and Evaluation (50 points)

First Factor: Achievement of Target Output (20 points)

1. Question: How does the organization undertake the follow-up and review of the implementation and accomplishment of its strategic plan and its performance as an organization?

Answer: Through the ROB process, the government department or unit determines which work (tasks, processes, actions) will be most useful for achieving strategic objectives, decides funding based on that analysis, and commits to measure success through relevant performance indicators.

Question: How are the results of its review of its strategic plan and work plans translated into priorities and activities aimed to improve performance?

Answer: The ROB process includes methodologies for prioritizing work using an analysis of the policy justification for the work (based on program objectives, the reason for government involvement, distribution of benefits, comparison with alternatives, and the proper role for government versus the private sector) and an analysis of the incremental costs and benefits (based on evaluation of past and proposed funding levels and performance levels, and proposals for program changes to improve performance).

2. Question: What are the main quantitative and qualitative indicators for the organization?

Answer: The ROB process establishes key performance indicators (KPIs) that are reported in the budget, to measure and analyze progress. ROB focuses on KPIs that are primarily measures of the effects of a program (outputs and outcomes) rather than the causes of a program (inputs, actions, processes, and intermediate outputs). ROB includes efficiency indicators in the KPIs. ROB selects indicators and target levels for performance that are “SMART”: specific, measurable, achievable, relevant, and time-bound.

Question: How does the organization ensure objectivity in the selection and evaluation of performance indicators?

Answer: The government department or unit works with GBD to establish indicators that measure performance fairly, considering international, industry, and academic standards.

Data quality is an essential part of ROB. Impartial sources of data (e.g., from the Department of Statistics) or government department and unit data validated by an impartial body (e.g., the Audit Bureau or a panel of external experts) are used whenever available.

3. Question: What methodologies and methods does the organization use to measure the accomplishment of set performance indicators?

Answer: Detailed explanations of how results for performance indicators were calculated is prepared and provided to the government department or unit budget office and GBD, focusing on impartial, quantitative data collection and analysis.

Question: How does it undertake corrective actions in case of deviation from set priorities and timetables?

Answer: ROB requires measurement and evaluation of progress towards achieving performance objectives in developing the next year's budget, including analysis of the root causes for not achieving targets. The analysis includes comparison of performance across different geographic and institutional units responsible for achieving similar results, including international benchmarks, in order to decide what are best practices to improve performance, how work (tasks, processes, actions) and funding should be adjusted, and what are reasonable goals for improved performance in the future. By linking funding to performance, ROB gives managers a strong incentive to identify how to take corrective action, because ROB proposes funding cuts to programs that are unable to achieve sufficient progress.

4. Question: What methodologies does the organization use to measure the impact of its work on the society?

Answer: ROB uses outcome or impact indicators that are logically connected to the government department or unit's work to measure its impact on society and the efficiency of achieving that impact. ROB uses logic models to demonstrate the connection and performance evaluation to measure the impact of that connection.

Questions for the Leadership Criterion (150 points)

Sub-Criterion Number (3): Monitoring and Evaluation (50 points)

Second Factor: Cooperation with Partners (15 points)

I. Question: Who are the organization's main partners in the process of fulfilling national goals and royal initiatives? What is the nature of these relations and how are they maintained?

Answer: The ROB process compares the various ways that different organizations work towards achieving shared or related goals and initiatives. ROB analysis of what needs to happen to achieve goals and objectives identifies external factors that impact the organization's ability to achieve performance outcomes. The organization can then work with other organizations that have the responsibility or ability to address those external factors. These related organizations can coordinate work to improve results. In addition, ROB analysis encourages comparison of different approaches or alternatives to achieving similar goals and objectives. The organization can learn from the processes and achievements of other organizations working towards similar goals and objectives.

2. Question: How does the organization adopt decisions regarding its output in view of the presence of conflict in the organizational or national goals with partners it is cooperating with?

Answer: When organizations are working towards shared or related goals, ROB evaluates which actions are most effective and efficient for achieving those goals and provides funding for them. Duplicative, conflicting, inefficient, or underperforming programs do not receive funding.

3. Question: How does the organization ensure, in its relations with other public organizations; that priority is given to National Goals and royal initiatives over the organization's own goals?

Answer: One of the components of ROB is to develop a logic model that shows how achievement of the organization's goals supports achievement of national goals and royal initiatives. If the organization's goals are not efficient ways of achieving the national and royal goals, then they do not receive funding.

Questions for the Knowledge Criterion (150 points)

Sub-Criterion Number (1): Knowledge Needs (50 points)

First Factor: Data and Information (10 points)

1. Question: How does the organization determine the necessary data to be used and transformed into useful information?

Answer: ROB establishes the performance indicators that will be used to measure and analyze progress toward achievement of program and strategic objectives.

2. Question: How does the organization benefit from this information and transfer it into knowledge?

Answer: The ROB process requires analysis of actual vs. target performance to identify opportunities for improving management, revising what programs do, and reallocating resources. These changes are reflected in the next year's budget.

Sub-Criterion Number (2): Awareness and Commitment (30 points)

First Factor: Planning and Implementation (10 points)

1. Question: Does the organization have a strategy for information and knowledge management? How is this information and knowledge linked to achieve the organization's goals and strategies?

Answer: The ROB process identifies the performance data to be collected and requires budget requests to be justified based on historical and proposed performance and the cost of achieving those results.

2. Question: How does the organization ensure that the decision-making process is based on clear, documented and real information?

Answer: In the ROB process, the annual budget presents the performance indicators to be reported and promotes the use of data from impartial institutions, or impartial validation of government department and unit data. It also requires documentation through issue papers and other analytic reports of the budget analysis leading to decisions.

3. Stages of the Budget Process

The end goal of the budget process is not simply to make a budget, but rather to make good policy through the tool of the budget. Therefore, it is important to think of each stage in the budget process in terms of its role in developing and implementing policy. For the purpose of the annual budget cycle, we can think of policy as moving through five stages. The stages are described in Table 4, including how each stage develops and implements policy, who leads the work (key players), and what are the key document recording and explaining the policy decisions made or implemented in that stage. The stages and their relevance are explained in more detail in the following sections. The specific steps and actions required for each stage in the Government of Jordan process are described in Chapters VII-XII on the Budget Process.

Table 4: Stages of Policy Development and Implementation in the Annual Budget Cycle

Budget Stage	How the Stage Develops and Implements Policy	Who Leads the Work	Key Products to Document Policy Decisions and Implementation
a. Planning (primarily January – April, with additional work into September)	Establishes the policy objectives for the year, determine how much money is available to spend, and develop a draft prioritization of the policy objectives through planning ceilings for each government department and unit.	MOF, GBD, Council of Ministers	Medium Term Fiscal Framework, Budget Policies and Priorities Paper, planning ceilings for each government department and unit
b. Preparation (April – October)	Develops a detailed annual plan (i.e., the budget) for achieving the policy objectives, matching resources to results	GBD, Government Departments and Units, MOF, Council of Ministers	Budget Circular, Manpower Tables, Government Department and Unit Budget Requests, Final Budget Ceilings, Draft Annual Budget Law
c. Ratification (October – December)	Legislative and Royal review, revision, and approval of the annual plan (budget)	Parliament, King	Annual Budget Law
d. Execution (year round)	Does the work described in the annual plan (budget) to implement and achieve the policy objectives	Government Departments and Units, GBD	Various documentation approving and recording financial transactions
e. Auditing and Evaluation (year round)	Confirms that the annual plan (budget) was executed appropriately, evaluating progress towards achieving policy objectives, identifying lessons learned	Audit Bureau, GBD, Government Departments and Units	Performance reports, financial audit reports

There are typically three budget cycles in progress at all times: the one being prepared for the upcoming year; the one currently being executed; and, the prior year's budget, from which reports and analysis are providing information to inform pending and future policy and operational management decisions. For instance, during 2011, the actual results of the 2010 budget are being audited and evaluated, the 2011 budget is being executed, and the 2012 budget is being prepared. (USAID Jordan Fiscal Reform II Project, June 2010)

As Table 4 shows, the budget process distributes authority among different parts of government at each stage: the executive (i.e., all government departments and units), the legislature, and a variety of monitoring and audit bodies (organizational responsibilities are described in Chapter V Organizational Responsibilities). This network of responsibilities, powers, and checks and balance requires, moreover, that the budget process, and the results of budget execution, be both transparent and understandable, with complete, timely and reliable information available at each step of the way, so that each part of government can obtain information from earlier stages in order to do its job. These complexities require understanding of all roles and make coordination, communication and cooperation across branches of government all the more crucial. For example, government departments and units should try to clearly explain the budget and policy objectives in their request, so that GBD can make informed budget recommendations. (USAID Jordan Fiscal Reform II Project, June 2010)

It is very important to have specific processes and products completed in each budget stage. The budget process needs to answer initial questions in the initial stages, to inform the decisions that must be made in the latter stages. Allowing the role of one stage to slip incomplete into the next stage means that decisions are made haphazardly, in an uncoordinated and rushed manner. Consider this hypothetical example of a bad budget process: An unstructured budget preparation process starts from requests made by spending agencies without clear indications of financial constraints. Because these requests express only needs, in the aggregate they invariably exceed the available resources. Spending agencies have no incentive to propose savings, because they have no guarantee that any such savings will give them additional financial room to undertake new work. New programs are included in sectoral budget requests as bargaining chips to push for a higher overall funding allocation rather than because they are needed to help achieve a specific policy objective. Lacking information on the relative merits of proposed expenditures, the budget office is led into making arbitrary cuts across the board among sector budget proposals, usually at the last minute when finalizing the budget. At best, a few days before the deadline for presenting the draft budget to the cabinet, the ministry of finance gives firm directives to spending agencies, which then redraft their requests hastily, themselves making cuts across the board in the programs of their subordinate agencies. Of course, these cuts are also arbitrary, because the spending agencies have not had enough time to reconsider their previous budget requests. Further bargaining then takes place during the review of the budget at the cabinet level or even during budget execution. (Shah, 2007)

To avoid the bad budget process described in the previous paragraph, the following description of the budget stages is intended to help clarify what must be accomplished in each stage, to build a structured, coordinated budget process.

a. Planning

The planning stage gives high-level instructions and establishes the overall framework for all participants in the budget process. It establishes what policy objectives are to be achieved, how much money is available to do the work. Some budget systems set target funding levels

(planning ceilings) that provide an initial prioritization of policy objectives and of responsibilities of each government department and unit. The planning stage starts off the budget process with top-down policy guidance from senior officials. In the Preparation Stage, GBD and government departments and units will examine at a much more detailed level the impacts of that policy, providing a bottom-up feedback to senior officials before they make their final policy recommendations to Parliament in the form of the Draft Annual Budget Law. See Chapter VIII Budget Process – Planning for additional details.

The planning stage answers three key questions that provide the framework for the annual budget process:

- How much money is available to spend in the budget? Answered primarily in the Medium Term Fiscal Framework.
- What are the annual policy objectives? Answered primarily in the Budget Policies and Priorities Paper.
- What are the planning ceilings (target funding levels) for each government department and unit? May be answered through a medium term expenditure framework, or established without a multi-year framework.

The following discussion explains how these questions are answered during the planning stage and their role in defining and advancing the government's policy.

The planning stage has the following main steps and documents:

- GBD prepares the Budget Calendar.
- Government departments and units provide input on their upcoming policy objectives, particularly any changes from the objectives of the previous budget.
- MOF and GBD prepare the Medium Term Financial Framework, which sets targets for government revenues and expenditures based on an analysis of economic production in Jordan.
- GBD prepares the Budget Policies and Priorities Paper, which defines the policy objectives for the budget under development, and determines the planning ceiling (initial target funding level) for each government department and unit.

It is not only important to develop good forms and instructions for submitting the budget request, but it is also critical that staff at budgetary and planning government departments understand what is required. Therefore, budget staff may hold training sessions to explain the forms in order to avoid disagreements later. These training sessions are especially important when changes in the request process take place, such as when GBD strengthens requirements for preparation of results-oriented budgets. (OTA, 1997)

It is important to integrate the budget planning process with other planning processes within the government. According to the IMF, in some countries, planning commissions or spending agencies formulate bulky five- or ten-year plans that are intended to guide public expenditure. Many of these countries experience chronic difficulty in ensuring that the priorities identified in non-budget planning processes are reflected in the allocation of resources in the annual budget. When budget and non-budget planning efforts are not integrated, it may lead to possible conflict between the objectives defined in the different processes, and result in weakening government policy prioritization. (IMF, 2009a)

How much money is available to spend in the budget? The process generally starts with the preparation of a Medium Term Fiscal Framework (MTFF), providing projections of the total revenues and other fiscal resources at the government's disposal for that period, based on

detailed and consistent projections of key macroeconomic variables. (USAID Fiscal Reform II Project, June 2010)

- Macro-economic models are used to project economic growth in terms of gross domestic product (GDP).
- Generally the target budget deficit is set in terms of percent of GDP.
- Revenues are computed based on projected economic trends and any changes in revenue policy (e.g., tax increases or decreases), applied to the estimated current year collections.

Available resources for government spending depend on projected revenues and the target deficit. (OTA, 1997)

Establishing the MTFF is critically important. Overly optimistic projections of macroeconomic and revenue performance distort perceptions of the true resource envelope and affect budget planning, in many case leading to cash-flow shortfalls, constant budget revisions, and unplanned ad-hoc borrowing to cover budget commitments. The policy issues decided at this stage may include: decisions about how much money the government should spend, the role of the public vs. private sector in developing the economy, and the responsibility of the government to provide social services to the population. For example, the MTFF can guide how to achieve the policy objective of low inflation, through setting the target level of the fiscal deficit, and how it will be addressed by tax measures and credit policy measures. (USAID Fiscal Reform II Project, June 2010)

The broader the agreement on the economic assumptions surrounding the budget, the better it is for an orderly budget process. For this reason, estimates of revenue are sometimes prepared by independent revenue estimating commissions composed of budget and finance professionals, academic economists and public policy researchers. This approach sometimes works to ensure realistic revenue estimates are used as the basis for budgeting for expenditures. (OTA, 1997)

Although the MTFF itself is not published publicly, its forecasts of inflation along with those for GDP growth rate, budget balance, current account balance, annual growth of exports and imports, and increase of remittances are published on the web site of GBD, when the Budget Circular is issued.

What are the annual policy objectives? The Government of Jordan must establish what progress it intends to make in the budget year towards its medium and long-term goals and decide budget program priorities or departures from previous programs. This step of the planning stage looks at national and government department and unit strategic plans (e.g., the National Agenda, the National Executive Development Program, the Government Implementation Plan, the previous year's General Budget Speech, the government action program submitted by the Prime Minister to Parliament), royal initiatives, speeches and statements by senior officials, and other planning documents, as well as past performance and progress on policy objects, and makes broad policy decisions about how to prioritize between different sectors and what goals must be given enough funding to be achieved. The planning stage must take into account financial constraints and not set goals that require unrealistic funding levels. The most important decisions are written in the priorities and policies paper. Other policy objectives may be taken directly from the original strategic planning documents to guide the annual budget.

In establishing the policy objectives for the annual budget, the Government is deciding questions like: Is marketing tourism a priority, or is completing a new highway? If there

were blackouts last year, will more money be spent on developing new sources of electricity and where will that money come from? If certain types of diseases are increasing, what new health initiatives could help? If the economy is growing, are business development initiatives still needed at the same funding level? If an outreach subprogram to encourage high school girls to pursue careers in math and science was successful in one region, should it be expanded to other regions?

Checklist: How to Use Policy Objectives When Developing the Budget

In order to bring policy objectives into the annual budget, during both preparation and review of Budget Requests and Draft Annual Budget Law Proposals, the analyst should:

3. Learn, confirm, and clarify what the annual policy objectives are for his or her program or portfolio of programs, based on national and government department and unit strategic plans, royal initiatives, speeches and statements by senior officials, and other planning documents.
4. Explain – in discussions with senior officials and written in issue papers and other documentation of the budget process – how the funding levels and work (tasks, processes, actions) recommended for the budget are appropriate for achieving those objectives within overall resource constraints.
5. Clarify policy objectives for the annual budget when planning documents do not clearly establish policy objectives. Quantitative allocations of funding are in essence specific policy decisions, and the policy impact of the funding decisions should be clearly stated.

In summary, policy objectives should be the foundation of budget decisions and the connection between them should be clearly presented

What are the planning ceilings for each government department and unit? Based on the total funding available (in the MTF) and the policy objectives (in the policies and priorities paper, other planning documents, and performance reports), governments typically establish planning ceilings – or target funding levels – for each government department and unit. Planning ceilings generally represent a starting point for budget analysis and discussion that is adjusted over the course of the budget process. Government departments and units are encouraged to consider the indicative funding levels from the previous budget in developing their budget requests. After government departments and units submit their Budget Requests to GBD, GBD and MOF develop Final Budget Ceilings, which are reviewed by the Council of Ministers and issued to the government departments and units, who then revise their Budget Requests to comply with those ceilings. Government departments and units that submit budget requests at or near the indicative funding levels as a starting point in the budget process have the advantage that they focus more serious consideration on their proposals within the indicative funding levels and on the multiyear implications of budget decisions.

The importance of setting planning ceilings is that it gives a realistic starting point to the budget discussion. Without planning ceilings, government departments and units can make unrealistically large funding requests, which could never be fulfilled and provide little useful information for the budget process. Planning ceilings force analysts – at government departments and units, GBD, and other budgetary and planning government departments – to consider the tradeoffs required to keep expenditures at the level established in the MTF while achieving as much progress as possible towards achieving policy objectives.

Information on these tradeoffs between budget constraints and policy objectives is necessary for an informed budget process and a successful budget. Government departments and units that do not submit budget requests at or near the indicative funding levels may force GBD, MOF, and the Council of Ministers to make the big difficult cuts to bring the budget down to a reasonable level, and the government departments and units lose their control over the budget decisions. Within the constraint of planning ceilings, government departments and units can propose savings in exchange for additional financial room to undertake new programs, subprograms, activities or projects.

The budget ceilings – and later the Annual Budget Law – set funding levels for each government department and unit for the budget year and provides funding target levels for the two subsequent indicative years. This medium-term expenditure plan is called a Medium Term Expenditure Framework (MTEF). It is developed through the Government Department and Unit Budget Requests, the budget ceilings, and finalized in detail in the Annual Budget Law. The MTEF may include a “planning reserve” to provide space in the indicative years to accommodate new spending initiatives that have not yet been identified or appraised (IMF/WVB, 2009).

A medium-term outlook on budgetary expenditures is especially necessary because the discretionary portion of the annual budget is small. At the time the budget is formulated, most of the expenditures are already committed. Salaries of civil servants, debt-service payments, pensions, and the like cannot easily be changed in the short term, and other costs can be adjusted only marginally. In developing countries, the available financial margin of maneuver may be no more than 5 percent of total annual expenditure. As a result, any real adjustment of expenditure priorities, if it is to be successful, has to take place over a time span of several years. For instance, should the government wish to substantially expand access to technical education, the expenditure implications of such a policy are substantial and stretch over several years, and the policy can hardly be implemented through a blinkered focus on each annual budget. It may be easier to adjust priorities between programs within a government department or unit, where staff can be shifted from one activity or project to another – if properly proposed in the budget. Multiyear spending projections are also necessary to demonstrate to the administration and the public the direction of change and to allow the private sector time to adjust. (Shah, 2007)

Furthermore, in the absence of a medium-term framework, adjustments in expenditure to reflect changing circumstances will tend to be across the board and ad hoc, focused on inputs and work that can be cut in the short term. But often, work that can be cut more easily is also more important, such as major public investment expenditures. A typical outcome of isolated annual budgeting under constrained circumstances is defining public investment expenditure in effect as a mere residual. Finally, by illuminating the expenditure implications of current policy decisions on future budgets, a government can determine whether it is attempting more than can be financed. (Shah, 2007)

ROB fits naturally with a medium-term framework. Like ROB, a medium-term framework aims to improve expenditure prioritization (although ROB is much more focused on managing the efficiency and effectiveness of public expenditure). The best way to improve expenditure policy formulation is both to make maximum use of performance information and to consider the medium-term cost implications of expenditure choices. (IMF, 2009a)

Three pitfalls should be avoided. First, a multiyear expenditure perspective can itself be an occasion to develop an evasion strategy, by pushing expenditure off to the future years. Second, a multiyear expenditure perspective could lead to claims for increased expenditures

from line ministries (i.e., government departments and units), because new intentions are easily transformed into entitlements as soon as they are included in the projections. Third, as is the case for any good budgeting practice, a multiyear expenditure perspective should not be pushed past the point of diminishing returns. In some African and other developing countries, the MTEF has become a juggernaut of increasingly fine detail and geographic reach, imposing time and resource costs on the country's public administration far out of proportion to any benefit. A good reformer should know not only when to seize the opportunity to introduce an innovation, but also when to stop pushing it. (Shah, 2007)

Methodologies for Setting Planning Ceilings:

1. Planning ceilings may simply be set as a continuation of the policy established in the most recently released budget, if priorities have not changed substantially since the budget was released. For example, if the planning ceilings for the 2012 budget can be the indicative funding levels for each government department and unit in the 2012 column of the 2011 budget, or simply as equivalent to the 2011 budget allocations.
2. If the total funding available in the MTEF is different from what was projected in the previous budget's indicative levels, planning ceilings are typically set at a certain percent increase or decrease relative to the indicative levels, for each government department and unit.
3. If policy objectives have changed, the relative funding levels between government departments and units may need to be adjusted in the planning ceilings. For example, in constrained budget times, all government departments and units' planning ceilings may be a 2% cut below the previous budget's indicative levels, with the exception of education, which is given a planning ceiling equal to the indicative level, without a cut.
4. Planning ceilings may also be set based on types of expenditures. Specific percent increases or decreases may be given for salaries that are different from other current expenses or capital expenditures. Setting separate planning ceilings for capital expenditures makes it easier to ensure that government borrowing is only at the level needed to cover capital investment and not current expenses, but it prevents government departments and units from considering tradeoffs between current and capital expenses.
5. Capital expenditures may not be addressed in the planning ceilings for each government department and unit. In that case, a government-wide planning ceiling for capital expenditures may be set, rather than individual planning ceilings for each government department and unit. All government departments and units submit funding proposals for capital projects that compete against each other.

b. Preparation

The Preparation Stage includes all of the processes necessary for the government to submit a Draft Annual Budget Law to parliament. The Preparation Stage looks in detail at programs, funding needs, and projected results in order to make a strategic allocation of resources within the framework established in the planning stage. See Chapter IX Budget Process – Preparation for additional details.

Government departments and units and GBD analyze, formulate, and review the Draft Annual Budget Law, with revisions and approval from MOF and the Council of Ministers, based on:

- the guidelines provided in the MTEF

- the Budget Priorities and Policies Paper and other planning documents
- performance reports and other documentation of progress on policy objectives
- the indicative funding levels from the previous budget (or the planning ceilings if provided)
- the Budget Circular

The Preparation Stage has the following main steps and documents:

- MOF issues the Initial Instructions on Budget Preparation and the Instructions on Manpower Table Preparation.
- Government departments and units prepare and submit Government Department and Unit Budget Requests and Government Department and Unit Manpower Table Requests explaining how proposed funds will be spent.
- Government departments and units defend and negotiate their budget submissions with GBD and MOF.
- The Manpower Steering Committee approves the Manpower Table Plans
- GBD considers competing budget requests, revises spending proposals, and sends recommendations to MOF.
- MOF, the Consultative Board, the Sectoral Committees, and the Council of Ministers review, revise, and approve proposed funding at the government department and unit level.
- The Prime Minister issues the Budget Circular, updating policies and priorities and government revenue and expenditure budget levels.
- GBD issues Final Budget Ceilings at the government department and unit level, consistent with the Budget Circular.
- Government departments and units prepare Government Department and Unit Annual Budget Law Proposals to provide draft detailed funding allocations within each government department and unit .
- GBD consults with government departments and units and develops the GBD Draft Annual Budget Law Proposal.
- MOF and the Council of Ministers review, revise, and approve the Draft Annual Budget Law.
- The Draft Annual Budget Law, recommending the Government of Jordan’s overall spending package, is finalized and presented to the legislature for debate and approval, with final approval provided by the King.

The Policy Role of the Preparation Stage

The Preparation Stage advances the policy process by taking all the existing policy guidance, much of which is qualitative or general, and developing a much more detailed implementation plan, with quantitative decisions on funding details matched to quantitative projections of specific results. The process of deciding funding allocations forces difficult decisions about policy priorities that have not yet been resolved. It also requires strategic and tactical thinking about what actions can best achieve policy objectives, based on a review and analysis of what has been successful or unsuccessful in the past and the level of progress towards achieving policy goals.

Government departments and units are responsible for preparing their requests within the spending ceilings (or in consideration of the indicative targets, depending on the step in the process) specified by GBD and MOF. According to the IMF and World Bank, “in

[government departments and units], budget preparation should involve staff from across the policy, planning, and budgeting functions.” Government departments and units should avoid divisions between these functions, and should not – for example – have the finance directorate develop the current expenditures budget, while the planning directorate independently develops the capital expenditures budget. Instead, government departments and units should take advantage of their broad range of skill sets and analytical capacities to support an integrated policy-led budget planning process. (IMF/WB, 2009)

The principal request should be consistent with the planning ceilings or guidelines, and the cost of programs included in the budget request should be sufficient for full implementation of the programs concerned. Depending on the severity of the fiscal constraint and the organization of the budget preparation process, requests from government departments and units for increments of funding that exceed the planning ceilings could be allowed for new or enhanced programs. However, a supplementary request should not be aimed at overcoming the ceiling through providing additional funds to on-going programs, subprograms, activities, or projects that were insufficiently funded (in the government department or unit’s judgement) in the budget submission within the ceiling. Provided that their savings proposals are realistic, government departments and units should be free to reallocate savings on ongoing programs, within the limits of the ceilings. (OECD, 2001; OTA, Sri Lanka)

By definition, preparing the budget entails hard choices. The necessary tradeoffs must be made explicit when formulating the budget. Doing so will permit a smooth implementation of priority programs and prevent disruption of program management during budget execution. Postponing these hard choices until budget execution makes the choices harder, and the consequence is a less efficient budget process. An unrealistic budget cannot be executed well. (Shah, 2007)

In every country the allocation of resources is inherently political, requiring as it does choosing between different programs. No objective technical rules can really determine whether, for example, three additional rural health centers for one group of beneficiaries are “better” than one additional urban primary school for a different group of beneficiaries. One hears sometimes the wistful wish to “get the politics out of the budget.” This wish is not only impossible but wrong, because the ultimate authority for making decisions about expenditure policy lies with senior political officials. The characteristic of good budget preparation is to get political guidance during the planning process, when the broad, high-level policy decisions are made, and during the Preparation Stage when coherent technical proposals have been prepared and are then submitted to the political leadership for its consideration and disposition. During preparation of technical proposals, political involvement should be minimized, precisely to allow analysts to prepare a budget consistent with the policy choices established in the planning stage. Paradoxically, such political interference in the midst of the budget preparation process would weaken the political relevance of the budget, not improve it. (Shah, 2007)

Almost always, the review of Government Department and Unit Budget Requests leads GBD and MOF to suggest modifications in the government departments and units’ budget requests, and a subsequent period of negotiation. Formal negotiations between GBD or MOF and government departments and units can take the form of a budgetary conference. Staff from GBD or MOF should also hold informal meetings in order to avoid misunderstandings and minimize conflicts. Major differences of opinion will normally be referred upwards to the ministers concerned, ultimately to the Prime Minister or Council of Ministers for arbitration. (OECD, 2001)

During budget request analysis, the budget analysts consider the need for provisional language in the Annual Budget Law. See the next section, Chapter II.3.c Ratification, for additional information on proviso language.

Documenting Analysis

It is important to document funding recommendations and the analysis that justifies those recommendations. A written explanation of budget analysis encourages more rigorous analysis and helps provide senior officials with a better understanding of the decisions they must make. GBD and MOF justify their recommendations at the government-wide and sectoral level, during the planning and preparation stages. The analysis is documented in the MTF, the Budget Policies and Priorities Paper, the Budget Circular, and the General Budget Speech. Government departments and units and GBD may also document the analysis – including ROB – behind their recommendations at the program and government department and unit level, to complement the documentation at the higher level.

Current vs. Capital Expenditures. Jordan’s budget process has some separation in its treatment of current and capital expenditures, with separate budget ceilings for each, and separate processes for negotiating those ceilings. In developing recommendations for current and capital expenditures, budget analysts should keep in mind the tradeoffs between current and capital expenditures, as well as analyzing current expenditures separately from capital expenditures. For the most part, this manual provides techniques that apply equally to integrated and separated treatment of current and capital expenditures, in essence considering all government expenditures as investments that must be justified by adequate returns on investment, or else not be taken from citizens (in the form of taxes).

There are benefits to both an integrated analysis of current and capital budgets and separated analysis. In practice it is helpful to consider current and capital budgets separately for some purposes and together for other purposes. The reasons for taking each approach are described in more detail in “A Review of Capital Budgeting Processes” (Jacobs, 2008).

c. Ratification

During the Ratification Stage, the Parliament reviews, revises, and approves the Annual Budget Law for the coming year, and the King ratifies it. See Chapter X Budget Process – Ratification for additional details.

The Government of Jordan is required annually by Article 112 of the Constitution to prepare the Draft Annual Budget Law for review and approval by the Parliament. The Parliament may make reductions in spending, but may not make any increases. Under Article 31 of the Constitution the King must ratify the Budget Law.

The Annual Budget Law appropriates funds (i.e., it defines the maximum financial resources) for each category the law identifies as a control category. The control categories are: sub-items for economic classification budgeting, projects for programmatic classification of capital expenditures, and activities for programmatic classification of current expenditures. For these control categories the actual expenditures in a year should not exceed the levels in the Annual Budget Law. The expenditure limits for a control category can only be increased by a supplementary budget enacted by Parliament and the King. If budgeted revenues are not realized, the Council of Ministers may reduce the funding levels for government departments and units in the Annual Budget Law, during the Execution stage of the budget process. It is very rare that the Council of Ministers takes this action. (OTA, 1997)

The Annual Budget Law is a public document. For this reason it is important that it be written such that the general public can understand the purposes for which their tax funds are spent. Moreover, the budget should be transparent so that the public may see which government department or unit is responsible for managing a specific public program and the amount of public expenditure approved for the program. (OTA, 1997)

The Annual Budget Law has two mandatory parts: 1) the funds part which identifies the resources to be expended for each control category and 2) the performance part which identifies what work the government will do and the results it will achieve with that work. The budget law may also include provisos (see explanation below) to address any other conditions or constraints not elsewhere enacted into law. The Draft Annual Budget Law considered by the Parliament is supplemented with the General Budget Speech from the Government. (OTA, 1997)

Proviso Language. Proviso language may be used to clarify budget management issues and to handle special situations. The provisional language applies only to the year for which it appears. If certain control categories have not been identified in the budget process law, provisional language can be used to limit expenditures according to these control categories. (OTA, 1997)

For example, the provisional language may state that expenditures will not exceed the amounts specified for major economic classification (salaries, social security contributions, supplies and services, and capital equipment/investment). Likewise, requirements regarding maximum salary increases, matching requirements for subsidies to local governments, and any other condition not stated (nor delegated) in the budget law can be expressed in the provisional language. For example, if the national government wishes local governments to improve funding of education, proviso language may stipulate that X percent of the subsidy provided to local governments must be spent on education. It may provide a matching requirement before the subsidy may be spent. The proviso language may direct certain revenues to be deposited into the general revenue fund account. (OTA, 1997)

Jordan has proviso language included in the Annual Budget Law in the form of legally binding “articles” in the budget law, which only applies to that year’s budget. These articles primarily describe financial and personnel management requirements, and generally are the same every year, although they could technically be changed. E.g., forbidding making financial commitments in excess of appropriations in the budget law. Changes to these articles are made only rarely. Jordan’s budget law also has “key hypotheses and platforms”, which are not technically provisos, since they do not have the force of law. However, they do act like provisos in that they describe and clarify, in both general and specific terms, the policies that are included in the funding allocations for that year. E.g., ceasing procurement of vehicles or limiting salaries and wages to an annual increase of 3%. Although the key hypotheses and platforms are not legally binding on their own, they usually explain funding allocations elsewhere in the Annual Budget Law that are legally binding.

d. Execution

The Execution Stage is where the government departments and units take the funding allocations for work specified in the Annual Budget Law and make the expenditures, perform the tasks, and achieve the results. This stage is where the policies are implemented, and hopefully beneficial results and progress towards policy objectives are achieved. See Chapter XI Budget Process – Execution for additional details.

Although the budget law provides more detail than the planning documents that guide preparation, the budget law still provides some flexibility to the administrators of programs. Government departments and units may prepare operating budgets, but they are used for internal purposes and not submitted to GBD or MOF. This operating budget may be an annual, quarterly or monthly document; its purpose is to show the spending plan by each organization and in such detail that effective controls may be exercised. The operating budget does not have the status of a law; rather it is a management tool to ensure compliance with the Annual Budget Law (OTA, 1997).

Although government departments and units do not submit operating budgets to GBD or MOF, they do submit cash flow reports to MOF, so that MOF can manage the disbursement of funds in relation to estimated and actual revenues.

In the case of revenue estimates, the Execution Stage refers to the recording and reporting of all receipts by sources as shown in the operating budget. With respect to expenditure estimates, the Execution Stage includes the allocation of expenditure authority (release of appropriation) in line with receipt estimates and approved limitations on the budget deficit. Budget Execution also is concerned with the financing of the budget deficit, the observation of all regulations regarding the expenditure of public funds, the limitation of expenditures by operating budget categories, and the reporting of expenditures. Moreover, budget execution carries with it the responsibility for complete accounting. Accounting usually means the maintenance of a general ledger, the derivation of a balance sheet, and the reporting of annual expenditures as compared to the budget law. (OTA, 1997)

GBD confers authority to each government department and unit to spend portions of the amounts appropriated to them in the Annual Budget Law; such authorizations are generally granted for the entire fiscal year, but may be granted for shorter periods (e.g., monthly or quarterly). The issuance of these authorizations helps ensure that no expenditures are made unless they are part of the lawfully approved budget. Off-budget expenditures reduce transparency and accountability. A properly designed organic budget law is needed to give this authorization process the legal authority to ensure that there are no off-budget expenditures. These authorizations also provide an effective means of controlling the timing of spending, which must be matched with resource availability. (USAID Fiscal Reform II Project, June 2010)

A “virement” is the process of transferring appropriated funds from one line item to another during the budget year. Virements cover immediate needs that were not foreseen during budget preparation, but may appear during budget execution. To prevent misuse of funds, government departments and units must go through administrative procedures to obtain permission to make such a transfer. In cases of severe need, or unforeseeable emergencies, supplementary funding may be approved, instead of requiring government departments and units to identify offsetting cuts through a virement to provide funds to cover unforeseen needs. Supplementary estimates should be approved only at a fixed time and the number and amount of in-year revisions should be strictly limited (to preferably only one in-year budget revision). Budget execution is difficult to control when budget is continually being revised. Preferably, only one budget revision should be made during the fiscal year and requests from government departments and units should be reviewed together, not singly. (OECD, 2001)

Article 10 of the 2010 General Budget Law gives guidance on the detail of line-item controls based on economic classification. Government departments may request GBD approval to transfer funds between certain categories of line items. For example, Article 10 of the 2010

General Budget Law gives government departments the right to perform virements that move funding between certain categories of line items generally subject to GBD approval, e.g., from some current expenditures to capital expenditures, but not from capital to current expenditures.

The MOF with GBD play a dual role in budget execution, providing both an *information service* and an *expenditure control service*.

1. As an information service, the MOF and GBD provide information on financial activity (receipts and expenditures at various stages – budgeted, allocated, ordered, delivered, paid for) and financial status (the stocks of assets and liabilities at particular times). This information is critical on many fronts. Specifically, it helps keep the budget within sound fiscal limits and allocate resources in accordance with national priorities. It helps managers and government department and unit heads live within their budgets and allocations and deliver services efficiently. Furthermore, it helps oversight bodies, civil society, and the broader public play a complementary role in monitoring for the same (and often additional) objectives.
2. As an *expenditure control service*, the MOF handles cash—both cash on hand and cash in the bank. The cash handling function is akin to a banking function: the treasurer or cashier receives cash, issues cash, holds cash balances and is responsible for their safekeeping. MOF and GBD share responsibility for reviewing the legality of payments and ensuring that no expenditure is made in excess of appropriations. (USAID Fiscal Reform II Project, June 2010)

It is important to understand that budget execution is not simply about ensuring compliance with the budget law. Successful budget execution also depends on numerous other factors, such as the ability to plan for cash availability, the ability to deal with changes in the economic environment, the ability to resolve problems met in program implementation, the ability to procure goods and services and manage efficiently, and the ability to execute effective controls that mitigate the risk of errors, abuse and corruption. (USAID Fiscal Reform II Project, June 2010)

e. Auditing and Evaluation

Budget audit and evaluation or monitoring occurs both during the budget execution stage and following completion of the budget year. Traditionally speaking, this is the stage in which the government reports on expenditure to the external audit body, the Audit Bureau. External audit is sometimes contracted out but in many countries there is an external audit function. It should and almost always is fully independent from MOF, and usually outside the executive branch altogether. This section gives information on the role of auditing and evaluation in the budget process. The discussion of the auditing and evaluation stage is based on information in “Reforming Budget Systems: A Practical Guide” (USAID Fiscal Reform II Project, June 2010). See Chapter VI.3 Evaluating Performance for guidance on how to conduct performance evaluations. See Chapter XII Budget Process – Auditing and Evaluation for additional details.

External audits can serve various objectives. Basic financial audits attest to the accuracy and fairness of the government’s year-end financial statements. Compliance audits verify, for example, that expenditures were properly authorized, and that rules and procedures were followed in carrying out expenditure. Performance audits, meanwhile, assess whether spending or program implementation is delivering “value-for-money.”

Audits also allow civil society groups to evaluate government financial operations. In essence, however, all audits, whether official or not, are intended to both hold government accountable and inform decisions about improving planning, budgeting, and program implementation in the future.

Of course, audit and evaluation cannot be effective without sound and uniform accounting, comprehensive data and timely and reliable reporting. A huge benefit of a GFMIS is that computerized and automated accounting removes much of the drudgery of manual reporting, and at the same time substantially improves the accuracy, allowing budget actors to focus on analysis of the data to inform and improve future decision-making.

III. Jordan's Legal Framework

The previous chapter described conceptually why we do budgeting and what we are trying to achieve through the budgeting process. This chapter on the Legal Framework and the two following chapters on Budget Classification and Organizational Responsibilities explain the technical basis for budgeting (the legal framework and the classification system) and the role of the different institutions in the budget process (the management responsibilities). The discussion of Jordan's legal framework is based on information in the Republic of Moldova's "Budget Handbook" (OTA, 1997).

What Do Analysts Need to Know About the Budgeting Framework?

It is important for a budget analyst to understand the legal requirements that he or she must observe in preparing and implementing the budget, and to understand the legal requirements that the budget imposes on government departments and units. Similarly, the budget analyst should understand the classification system and the management responsibilities of the different institutions. A proper understanding of the entire framework for budgeting will help the budget analyst use the tools of the budget to promote the government's policy.

Legally, the budget law provides the authority to expend public funds, within specified limits, for public purposes. Budgeting and financial management are carried on within a legal framework created by:

- Chapter Seven of the Constitution of the Hashemite Kingdom of Jordan, ratified on January 1, 1952
- The Organic Budget Law, No. 58 for the year 2008
- The Annual Budget Law approved annually by the Parliament and ratified by the King
- The Public Debt Management Law, No. 26 for the year 2001
- The Civil Service Bylaw, No. 30 for the year 2007
- The Social Security Law, No. 19 for the year 2001
- Laws for Government Units

In addition, there is a body of regulations and bylaws to implement these laws governing budgeting and financial management practices. Municipal laws may also apply.

The following discussion describes the role and requirements of each of these legal instruments.

Constitution

The Government of Jordan is required annually by Article 112 of the Constitution to prepare the Draft Annual Budget Law for review and approval by the Parliament. The Parliament may make reductions in spending, but may not make any increases. Under Article 31 of the Constitution the King must ratify the Budget Law. Article 113 further provides that in the event that the budget is not enacted by the beginning of the financial year (January 1st), expenditures are authorized on a monthly basis at the rate of the previous year. Article 119 requires the preparation of audit reports on whether expenditures were made according to the law.

The articles of the Constitution that are relevant to the budget and other financial matters are presented in Chapter Seven of the Constitution, shown below. The Constitution refers only to the General Budget Law and not the Government Units Budget Law. The Government of Jordan, through the Parliament, may consider combining or increasing the integration of the General Budget Law and the Government Units Budget Law.

Constitution of the Hashemite Kingdom of Jordan

Chapter Seven, Financial Matters

Article 111

No tax or duty may be imposed except by law. Taxes and duties shall not include the various kinds of fees which the Treasury charges in respect of services rendered to members of the public by Government Departments or in consideration of benefits accruing to them from the State Domain. In imposing taxes, the Government shall be guided by the principles of progressive taxation, coupled with the attainment of equality and social justice, provided that taxation shall not exceed the capacity of tax-payers or the State's requirements for funds.

Article 112

(i) The draft law covering the General Budget shall be submitted to the National Assembly for consideration in accordance with the provisions of the Constitution at least one month before the beginning of the financial year.

(ii) Voting in respect of the budget shall take place on each chapter separately.

(iii) No sum falling within the expenditure section of the General Budget may be transferred from one chapter to another except by law.

(iv) The National Assembly, when debating the General Budget draft law or the provisional laws relating thereto, may reduce the expenditures under the various chapters in accordance with what it considers to be in the public interest, but it shall not increase such expenditures either by amendment or by the submission of a separate proposal. However, the Assembly may after the close of the debate propose laws for the creation of new expenditures.

(v) During the debate of the General Budget, no proposal shall be accepted for the abrogation of an existing tax or the creation of a new one or the amendment, whether by increase or reduction, of existing taxes which are prescribed by financial laws in force, and no proposal shall be accepted for amending expenditures or revenues fixed by contract.

(vi) The national revenues and expenditures estimated for each financial year shall be approved by the General Budget Law, provided that said Law may provide for the allocation of any special sums for a period exceeding one year.

Article 113

If it is not possible to enact the General Budget Law prior to the beginning of the new financial year, expenditures shall continue by monthly appropriations at the rate of 1/12th of each month of the previous year's budget.

Article 114

The Council of Ministers may, with the approval of the King, issue regulations for the control of appropriations and expenditures of the public funds and the organisation of Government stores.

Article 115

All receipts from taxes and other sources of Government revenue shall be paid into the Treasury and shall be included in the Government budget save where otherwise provided by law. No part of the funds of the Treasury may be appropriated or expended for any purpose whatever except under the law.

Article 116

The Civil List of the King shall be paid from the General Revenue and shall be fixed in the General Budget Law.

Article 117

Any concession granting a right for the exploitation of mines, minerals or public utilities shall be sanctioned by law.

Article 118

No person shall be exempt from the payment of taxes or duties in circumstances other than those prescribed by law.

Article 119

An Audit Office shall be set up by law for controlling the State's revenues, its expenses and the manner of expenditure:

(i) The Audit Office shall submit to the Chamber of Deputies at the beginning of each ordinary session, or whenever the Chamber demands, a general report embodying its views and comments and indicating any irregularities committed and the responsibility arising therefrom.

(ii) The law shall provide for the immunity of the Head of the Audit Office.

Organic Budget Law No. 58 for the Year 2008

The Organic Budget Law (also called the "Budget Organic Law") creates the institutional structure for the budget system, establishes key processes for developing the budget, and lists several actions that are needed to complete

those processes. The Organic Budget Law is provided for reference in Appendix 4. It replaces the General Budget Organizing Law No. 39 for the Year 1962.

Institutional Structure: The law establishes the General Budget Department (GBD) and assigns it responsibility for preparing the annual General Budget Law, including:

- the overall budget of the country
- the budget of each individual government department or unit
- the manpower tables governing civil service employment.

Actions: The law establishes the following processes that GBD must execute to develop and implement the General Budget Law:

- establish the Budget Calendar (the timeline for developing the annual General Budget Law)
- evaluate performance of government departments and units and develop and improve the programs, subprograms, activities, and projects
- revise funding requests from government departments and units to better achieve the Kingdom's policy objectives and remove unnecessary duplication

- obtain information from government departments and units on program actions (what programs, subprograms, activities, and projects are doing to achieve their goals, and how successful they are)
- establish priorities for government funding, set performance goals, and measure benefits achieved
- review financial records
- monitor and control budget execution by government departments and units, including allocating financial appropriations
- assist in preparation of the medium-term financial framework (MTFF)
- control budget execution

In addition, the law gives GBD responsibility for the following processes that are not directly related to the General Budget Law:

- commenting on legislation with financial implications
- consulting on general financial issues.

GBD's Authority to Request Information on Program Actions

The Organic Budget Law gives GBD the right to obtain information on program actions (what programs, subprograms, activities, and projects are doing to achieve their goals, and how successful they are) for development of the Draft Annual Budget Law. This authority is necessary because the exact content of the budget will change over time, and it is not possible to anticipate all of the possible information that might be required for its development in this law. If budget submittals from government departments and units do not provide sufficient information on which to make sound budget decisions, GBD must obtain supplementary information to support its analysis of options and make recommendations.

GBD's Authority to Control Budget Execution

In practice, this requirement means that after the budget is approved, government departments and units must still obtain GBD approval to make expenditures, or legal commitments to make an expenditure (such as sign a contract that requires the expenditure).

The Organic Budget Law describes the minimum information that must be presented in the Draft Annual Budget Law, including estimates for revenues and expenditures by economic classification, allocations to government departments and units, actual data from the previous year's performance, and overall government-wide financial status and trends for expenditures and revenues. It establishes the Consultative Board, and specifies its membership, to give its "opinion about the dimensions of the General Budget and governmental units' budgets and its compliance with the national priorities" (GOJ, Organic Budget Law, No. 58 for the year 2008).

The Organic Budget Law gives the Ministry of Finance (MOF), in cooperation with GBD, responsibility for preparing the Medium Term Financial Framework (MTFF). The MTFF provides revenue and expenditure targets to be used directly by GBD and indirectly by government departments and units (via the Budget Circular and Final Budget Ceilings) in preparation of the budget. The MTFF is meant to provide overall guidance regarding the total amount of revenues that are likely to be available and the total level of expenditures that the Government of Jordan believes can be sustained given the revenue estimate and the

acceptable national budget deficit. The advantage to developing these targets early in the budget development process is that they provide boundaries around the individual Budget Requests that government departments and units will submit to GBD, making these requests more likely to fit within the budgetary realities. In addition, the fact that the Government must review and approve the revenue and expenditure targets means that the Government will have to make certain basic decisions regarding its fiscal policies for the coming budgetary year earlier in the budget development process.

ROB Concepts in the Organic Budget Law

The Organic Budget Law emphasizes the ROB concept of allocating funds to programs based on the expected benefits of the expenditure and accountability for performance. GBD is tasked with:

- “Allocating the financial appropriations to execute the country’s public policy according to the priorities to achieve the distribution of the development’s benefits and gains on all the Kingdom’s governorates”
- “Follow-up the performance evaluation of the departments and government units’ programs and projects to ensure achievement of the expected results efficiently and effectively to reach their goals.”

Annual Budget Law

The Annual Budget Law, consisting of the General Budget Law for government departments and the Government Units Budget Law for government units, is the law passed by Parliament and ratified by the King that approves the Government of Jordan’s budget for the following budget year. It presents all necessary details and authorities for the budget, including approved revenues, specific appropriations for expenditures, and the approved national budget deficit or surplus and how the budget deficit, if it exists, will be financed. The Annual Budget Law includes detailed requirements or restrictions on budget execution, in the form of “articles” (also known as “provisos). It also includes “key hypotheses and platforms”, which describe and clarify, in both general and specific terms, the policies that are included in the funding allocations for that year. Although the key hypotheses and platforms are not legally binding on their own, they usually explain funding allocations elsewhere in the Annual Budget Law that are legally binding.

The Annual Budget Law may include other specific provisions that affect the State budget, including specific exemptions or conditions that are applied to revenues or expenditures. However, the Annual Budget Law should not be used to make major modifications in tax or other revenue laws, or to create or authorize entirely new government programs. Significant changes such as this should be made through separate new laws, or amendments to existing laws, although they should also be reflected appropriately in the provisions of the Annual Budget Law.

The Annual Budget Law must specifically provide the funds for any expenditure made by the Government of Jordan. Expenditures by government departments and units may be made only in accordance with specific appropriation in the Annual Budget Law. State organizations are precluded from making expenditures, or making a binding commitment to make expenditures in the future, unless an appropriation permitting the expenditure is included in the current Annual Budget Law.

The tables in the Annual Budget Law contain the quantitative details of the Government of Jordan budget, including detailed numbers on revenues, expenditures and the resulting

budget deficit or surplus. The quantitative details contained in the tables of the Annual Budget Law are a component part of that law, and the quantitative and other details contained in the tables carry the same force of law as the text of the Annual Budget Law. For example, an expenditure amount or condition that is contained in a table, but not in the text of the Annual Budget Law is just as binding on the relevant government departments and units as if it were in the text itself.

The General Budget Speech presented by the Minister of Finance to Parliament provides explanation and context for the Annual Budget Law. It contains quantitative and narrative information on the State budget, including the economic assumptions that the budget is based on and descriptions of the Government policies and strategies that the State budget is designed to implement. In particular, the General Budget Speech points out policy changes, and describe new or modified Government programs that are included in the Draft Annual Budget Law. Although the General Budget Speech is not legally binding on its own, it usually explains funding allocations elsewhere in the Annual Budget Law that are legally binding.

The Public Debt Management Law, No. 26 for the year 2001

The Public Debt Management Law describes the management of public debt, including the following:

- Assigns responsibility for debt policy to a Higher Ministerial Committee, chaired by the Minister of Finance, with membership of the Minister of Planning and the Governor of the Central Bank of Jordan. (Article 3)
- Describes the technical process for management of Government of Jordan Securities. (Articles 5-8)
- Requires approval by the Council of Ministers for the Government of Jordan to borrow. (Article 9)
- Authorizes the use of Government borrowing for specific purposes, including financing the budget deficit and funds to deal with disasters and emergencies. (Article 10)
- Requires that the General Budget Law provide sufficient funds for servicing debt obligations. (Article 14)
- Authorizes the Government to provide financial guarantees in cases of national interest, and requires approval by the Council of Ministers. (Article 18)
- Places limits on the amount of public debt:
 - The outstanding domestic public debt may not, at any time, exceed (60%) of Gross Domestic Product at current prices of the latest year for which data is available. (Article 21)
 - The outstanding external public debt may not, at any time, exceed (60%) of Gross Domestic Product at current prices of the latest year for which data is available. (Article 22)
 - The total outstanding public debt may not, at any time, exceed (80%) of Gross Domestic Product at current prices of the latest year for which data is available. (Article 23)

The Civil Service Bylaw, No. 30 for the year 2007

The Civil Service Bylaw governs most aspects of the civil service of the Government of Jordan. Its relevance to the budget process is that it establishes the rules and procedures for changing personnel levels, setting compensation, and other financial aspects of personnel management. Most importantly, the bylaw provides the legal framework for developing the

Manpower Tables. See the description in this chapter of the Social Security Law for information on pensions.

The Social Security Law, No. 19 for the year 2001

The Social Security Law governs pensions and workers' compensation for employees not covered by the civil or military retirement law. New civilian government employees are covered by the Social Security Law, but some who were hired prior to establishment of the government pension program in the Social Security Law have their pensions under the civil retirement law. See the Social Security Corporation for more information: www.ssc.gov.jo.

Laws for Government Units

Each government unit generally has authorizing legislation governing its operations. This legislation describes to what extent the government unit is independent of the standard requirements for government departments and units, and what are the replacement procedures or requirements that apply to the government unit. In addition, government units are subject to the Financial Surplus Law No. 30 of 2007, which establishes rules for transfer of their profits to the Jordanian Treasury.

IV. Budget Classification

Jordan's system of budget classification is described in the Chart of Accounts Manual for the Ministry of Finance (MOF) (USAID Jordan Fiscal Reform II Project, October 2007). Information from the Overview and Chart of Accounts Code Structure chapters are reproduced on the following pages. Please refer to the source document and MOF for comprehensive, updated information. In addition, the general ledger accounts classifications for revenues and expenditures are provided in the GBD Public Revenues Manual (2008) and the GBD Expenditures Manual (2009).

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OVERVIEW

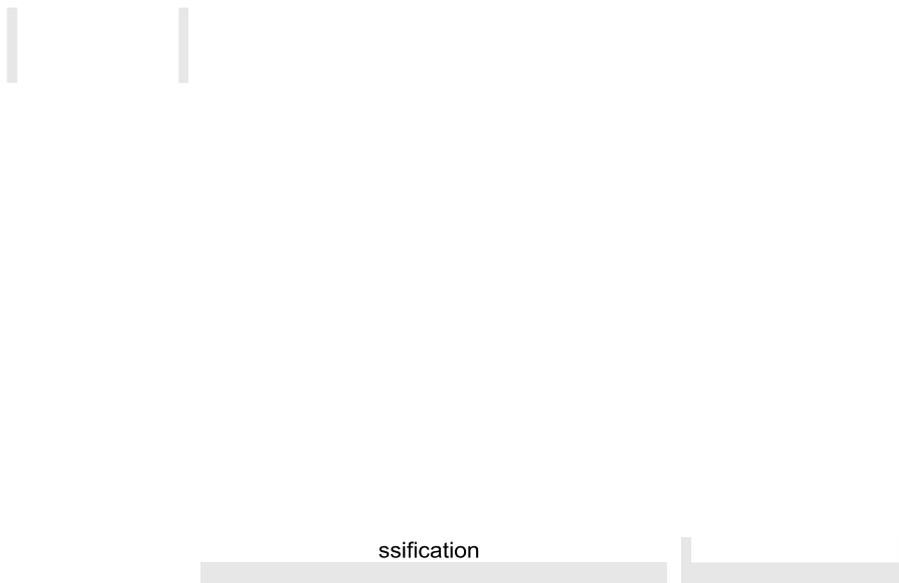
INTRODUCTION

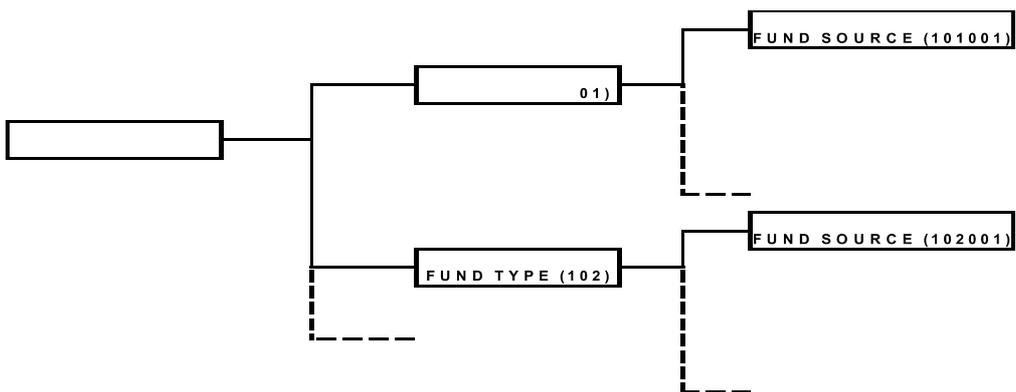
The Chart of Accounts (COA) manual comprises eight sections:

- Overview
- Funding Classification
- Organizational Classification
- Functional Classification
- Program Classification
- Geographical Classification
- General Ledger Accounts Classification
 - Revenue
 - Expenditure
 - Balance Sheet Accounts
- Example of applying the COA segments

CHART OF ACCOUNTS CODE STRUCTURE

The Chart of Accounts code structure consists of six segments as follows:





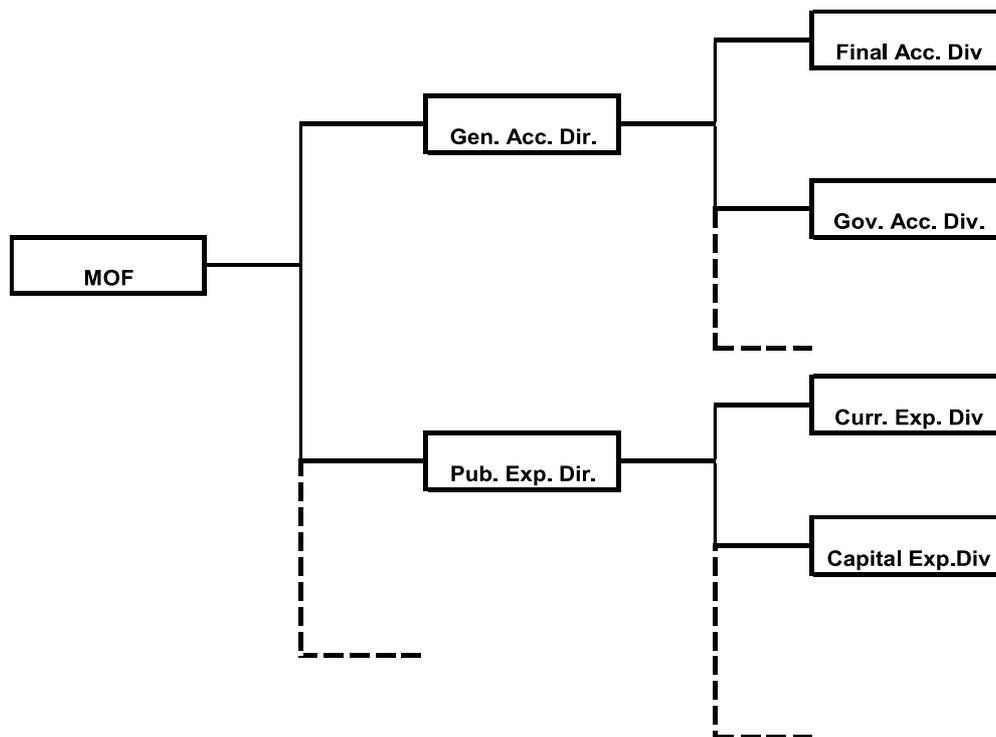
ORGANIZATIONAL CLASSIFICATION

The organizational classification is to identify the government ministries/agencies, departments, directorates and divisions to which financial transactions relate.

It provides the framework for multiple level entities to manage the budget at different levels of various ministries and departments.

The organizational classification structure and roll-up levels are shown below:

- Institution 4 Characters
- Directorate 2 Characters
- Division 3 Characters



Refer to Appendix (B) of the manual for a complete listing of organizational classification.

FUNCTIONAL CLASSIFICATION

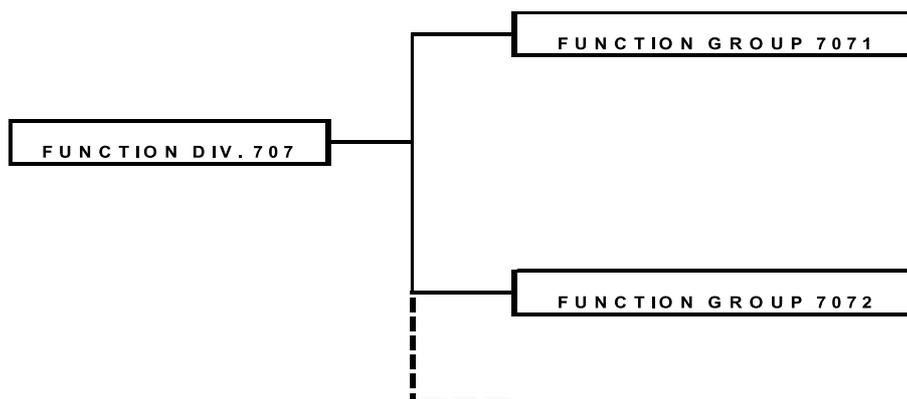
Each expenditure transaction needs to be encoded with appropriate classification to specify the government function related to the expense.

The following ten Government Finance Statistics (GFS) function divisions are applied to classify the functions:

- General Public Services
- Defense
- Public Order and Safety
- Economic Affairs
- Environmental Protection
- Housing and Community Amenities
- Health
- Recreation, Culture and Religion
- Education
- Social Protection

The functional classification structure and roll-up level are shown below:

- Function Division 3 Characters
- Function Group 1 Character



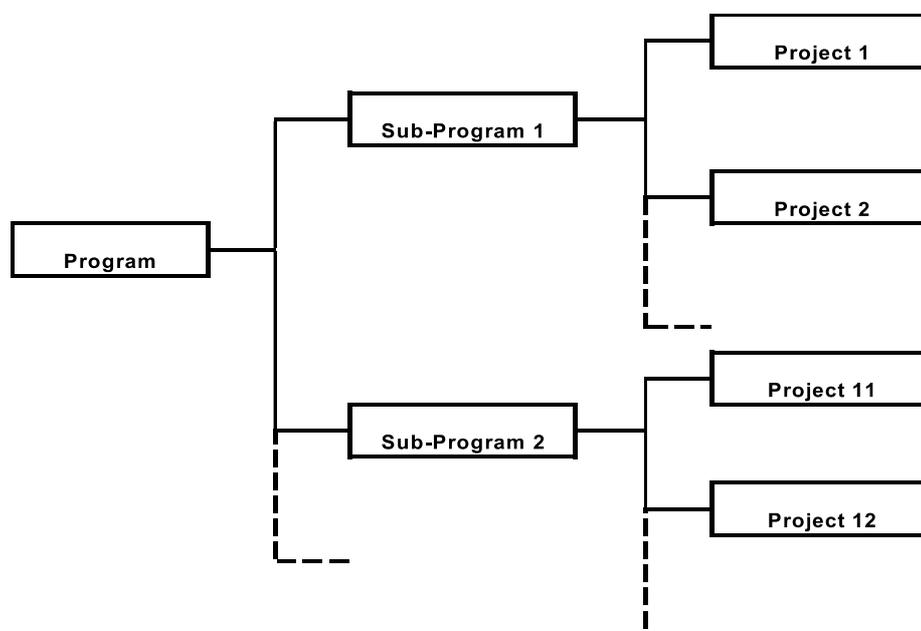
Refer to Appendix (C) of the manual for a complete listing of functional classification.

PROGRAM CLASSIFICATION

The program classification enables the alignment of budget expenditures with the government's policies and priorities and supports Results Oriented Budgeting (ROB).

It provides the following three levels of categorization for refinement of the budget expenditure programs:

- Program 4 Characters
- Sub-program 2 Characters
- Activity/Project 3 Characters



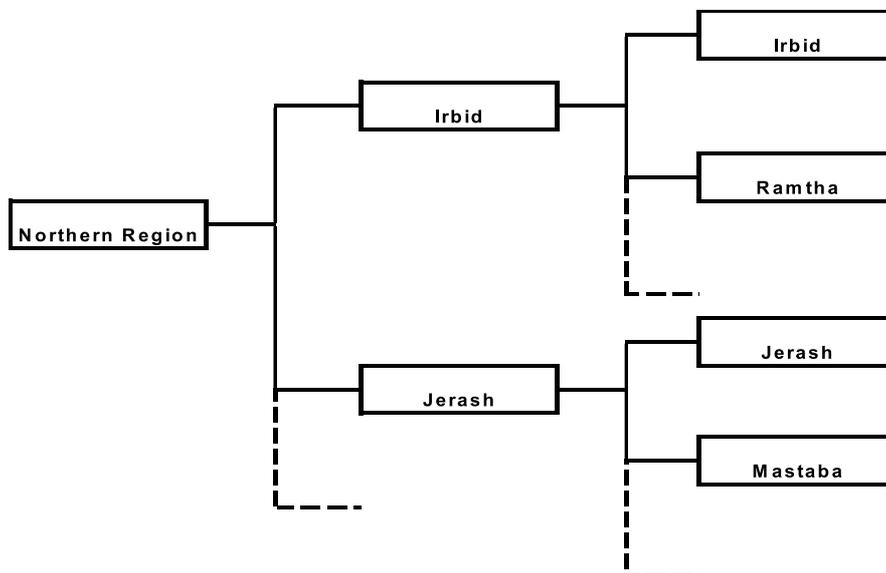
Refer to Appendix (D) of the manual for a complete listing of program classification.

GEOGRAPHICAL CLASSIFICATION

The codes for the geographical classification, by region, governorate, and province, indicate the location where the expense or revenue was incurred.

The geographical classification structure and roll-up levels are shown below:

- Region 1 Character
- Governorate 1 Character
- Province 2 Characters



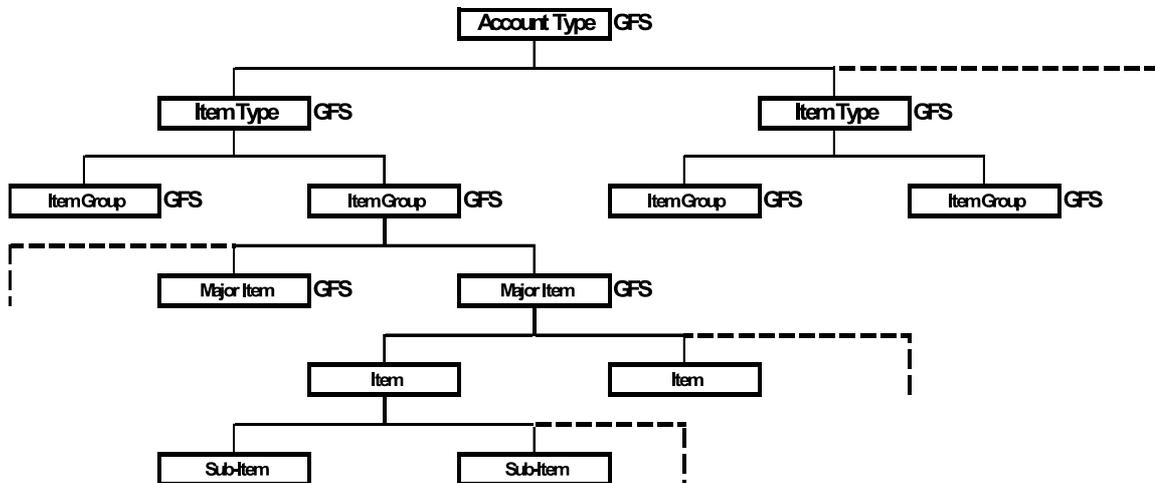
Refer to Appendix (E) of the manual for a complete listing of geographical classification.

GENERAL LEDGER ACCOUNTS CLASSIFICATION

The general ledger accounts classification is used to identify expenditure and revenue transactions according to the type of expenditure undertaken or revenue received. The general ledger accounts are also used to record transactions for balance sheet accounts such as assets (bank accounts, accounts receivable), liabilities (trust accounts, accounts payable) and equity.

The general ledger accounts classification structure and roll-up levels are shown below:

- Account Type 1 Character
- Item type 1 Character
- Item group 1 Character
- Major Item 1 Character
- Item 3 Characters
- Sub-item 3 Characters



Refer to Appendices (F, G, H) of the manual for a complete listing of general ledger accounts revenue, expenditure and balance sheet accounts classification.

EXAMPLES OF APPLYING THE COA SEGMENTS

Examples of how the above segments are combined to identify specific financial transactions (revenue or expenditure or trust) are as follows:

Example 1 – Current Budget - Employee Salary Expenditure of Ministry of Finance (MOF)

COA Segment	COA Code	Description
1. Funding	101001	General Budget Fund Current, Treasury Fund Source
2. Organization	1501 00 000	Ministry of Finance
3. Function	7011	Financial and Fiscal Affairs
4. Program/Project	2205 00 000	General Expenditure
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	2111 101 000	Classified Employee Salaries

The budgetary code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
101001	1501 00 000	7011	2205 00 000	1100	2111 101 000

Example 2 – Current Budget - Expenditure for a computer for General Budget Department

COA Segment	COA Code	Description
1. Funding	101001	General Budget Fund Current, Treasury Fund Source
2. Organization	1502 00 000	General Budget Department
3. Function	7011	Financial and Fiscal Affairs
4. Program/Project	2301 00 000	Admin and Support Services, Current
5. Geographical Location	1100	National Level - Center
6. General Ledger Account	3112 402 000	Machine and Equipment (Current)

The budgetary code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
101001	1502 00 000	7011	2301 00 000	1100	3112 402 000

Example 3 – Capital Budget (Loan) Expenditure for a truck for Ministry of Health project

COA Segment	COA Code	Description
1. Funding	103004	General Budget Fund Capital (Loan), World Bank Loan
2. Organization	2701 00 000	Ministry of Health
3. Function	7074	Public Health Services
4. Program/Project	4610 00 002	Combating Malaria Disease
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	3112 506 011	Vehicle and Heavy Duty Machines – Truck

The budgetary code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
103000	2701 00 000	7074	4610 00 002	1100	3112 506 011

Example 4 – Capital Budget (Grant) Expenditure for Machinery and Equipment – Educational Equipment for Ministry of Education project

COA Segment	COA Code	Description
1. Funding	104001	General Budget Fund Capital (Grant), Various Grant Source
2. Organization	2501 00 000	Ministry of Education
3. Function	7095	Education not defined by level
4. Program/Project	4405 00 001	Program Management
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	3112 505 004	Educational Apparatuses and Equipment

The budgetary code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
104000	2501 00 000	7095	4405 00 001	1100	3112 505 004

Example 5 – Income Tax Revenue collected by Income & Sale Tax Department in Al Zarqa

COA Segment	COA Code	Description
1. Funding	101001	General Budget Fund Current, Treasury Fund Source
2. Organization	1506 23 000	Income & Sale Tax Department, Al Zarqa province
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	3301	Al Zarqa province
6. General Ledger Account	1111 001 000	Tax on Income – Individuals

The budgetary code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
101001	1506 23 000	0000	000 00 000	3301	1111 001 000

Example 6 – Cash Transfer from TSA bank account to Ministry of Foreign Affairs' budget expenditure (recurrent/development) bank account

Debit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1301 00 000	Ministry of Foreign Affairs
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	6212 005 002	Ministry of Foreign Affairs (MOFA)/recurrent & development Bank Account
Amount	Debit	JD 50,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1301 00 000	0000	0000 00 000	1100	6212 005 002

Credit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level - Center
6. General Ledger Account	6212 001 001	TSA Bank Account
Amount	Credit	- JD 50,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 001 001

Example 7 – Cash received in TSA bank account from General Revenue bank account

Debit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level - Center
6. General Ledger Account	6212 001 001	TSA Bank Account
Amount	Debit	JD 100,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 001 001

Credit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	6212 001 002	General Revenue Bank Account
Amount	Credit	- JD 100,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 001 002

Example 8 – Cash Transfer from MOF Trust bank account to MOF consolidated bank account

Debit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	6212 010 038	MOF Consolidated Bank Account
Amount	Debit	JD 10,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 010 038

Credit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	6212 015 095	MOF Trust Bank Account
Amount	Credit	- JD 10,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 015 095

Example 9 – Receipt in MOF Trust bank account for MOF 5% Trust

Debit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program/Project	0000 00 000	
5. Geographical Location	1100	National Level – Center
6. General Ledger Account	6212 015 095	MOF Trust Bank Account
Amount	Debit	JD 20,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6212 015 095

Credit

COA Segment	COA Code	Description
1. Funding	000000	
2. Organization	1501 00 000	Ministry of Finance
3. Function	0000	
4. Program	0000 00 000	
5. Location	1100	National Level – Center
6. General Ledger Account	6312 005 002	5% Trust Account
Amount	Credit	- JD 20,000

The code to identify the above transaction would appear in the financial accounting records as:

Funding	Organization	Function	Program/Project	Location	General Ledger
000000	1501 00 000	0000	0000 00 000	1100	6312 005 002

V. Organizational Responsibilities

Primary management responsibilities with respect to the budget are established in the Organic Budget Law No. 58 for the year 2008 and in the articles of the Annual Budget Law. The full text of the Organic Budget Law is found in Appendix 4.

This chapter summarizes the responsibilities of each of the main participants in the budget process. Some of the entries in this discussion of organizational responsibilities are based on information in the Republic of Moldova's "Budget Handbook" (OTA, 1997), the Sri Lanka Budget and Advance Accounting Guidelines (OTA, 2004), and the OECD reference book "Managing Public Expenditure" (OECD, 2001).

Audit Bureau: The Audit Bureau is responsible for ensuring that planning, budgeting, and the use of public resources conform to the laws of Jordan and pursue the objectives defined by Parliament and the Executive Branch. The Audit Bureau sits on the Consultative Board. It also conducts performance audits.

Cabinet: See Council of Ministers.

Central Bank of Jordan: The Central Bank of Jordan sits on the Consultative Board. It provides data used in preparation of the Medium Term Financial Framework.

Civil Service Bureau: The Civil Service Bureau sits on the Manpower Steering Committee, the Manpower Technical Committee, and the Consultative Board.

Consultative Board: The Consultative Board reviews and comments the Draft Annual Budget Law and its compliance with national priorities, before it is submitted to the Council of Ministers. It is made up of representatives (usually the Minister and/or the Secretary General) from: MOF, GBD, Ministry of Industry and Trade, Audit Bureau, Civil Service Bureau, Ministry of Planning and International Cooperation, and the Central Bank of Jordan.

Council of Ministers: The Council of Ministers is the key decision-making body in the Government of Jordan. It is responsible for reviewing, revising, and approving the Budget Policies and Priorities Paper, Budget Circular, Final Budget Ceilings, and the Draft Annual Budget Law, taking into consideration the recommendation of MOF. The Council of Ministers is also known as the Cabinet.

General Budget Department: The General Budget Department (GBD) is responsible – under the supervision of MOF – for managing all processes related to allocation of resources and the formulation, management, and monitoring of the Annual Budget Law, including personnel budgeting (Manpower Tables). GBD prepares job formation schedules for the government departments and units with coordination with the Civil Service Bureau and the competent authorities in accordance with the effective laws and regulations. GBD allocates the financial appropriations to execute the country's public policy according to priorities, in order to achieve the distribution of development benefits and gains on all governorates. GBD prepares a detailed statement of necessary steps to approve the General Budget Law and the Government Units Budget Law. GBD monitors and evaluations the performance of the government departments and units' programs, subprograms, projects, and activities to ensure achievement of the expected results efficiently and effectively. GBD provides opinions about draft legislation that has financial implications. GBD

provides financial consultation to government departments and units in financial matters and any other issues related to their tasks. GBD provides recommendations on the final financial statements related to all government units to the Council of Ministers before their approval. GBD sits on the Consultative Board.

Government departments and units: Government departments and units are authorized to commit budget resources and to expend funds within the limits of the approved budget, financial order, and liability document.

Government departments and units are charged with formulation and timely submission of annual budget requests and justification prepared in accordance with the requirements of the Budget Circular. Government departments and units have the technical capacities and information needed to make effective trade-offs among ongoing programs and appraise new policies and programs. Government departments and units have the right to appeal the budget decisions of MOF to the Council of Ministers. Government departments and units are not permitted to submit budget requests directly to Parliament.

Government departments and units administer programs in accordance with delegated budgets authority and approved budgets. Government departments and units are accountable for operational efficiency in public service delivery and must develop actions for improving it. Government departments and units are responsible for the establishment of effective systems of planning and control, including the hire and training of professionally competent budget and financial management officers and staff. Accounting systems meeting the standards set by MOF must provide a strict accounting of revenue, expenditures, assets, liabilities, and fund balances.

Government departments and units are responsible for closely monitoring all programs provided for in the budget, to assess the efficiency and effectiveness of program implementation. The results of these assessments should be reported to GBD in annual performance reports. Those reports will assist in determining their future expenditure and personnel requirements.

Government departments and units prepare and issue operating budgets to subordinate units in accordance with the Annual Budget Law. Government departments and units are responsible for restricting contractual commitments and expenditures in accordance with any and all legal provisions of the Annual Budget Law. After government departments and units obtain authorization to commit resources, budget managers of spending units covered by the operating budget have the right to administer programs, subprograms, activities, and projects in accordance with approved budgets.

Government departments and units have representatives on the Sectoral Committee, the Manpower Steering Committee, and the Manpower Technical Committee. See also “government units” below and in Chapter I.I Glossary and “government departments” in Chapter I.I Glossary.

Government units: Government units have the same role in the budget process as government departments, except as modified by their specific authorizing legislation. Budget information for the government units is presented in the Government Units Budget Law. See also “government departments and units” in this chapter, and “government units” in Chapter I.I Glossary.

Governorates: The governorates submit requests to government departments and units for capital projects, and are responsible for coordinating implementation of approved projects.

King Abdullah Center for Excellence: The King Abdullah Center for Excellence (KACE) reviews institutional performance. It focuses on a set of specific criteria – leadership, process, knowledge and human resources, and financial management.

Legislation and Opinion Bureau: The Legislation and Opinion Bureau sits on the Manpower Steering Committee.

Manpower Steering Committee: The Manpower Steering Committee reviews, revises, and approves government department and unit Manpower Tables. The committee submits its approval in the form of a Manpower Table Plan, which summarizes information that will appear in the final tables, with an emphasis on changes from the previous year's table. The committee is made up of representatives (the Minister, President, Director General, or the Secretary General) from: GBD, the Civil Service Bureau, the Ministry of Public Sector Development, Legislation and Opinion Bureau, and the government department or unit whose Manpower Table is being discussed.

The Manpower Steering Committee receives advice in the form of a report from the Manpower Technical Committees, which are made up of personnel specialists from GBD, the Civil Service Bureau, and the government department or unit whose Manpower Table is being discussed, as well as the GBD analyst responsible for the government department or unit.

Ministry of Finance: The Ministry of Finance (MOF) is responsible for the custody and management of all public money. MOF supervises all processes related to allocation of resources and the formulation, management, and monitoring. MOF leads the Sectoral Committees and the Consultative Board. MOF presents the General Budget Speech to Parliament explaining the Executive Branch's Draft Annual Budget Law. MOF has primary responsibility for deciding capital expenditure budget ceilings.

Within MOF, the Studies and Economic Policies Department (SEPD) is responsible for the preparation of the Medium Term Financial Framework (MTFF), including revenue estimates of the government. SEPD lays down the guidelines for estimating, collecting, monitoring, and reporting revenue.

Ministry of Industry and Trade: The Ministry of Industry and Trade sits on the Consultative Board.

Ministry of Planning and International Cooperation: The Ministry of Planning and International Cooperation (MOPIC) participates in the selection of capital projects as a member of the Sectoral Committees. MOPIC creates a Technical Committee that prepares a technical review and prioritization of capital projects, based on goals in national strategic documents, to assist the Sectoral Committees. MOPIC also sits on the Civil Service Bureau. The Monitoring and Evaluation Department measures the performance and impact of socio-economic development initiatives called for in the National Executive Development Program.

Ministry of Public Sector Development: The Ministry of Public Sector Development (MOPSD) sits on the Manpower Steering Committee. It also assists government departments and units in conducting performance measurement and evaluation.

Parliament: Parliament reviews, revises, and approves the Draft Annual Budget Law, in the House of Representatives and the Senate. The Government of Jordan is required annually by Article 112 of the Constitution to prepare the Draft Annual Budget Law for review and

approval by Parliament. The Parliament may make reductions in spending, but may not make any increases. Under Article 31 of the Constitution the King must ratify the Budget Law.

The Parliament Budget Office provides technical assistance to the Finance Committees in the House of Representatives and the Senate, which are responsible for initial review of the Draft Annual Budget Law.

Prime Ministry: The Prime Minister chairs the Council of Ministers. The Prime Minister determines the composition of Sectoral Committees and their role.

The Delivery Unit is responsible for monitoring the progress of all projects managed across government and ensuring they reflect the goals of the National Implementation Plan.

The Government Performance Administration's principal role is to monitor progress in achieving the goals of the National Agenda. It also works with government departments and units to develop streamlined, measurable, and results-oriented strategic plans, action plans, and performance indicators to ensure compliance with the National Agenda.

Royal Court: The Royal Court issues royal initiatives, which guide the development of government policy. The King ratifies the Annual Budget Law.

Sectoral Committees: The Sectoral Committees are headed by the Minister of Finance and advise the Council of Ministers in setting Final Budget Ceilings for capital expenditures. The Prime Minister determines the composition of these committees and their role. The Sectoral Committees may include representatives (usually the Minister and/or the Secretary General) from: MOF, the government department or unit whose budget ceiling is being discussed, the Council of Ministers, the Ministry of Planning and International Cooperation, and the Ministry of Public Sector Development.

VI. Analytic Methods

All budget analysts – whether in GBD or elsewhere in the Government – should strive to develop a budget that, in the words of the GBD mission statement, provides “the best allocation of available financial resources” in order “to realize national objectives and priorities”. Furthermore, the Organic Budget Law says that GBD has responsibility for “allocating the financial appropriations to execute the country’s public policy according to the priorities to achieve the distribution of development benefits and gains on all the Kingdom’s governorates” (see Appendix 4 Organic Budget Law). GBD has identified results-oriented budgeting (ROB) as the budget process that it will use, together with the government departments and units, to achieve the best allocation of resources. ROB improves the government planning process, provides a framework and information for assessing which programs are working and why, holds managers accountable for achieving results, and helps communicate program achievements to management and people outside the program.

The program is the primary unit of analysis for ROB in this manual, but the analytic techniques described here should also be applied to subprograms, activities, and projects.

The benefits of ROB rely on the ability to analyze budget and performance information, identify and obtain the data needed, and draw conclusions and make recommendations. There are no formulas or simple procedures for budget analysis. Instead, there are analytic methods, key questions and topics to be addressed, techniques for identifying the best programs and improving all programs. Often, it takes time, possibly more than one budget cycle to develop quality ROB analysis. But through sustained application of ROB analytic techniques, budget analysts can gain a better understanding of the budget policy and promote more efficient ways of achieving the government’s policy objectives.

Analysis of budget policy and strategic level resource allocation issues should guide resource allocation priorities and set government department and unit budget ceilings. A strong analytic basis for budget recommendations helps senior officials “assess the extent to which public spending proposals are consistent with strategic policy and public expenditure priorities and represent an effective use of available resources” (IMF/WB, 2009).

This chapter lays out analytic methods in as standard and straightforward a way as possible. The budget analyst should follow the analytic approaches described here when making budget recommendations, for both preparing and reviewing proposals. The methods should be used not only for arriving at conclusions, but also for documenting and defending the analysis that led to those conclusions, in a transparent and logical manner. Senior analysts should provide training and mentoring to junior analysts on practical application of budget analysis to programs. Managers of budget processes should require that their staff document decisions using these analytic methods. Through rigorous use of these methods, Jordan can achieve the benefits of ROB.

GBD’s strategic objective of “keeping abreast of the best modern international practices in budget management” calls for professional capacities to reinforce the implementation of ROB and the numerous opportunities it presents for analysis to support budget decision-making. In addition to traditional accounting and financial analysis, GBD’s results-oriented future will increasingly require a wider range of analytic approaches to support decision-making. (USAID Jordan Fiscal Reform II Project, November 2010)

The analytic methods described here follow a sequential progression in analyzing programs and developing budget recommendations:

1. Figure out what the government role should be in the work that the program does. There is some work that is better left to the private sector, run by the government with private sector involvement, or at least funded through user fees for services received. See Chapter VI.1 Justifying Action.
2. Set objectives for what the program should accomplish. The objectives should take into consideration past performance, opportunities for improvement, and the proposed funding allocation for the program. See Chapter VI.2 Setting Objectives.
3. Look at the budget that has been allocated in the past, and evaluate the performance achieved with that funding. See Chapter VI.3 Evaluating Performance.
4. Consider options for improving the program's performance. See Chapter VI.4 Comparing Alternatives.
5. Taking into consideration all the information and analysis developed in the first four steps, recommend funding levels, with options for increasing or decreasing funding. See Chapter VI.5 Setting Funding Levels.

This set of steps to analysis is a broadly applicable approach, but there are many variations that can work in different situations. An example analysis of a single issue, which could support a funding recommendation, is provided in Appendix 5 Sample Issue Paper.

I. Justifying Action

Selecting the Right Products, Services, and Actions

- People only pay for the business products that they find useful. This helps the private sector decide which things to produce.
- Budget analysts make funding recommendations so that government produces the most useful services and supports the most useful and effective actions and work in its programs.

The job of a budget analyst in recommending which government work to fund takes the place of market forces in guiding private sector production. In the private sector, companies decide what to produce based on a comparison of market forces: the cost of supply versus the revenues generated by consumer demand. Consumers only spend money on the products they find useful and cost-effective. In the Government of Jordan, although the people of Jordan are the consumers, the people don't directly get to decide how much of each Government service should be produced. It is the allocation of resources through the budget process that decides which Government programs should produce how much of each service. The budget analyst must act on behalf of Jordanians to recommend the best allocation of Government resources and how to use those allocated resources most efficiently, so that the Government provides the greatest benefit from its use of taxpayer funds.

This analysis should be used to guide budget development and budget review, in government departments and units, GBD, and other budgetary and planning government departments, as well as for ongoing internal management at government departments and units. The specific budget process and the responsibility for analyzing and recommending which government work to fund are described in Chapter VIII.3.c Budget Policies and Priorities Paper and in Chapter IX Budget Process – Preparation in the sections on the

Government Department and Unit Budget Requests, the GBD Funding Proposal, the Government Department and Unit Annual Budget Law Proposals, and the GBD Draft Annual Budget Law Proposal.

This discussion of whether government action is justified in a certain role or area of work is the first step to deciding funding allocations, but not the only step. This first step helps us understand how important it is for government to be doing this work and thus prioritize between government programs, subprograms, activities, and projects competing for limited resources. In addition to analyzing the government role, budget analysts also need to understand how effective the government is at performing its job. If a program is doing important work effectively, then it should be funded well. However, if it is working on an important task, but not making the progress it should, then it is possible that funding should be reduced or eliminated, at least until progress improves. How to analyze whether government is doing this work well is discussed in Chapter VI.3 Evaluating Performance.

Government action is an intervention in the market and can incur costs and create economic distortions. These distortions must be taken into account to determine whether action is warranted. For example, a regulation may be successful in addressing a particular market failure, but might also involve other costs that mean that overall it is not worthwhile. (United Kingdom Treasury, 2003)

Checklist: Program Prioritization Through Analysis of the Justification for Government Action

In order to *analyze* whether a government program (or subprogram, activity, or project) is justified and *prioritize* it in comparison to alternative uses of government funding, budget analysts should answer each of the following questions:

1. What are the **objectives** of the program?
2. What is the **reason** for the government action?
3. To what group of people, and on the basis of what criteria, are the program benefits **distributed**?
4. Are there better ways to achieve the program objective (**alternatives**)?
5. What is the proper **role of government** versus the private sector in providing the service?
6. Are there better uses for these resources (**funding priority**)?
7. What **actions** should GBD and the government department or unit take based on the analysis?

The following discussion explains each of these questions and how to answer it.

Template for Analysts:

Appendix I.a provides a sample template, “Analysis of Program Function and Funding Priority”, that budget analysts can fill out and provide to their management as backup documentation to explain their funding recommendations (within government departments and units, in requests provided by government departments and units to GBD, within GBD, etc.).

- This analysis can be very helpful not only in developing and reviewing proposals, but also in communicating and justifying proposals to other people (e.g., a government department or unit to GBD).

- Even if this template is not used as a required form during the budget review process, analysts should incorporate the answers to these questions in whatever justifications they provide for their funding recommendations.

1. *What are the **objectives** of the program?* In evaluating how much funding to recommend for a program (or subprogram, activity, or project), the budget analyst must be very clear about the specific objectives that the program is helping achieve. In most cases, the objectives that the analyst identifies should be derived from existing strategic planning documents, not new objectives that the analyst creates. The analyst is supposed to decide how to make the best use of funding to achieve policy objectives that have already been established by senior officials. Ideally, the program should be supporting objectives listed in the National Agenda, the National Executive Development Program, the Government Implementation Plan, the previous year's General Budget Speech, the government action program submitted by the Prime Minister to Parliament, a royal initiative, or other national-level strategic document. Even if the results of certain work cannot be counted towards achieving the objectives of a national-level document, the budget analyst should in any case be able to identify the objectives noted in the Budget Law, the strategic plan, or other government department and unit-level document that the program's work supports most directly. The analyst should identify objectives at the national, government department and unit, and program level that the work supports to get a full understanding of what needs to be achieved. See Chapter VI.2 Setting Objectives for additional information on how to select objectives, as opposed this section's treatment of evaluating to what extent a program supports existing objectives.

For example, programs at the Ministry of Agriculture support a number of objectives identified in national and government department and unit-level planning documents including the following:

- From the National Agenda:
 - Direct production toward high-yield revenue crops (economic growth).
 - Optimize water-use efficiency.
- From the Annual Budget Law:
 - Promote rural development.
 - Combat poverty and unemployment.

If the program objectives are not clear, or not clearly linked to the program work (tasks, processes, actions), the analyst may need to work with the program to develop relevant objectives. If appropriate objectives cannot be identified, the program's work – and funding – may not be justified.

Once the objectives are identified, the remaining questions determine how important that objective is, and whether there are better ways of achieving it.

2. *What is the **reason** for the government action?* In general, government should not do the work that the private sector can do on its own. There are two main justifications for government action:

- **Market failure:** The private sector has not and cannot be expected to deliver an efficient outcome.
- **Equity:** Society has determined that certain groups deserve more resources than they would receive without government intervention.

It is important for the budget analyst to be clear about why government needs to do this work, and why the private sector can't do it. Just because the work is beneficial, doesn't mean that government needs to be the one to do it. Furthermore, in evaluating programs and how well they achieve their objectives, it is helpful to know why we need to be doing this work. The design of a program and how we judge its success or failure is very different depending on whether it is trying to achieve a more economically efficient outcome than the market can provide on its own, or it is trying to help disadvantaged people.

For example, the government provides education because of market failure. Absent free, public education, not enough people would get enough education to achieve the economic growth and development that the country needs. In addition, the benefits of education are achieved over the lifetime of the student, and it may be difficult for a student to find someone willing to lend them money to pay for education, when the return on the investment takes such a long time.

As a different example, if the government subsidizes a petrol station in a rural area, it is not trying to achieve an economically efficient outcome (i.e., there is no market failure), but it may be justified to provide the ingredients needed to create job opportunities for people in rural areas (i.e., equity). The subsidy may be judged not on whether it is paid back directly through economic growth, but on how many jobs it enables indirectly through the local economy.

Now consider a subprogram that subsidizes water efficient plumbing fixtures. If the objective is to reduce domestic water use, then the subprogram should be compared against the cost-effectiveness of other ways of improving water efficiency (e.g., enforcing building codes). If the subprogram is only available to low-income people, then the objective may be poverty reduction, and it may be more appropriate to judge the program in comparison to other poverty-reduction programs.

3. *To what group of people, and on the basis of what criteria, are the program benefits distributed?* The concept of distribution of benefits is complicated, but often the most essential in evaluating government work. There are many good things that government could do, all of which have legitimate objectives and reasons, and yet there is not enough money to support all the work. In this case, the budget analyst can make and justify difficult funding decisions based on whether the program is designed in a way that distributes benefits fairly.

Checklist: How to Analyze Distribution of Benefits in a Program

Budget analysts at government department and unit budget or finance offices and at GBD should ask managers to provide written documentation describing the criteria for how government programs determine the distribution of benefits. Funding should be prioritized for programs that have better systems for selecting service recipients.

1. Better:

- To everyone who meets certain requirements (all qualified).
- To individuals or groups selected according to a prioritized list.
- To people who don't participate directly in the program.

2. Worse:

- To arbitrarily selected groups of people who receive a communal benefit.

3. Worst:

- To arbitrarily selected individuals who receive an individual benefit.

Although some government services benefit all citizens (e.g., the weather service), most government services only benefit a limited number of people. How does the program decide who will receive the services? Government funds are not the gift of a rich person to the charity of his or her choice. Instead, they are taxpayer money to be used for the benefit of the country as a whole. To be fair, government should provide similar benefits to people who are in similar circumstances.

Better Distribution of Benefits

Everyone who meets certain requirements (all qualified). The better way to allocate benefits is to make the government service available to everyone who meets clearly defined eligibility criteria. If a program offers job training to unemployed people, then everyone who is unemployed should be eligible to participate. Often, government does not have sufficient funds to provide its service to all citizens. In this case, the criteria could be narrowed to reduce the number of people eligible, but only if the additional requirements for qualifying are clear and justified by policy.

- For example, if the government does not have enough money to provide university scholarships for all high school graduates, it could limit the scholarships to students whose parents have income below a certain level.

Individuals or groups selected according to a prioritized list. Sometimes, the government can't predict how many people will qualify for and request the service, which means the government doesn't know how much it will cost to provide the service. If budget certainty is needed to ensure that the program cost doesn't exceed a certain level, government can use a transparent prioritization system and provide the service only to the most eligible recipients up to a fixed funding ceiling. Here are a few examples:

- Government can award scholarships to the students with the best scores on their high school graduation examinations, up to the number of scholarships for which funding is available.
- Government can build only the highways that will provide the biggest reduction in travel time for the greatest number of travelers, at the least cost per annual savings in passenger travel time.
- Government can establish an application process with clear selection criteria, and have the applications judged by an independent committee.

People who don't participate directly in the program. In some cases, government provides a benefit directly to one group of people, which also helps another group indirectly. The private sector may not be interested in providing this service because it can only receive the payment from the direct recipients of the service and cannot force the indirect recipients of benefits to pay for what they receive.

- A good example of this situation is vaccinations. If most children receive a vaccination, the risk of an epidemic is lower, but the children who did not receive the vaccination also benefit. Since the majority of people around the unvaccinated children are immune, the unvaccinated children have a lower risk of being exposed to the disease, and thus a lower risk of contracting the disease.
- Another example of indirect benefits is education. When a student is educated, it benefits the student directly. However, it also benefits employers indirectly, because they can hire more qualified employees who are better able to perform skilled tasks for the company.

What Is an “Arbitrary” Selection of Beneficiaries?

An arbitrary selection of beneficiaries is when government officials make decisions about allocation of benefits based on their own private consideration. It is contrast to a transparent process for selecting service recipients based on clear, publicly available criteria, where everyone has a fair chance in the competition. If government officials make decisions without an open, transparent, public process, then there is a strong possibility that they will make the decision that is best for them personally and not best for Jordan as a whole. In this case, the government official could award a contract to build a school, or decide the site for a new hospital, based on family or personal connections, business favors, or bribes. Budget analysts should encourage programs to use open, competitive selection processes, rather than arbitrary selection processes. Programs that use arbitrary selection processes should have lower priority for funding.

Arbitrarily selected groups of people who receive a communal benefit. Although programs that have arbitrary processes for selecting beneficiaries (see definition of “arbitrary” in box above) should have a low priority for receiving funding, there are conditions that allow budget analysts to prioritize between these programs. Programs that provide a service or benefit communally, where one activity or project benefits many people, are generally more appropriate than programs that provide separate services to one recipient at a time. The reason is that a group of people may have a hard time getting together to decide on how to design the activity or project, and how to share the costs and benefits. Here are two examples of projects with communal benefits. In any case, it would be better for the government department or unit to have public criteria for choosing activities and projects, based on cost-benefit analysis and other appropriate factors.

- A project to build a reservoir that will provide irrigation water to a large group of farmers. The farmers might not be able to agree how much each of them should pay for the reservoir, and so on their own they would not raise the funds to pay for the project. Government can step in and build the reservoir with input from the farmers, which then provides a communal benefit to all the farmers in the area, and charge a fee for the use of the irrigation water to recover the cost of the investment.
- A project to build a road to a rural area. Different villages – and even individuals within each village – might not agree on the route for a road, which villages it should go through, and which it should not go through. It might also be hard to agree on how much each village – and each individual within a village – should pay for the road, based on size, wealth, proximity to the road, economic need for the road, etc. Government can select a route based on the communal benefit to the region, with input from the villages.

Arbitrarily selected individuals who receive an individual benefit. The least justified distribution of benefits is when government provides a service to an individual beneficiary without fair, transparent criteria. Providing individual benefits is less justified than providing communal benefits because the individual could easily purchase the service directly for their own benefit. There is no challenge that government needs to overcome in getting agreement on structuring the service or sharing the cost.

- A project to provide subsidized solar water heaters to a limited number of people. In this case, the policy is to reduce dependence on foreign sources of energy, so the

benefit is derived from each participant. Why should certain people receive the individual benefit (i.e., the subsidy), but not everyone who wants it? If there is not enough money to provide the benefit to everyone, then the value of the subsidy should be reduced, perhaps by providing a tax credit to producers and importers, who will pass the savings on to the consumer.

- A project to introduce hybrid cars to the market by providing a subsidy to a limited number of dealers. In this case, the policy is to boost initial sales and introduce a new technology, so people see its value and realize it is not risky. Everyone should have the opportunity to be one of the subsidized early adopters if they buy a hybrid car during initial production. When introducing a new technology, such as hybrid cars, a subsidy can be provided for a limited number of units (either to the dealer or directly to the consumer), after which the subsidy is phased out.

4. Are there better ways to achieve the program objective (**alternatives**)? Once it is clear what the program objectives are, the analyst should identify alternative ways of achieving the objectives, compare the costs and the benefits of the alternatives, and recommend which are the best ways to achieve the objectives.

Checklist: Alternatives to Consider

The analyst should consider alternatives to the program that are:

- other existing government programs
- new or modified government programs
- private sector efforts (i.e., what would happen in the absence of a government program?)

The analyst should identify the objectives at the national, government department and unit, and program level that are supported by the program. The analyst should then identify alternative ways for achieving the objectives at each different level. For example, a subprogram to build rural high schools might have as objectives an increase in the number of rural students enrolled in high school, improvement in rural education levels, and increased economic opportunity in rural areas. The high school construction subprogram could be compared against government initiatives to provide more school buses, increase the number of teachers in existing schools, expand vocational education programs, and provide tax incentives for companies to open manufacturing facilities in rural areas, all of which help achieve some of the objectives at different levels. Which programs, subprograms, activities, or projects are most effective at achieving their shared or related objectives?

The most important step is for the analyst to identify alternatives. Ideally, a formal, quantitative comparison of costs and benefits would follow. But even an informal, qualitative evaluation of alternatives can be valuable. The basic idea that programs are competing against each other and that the most effective programs will be rewarded with greater funding gives all programs an incentive to improve performance. The budget analyst can also ask government departments and units to compare the costs and benefits of different alternatives within their government department or unit, and the information can be used to compare with alternatives from other government departments and units.

The budget analyst should explain in their written documentation of budget recommendations what the alternatives are for achieving a program's objectives and why they propose a certain portfolio of funding allocations. It is reasonable to fund more than

one program to support a shared objective, but the analyst needs to show that they have considered the relative strengths and explain why each program provides valuable progress towards an objective. If one program is significantly less efficient than other alternatives, it may be appropriate to terminate it, reduce funding, or require it to improve performance within a certain time period to prevent funding cuts.

For example, perhaps the Ministry of Education identifies a problem: children in rural areas are not getting a good education. The policy is to provide better educational services in rural areas. The objective is to increase the percent of children in rural areas who graduate from elementary school. The Ministry determines that one of the reasons rural children don't get as good an education as urban children is that it is harder for rural children to get to school. The Ministry sets as a program objective to increase the percentage of children in rural areas who are less than 30 minutes away from a school. One alternative is to build more schools in underserved areas so students are closer to their schools. Another alternative is to provide more school buses in rural areas so that children don't have to walk, and can get to school faster. Budget analysts can compare the costs and the benefits of both alternatives.

5. What is the proper **role of government** versus the private sector in providing the service?

Checklist: How to Determine the Role of Government

The appropriate role of government versus the private sector depends in large part on the private sector market for the service (or product) being produced. The analyst should determine the answer to two questions:

- Is the service produced more efficiently in the market than by government?
- Is there appropriate supply and demand in the market?

In evaluating whether a program (or subprogram, activity, or project) is justified, the analyst should use the answers to those two questions to determine the proper role of government in providing the service (some of these roles can be combined):

- Continue government implementation of the program.
- Continue to fund the program, but contract the private sector to implement it.
- Reduce, phase out, or eliminate the program.
- Fund the program through fees.

Determining the proper role of government versus the private sector in providing services is very subjective. That is one of the reasons why we have a multiplicity of ideas in politics, and why we have such widely different political ideologies. The role of government in China, where the state controls and influences much of nation's work is very different from the role of government in the United States. In some countries, the state provides health care to all citizens, and in other countries the private sector provides health care. The degree of government regulatory control varies greatly as well. In some countries the state has tight environmental controls, requiring permits to cut down trees, and in other countries there is much less environmental control, with businesses needing few permits to manipulate the environment or discharge waste. Even within a country's government, budget offices and government departments and units often disagree over what government should be doing.

As a prerequisite to analyzing whether a program has a legitimate role, an analyst should ensure that there is clear legal authority for the program, generally found in the government

department or unit’s authorizing statute. The program’s work should be consistent with the government department or unit roles described in the authorizing statute.

The following description of how to analyze the proper role of government versus the private sector is not intended to lead everyone to come to the same conclusion on every issue. Rather, the important conclusion is that budget analysts must consider what is the proper role of government for doing the work and achieving the goals in their portfolios, and include an analysis of this issue as an integral justification for their budget recommendations. Whether there is agreement or disagreement on government’s role, the analysis and discussion will lead to improvement in the funding allocation for and structure of government programs.

The first question to ask is whether the service is produced more efficiently or effectively in the market than by government. In general, the private sector provides services more efficiently than government, which is why the private sector is a larger percentage of economic production (e.g., as measured by Gross Domestic Product or GDP) than the public sector. If a product can be clearly specified in procurement documents and the quality judged by the service recipient, then the private sector is probably capable of providing service more efficiently than the government. However, if it is difficult for the service recipient to judge the quality of the service, or if a private sector service would be prone to bribery or corruption, then the private sector may not do the job as efficiently or effectively as government. Furthermore, if the public sector does not have the skills or resources to conduct or manage certain work (tasks, processes, actions), the private sector may be more effective at performing it.

The second question to ask is whether there is appropriate supply and demand in the private sector market for the service. Another way of asking the question is, are there appropriate incentives for the private sector to do the job efficiently? If there are natural monopolies (e.g., piped water supply is a natural monopoly because it is much more cost-efficient to only have one water pipe supplying a street than several), then the market is unlikely to provide the proper supply and demand. In addition, if the benefits accrue to people other than the service recipient, or if the benefits accrue over a longer time horizon than the banks are willing to wait for loan repayment, then the government has a role in providing the service.

These two questions, each with a yes or no answer, give four possible combinations of responses. For each of the outcomes, there is a different role for government in providing the service. As mentioned above, this analysis is subjective, and not everyone will agree with the guidance. Furthermore, there can be some overlap in the cases, particularly with funding through fees (discussed in more detail below). But the budget analyst must consider these issues and use their responses to the questions and resulting analysis to justify their funding recommendations. Table 5 summarizes how answers to the questions guide the resulting appropriate government role. After the table, there is a discussion of each of the four cases.

Table 5: Guidelines for Selecting Policy Change

	Is There Appropriate Supply and Demand in the Market?	
	Yes	No

Is It Produced More Efficiently in the Market Than by Government?	Yes	Case 1. Private sector role. Reduce, phase out, or eliminate the government program. E.g., wireless phone service.	Case 2. Government continues to fund and regulate, but contracts with private sector to implement. E.g., water.
	No	Case 3. Fully fund government implementation through fees. E.g., customs.	Case 4. Government role. Continue government implementation of the program. E.g., education, national defense.

Case 1. The service or product is produced more efficiently in the market, and there is appropriate supply and demand. In this case, the private sector is working properly, and there is no need for government to provide the service (though there may be some degree of government regulation).

- Consider wireless phone service. It used to be a government monopoly in Jordan, but it turned out that it was not inefficient to have multiple companies putting up mobile phone towers, i.e., there was no natural monopoly. People could judge which company provided the best service for their needs. As for supply and demand, the market worked fine: people who wanted the service bought it and obtained the benefits, and there was no practical limit to the number of subscribers that the companies could handle. As a result, the Government of Jordan privatized wireless telecommunications, and the usage and benefits increased dramatically with the transition to private sector service providers.

Case 2. The private sector can provide the service efficiently, but the supply and demand in the market doesn't function properly. In this case, the government generally needs to exercise some control over prices and allocation of services, but it can contract with the private sector to provide the service. Whether the government contracts with the private sector or provides the service itself is one of the least clear questions in terms of the proper government role. People may disagree over whether a contract can be written to ensure proper competition and value for the money paid. Thus, there are often discussions in government about whether to have government employees provide a service, or have the private sector provide the service.

- Piped water service is a classic example of a natural monopoly. Because it is so costly to lay each pipeline, it is much more economically efficient to have a single provider of water supply for each network. But from the perspective of procurement of construction, operations, and maintenance, it is possible to run competitive bids for the provision of services by the private sector. Not everyone agrees that the procurement can clearly define the services needed, and that the private sector can be trusted to keep its contractual requirements. As a result, some water systems are run by the government, while there are many that are run by private contractors hired by the government. Jordan has private contractors running much of its water supply system, in part because international companies have developed advanced technical expertise.
- Water supply is also a case where the benefits of one person using clean water extends to their neighbors as well, because it reduces the spread of diseases, like cholera. As a result, there is justification in charging a price below the market price.

Whether the price should be enough to cover the cost of production to the government (current and capital expenditures) is a matter of debate. Furthermore, the supply side of the market doesn't function well, because there are significant negative environmental impacts to over-extraction of water resources and a need to share water resources between upstream people who have first access and downstream people who may not be left with any water. As a result of these supply and demand problems, even though a private sector provides the service, the government still decides water allocations and sets consumer prices.

Case 3. There is plenty of demand for the product, and no limit on the supply, but it is difficult to judge whether the private sector is doing a good job of providing the service. In this case, the government can provide the service, but it should charge a fee to recover its full cost. In some cases, the government may make a profit on the service, with the surplus returned to the state treasury, but in general government wants to encourage greater use of its services and maximize the benefit to the consumers, and so it only charges a sufficient fee to allow cost recovery. It may also be appropriate to charge fees when there are problems with supply and demand (Cases 2 and 4), but the fees in those cases may (and frequently are) considerably lower than the cost of production. What sets Case 3 apart is that the government work is fully funded by fees.

- In the case of customs, the private sector would make more money accepting bribes from merchants to let them bring in goods illegally, than by enforcing the law. Therefore, the private sector does not provide the customs service efficiently, and it is appropriate for the Government of Jordan to provide the service. The merchants are receiving the service of proper control of imports, so that Jordanians know that the imports they are buying have been legally imported and so that taxes are appropriately applied. The merchants are willing to pay for the customs service (even though they may not be happy about it). It is true that some of the benefit is passed on to the consumer, but the merchant is also able to pass on the cost to the consumer in the product price. As a result, the Government of Jordan can recover the cost of providing customs services through fees charged to merchants.

Case 4. The private sector doesn't produce the product efficiently, and there isn't appropriate supply and demand. It is difficult to judge the quality of the product, or the private sector would be prone to corruption, so the private sector doesn't provide the service efficiently. In addition, benefits accrue to people besides the direct recipient of the service, and it is impractical to charge those indirect beneficiaries for the service they receive. This situation is the most important and core role for government.

- Basic education is provided for free throughout most of the world. There are several reasons why it can be difficult to judge the quality of education: there aren't great objective measures of quality and learning, the success of students depends in part on factors outside the control of the school (e.g., family situation, child's behavioral tendencies), and what may be a good school for one student may not be a good school for another student. As mentioned earlier in this section (in the discussions of the reason for government action and the distribution of benefits), there is insufficient demand for education to achieve the economic growth and development that the country needs, in part because the benefits accrue to future business employers as well as the student who receives the education, and in part because

the return on the investment in education takes too long for many private sector banks to provide loans.

- National defense is another core role for government because the private sector cannot be trusted to provide the service effectively and without corruption, and because the benefits accrue indirectly (unless you're hiring a private bodyguard).

6. *Are there better uses for these resources (funding priority)?* Based on the answers to the previous five questions in this section on Justifying Action, the budget analyst should be able to evaluate how justified it is for government to fund the work (tasks, processes, actions) in the analyst's portfolio. Just because certain work is good and provides some benefit to Jordanians doesn't mean that the Government of Jordan has to do it. Furthermore, there is not enough government funding available to pay for all the good things that people want the government to do. That is why budget analysts must prioritize among all the things that government could be doing, to decide the funding allocations so the budget invests in the work that has the most important government role and the greatest benefit for Jordanians. The analytic techniques for recommending the funding priority of different work depends on an effective comparison of alternatives, which is discussed in more detail in Chapter VI.4 Comparing Alternatives.

There are two approaches to prioritization: work (tasks, processes, actions) prioritization, which is rough and basic, and funding prioritization, which is more sophisticated and advanced. In presenting their recommended funding allocations, budget analysts should at least explain the relative funding priority for the different work in their portfolio, as justification for their decisions (work prioritization). This prioritization of work doesn't mean that the most important work gets all the funding, but it should receive adequate funding to perform its tasks. If more funding is going to lower priority work, analysts may want to consider reallocating funds. When budgets must be cut, existing programs expanded, or new programs started to address emerging needs, analysts should consider whether lower priority work can provide the reductions in funding. While this approach is not particularly rigorous, it at least initiates a discussion of what is important and what is not, and may give ideas about improvements in funding allocations.

The advanced approach to prioritization recognizes that in theory, there is an ideal funding distribution to the different work that government does given available resources, and each dinar of expenditure that is included in that ideal funding distribution is important, regardless of which work it supports, and regardless of whether that work receives a lot of funding or a little funding. Some work can be very important, but only need a little funding to achieve its objectives.

This funding-based prioritization approach is based on microeconomic theory which says that at every level of available resources for investment, there is an ideal investment portfolio to maximize returns. If available funding increases, those additional funds may all be put in the same investment, or they may be distributed across several investments. Similarly, to drop a portfolio of investments to a lower funding level, the cuts may come from one investment or from multiple investments. There is not necessarily a set of priority investments that get all the cuts or all the additional funding. The theoretical objective is that each marginal increase in funding (i.e., each additional increment of funding) should be allocated where it will produce the largest marginal increase in benefit (i.e., increment of benefit) for the people of Jordan. Conversely, any cut should be taken where it will create the smallest decrease in benefit. There is a discussion of how to evaluate the relationship

between incremental costs and benefits in “Stage 2: How Effective and Efficient Is the Program?” of Chapter VI.5 Setting Funding Levels.

In practical terms, when a budget analyst presents their funding priorities for consideration by senior officials, they should present the recommended funding at the target level (e.g., at the planning ceiling level), options for reducing funding, options for increasing funding, and items that the program office or government department or unit requested, but that the budget analyst thinks should not be funded in any case.

Checklist: Four Levels of Funding Priority

In order to prioritize funding allocations, the budget analyst presents four levels of funding priority, shown here in order from most important to least important. Each level represents funding that the budget analyst recommends allocating in the budget under certain conditions of funding availability.

1. Definitely provide funding, even if overall funding is reduced below the target level.
2. Probably provide funding, assuming funding is available at the target level. This funding could be cut if reductions are needed.
3. Maybe provide funding, but only if overall funding is increased above the target level.
4. Definitely do not provide funding. This funding is requested by the program office or government department or unit, but is not recommended even if overall funding is increased.

For example, a ministry requests 2.6 million for a certain program. The budget analyst proposes allocating 2 million JD in the base recommendation to meet funding targets. If savings are needed below the target level, 0.2 million JD could be cut and the program could still provide essential services. If additional funding is available above the target level, there is worthwhile work that could also be funded for an additional 0.3 million JD. The budget analyst believes that beyond that level, the additional 0.3 million JD of work requested by the program are not worthwhile. This analysis can be presented as four sets of funding for the program in priority order:

1. Definitely provide 1.8 million JD.
2. Probably provide 0.2 million JD more, if target funding level is available.
3. Maybe provide 0.3 million JD more, if funding is available beyond the target level.
4. The additional 0.3 million requested by the ministry for the program is not justified.

If the budget analyst presents their funding recommendations in terms of these four priority levels, it will make it easier for senior officials to adjust the recommendations to meet their overall goals. Senior officials can understand the implications for adjustments to overall funding levels in terms of the implications to program activities and projects. A modified version of this approach can also be used by managers (and government departments and units when communicating with GBD) to guide and justify their development of funding requests, by showing the incremental benefits of incremental funding increases. This connection between changes in funding and changes in performance is at the heart of ROB.

7. What **actions** should GBD and the government department or unit take based on the analysis? Budget analysts should always be considering funding reallocations to improve how the budget supports policy objectives. Ideally, the analysis of whether government action is justified will provide insights into funding reallocations, or program changes that help align government work with its appropriate role.

Sometimes it is not politically possible to make the changes, at least not initially. Or the analyst may need more information before making a solid recommendation. It is important to understand that there are many actions that be taken to help improve program structure without funding changes, and that even asking questions about possible problems can lead programs to identify opportunities for improvement.

Checklist: Actions Analysts Can Take Besides Funding Reallocations

Here are a few actions analysts can take, besides funding reallocations. Managers can anticipate these questions, make the analyses, improve program performance based on the analysis, and use the improvement to justify requested funding. Every situation will require a different set of actions, so this list is by no means to be considered comprehensive:

- Ask the program to provide information on the costs and benefits of its activities and projects and compare the results with those from related programs with similar objectives or from the private sector.
- Ask the program to demonstrate how it selects activities and projects based on a prioritization process, and provide examples from past years of how it was applied. If the program doesn't have a prioritization process, ask it to develop one.
- Consider ways to improve efficiency and effectiveness of program operations and set targets for future performance.

2. Setting Objectives

As mentioned at the beginning of this manual, ROB is a process for determining the best use of funds, by connecting the cost of each program, subprogram, activity, or project with the results it achieves. Thus, at the heart of ROB is a connection between funding and results. Money does not directly buy results, but rather allows government departments and units to purchase resources, which it uses to conduct work (tasks, processes, actions), that has direct outputs, that over time achieves the results that are the eventual policy objectives of the government.

Objectives and their performance indicators and target levels are developed by program or other organizational unit managers at government departments and units. They are reviewed and approved by government department and unit budget or finance offices and by GBD. They are developed and approved along with the budget, but can also be evaluated as part of ongoing internal management at government departments and units. The specific budget process and the responsibility for setting and revising objectives and performance indicators and evaluating performance are described in Chapter VIII.3.c Budget Policies and Priorities Paper and Chapter IX Budget Process – Preparation in the sections on the Government Department and Unit Budget Requests, the GBD Funding Proposal, the Government Department and Unit Annual Budget Law Proposals, and the GBD Draft Annual Budget Law Proposal. See also Chapter XII Budget Process – Auditing and Evaluation for additional information on the process of performance evaluation.

Objectives are the desired results to be achieved by government at the level of the Kingdom, departments or units, programs, subprograms, activities, or projects (OECD, 2001). By setting objectives with target levels for performance, government departments and units establish what they will achieve with the funding they are provided. Government departments and units also show how target performance is expected to change depending on whether funding is increased or decreased. Analysts use this performance information to

make recommendations on what funding level should be requested (by government departments and units) or provided (by GBD) in the budget to achieve what level of performance. As the funding is spent and the program is implemented, government departments and units should report on their actual performance compared to their target performance. This information on whether the program is meeting expectations will help budget analysts throughout government decide how to adjust funding levels and performance expectations in the future.

In setting objectives, analysts must consider the logical causality – or chain of events – that connects expenditure with results. Programs must have appropriate objectives that measure progress at each step along the way. This section helps analysts develop, review, and revise the objectives that are used to monitor and analyze past progress, and project future progress, towards the results achieved with budgetary expenditures.

Performance indicators are quantitative measures of what the government is achieving in terms of its progress towards reaching its objectives. They are key tools in analyzing past and future performance. They provide information on the benefits of government work, which budget analysts can use to weigh against the cost of achieving those results. By connecting the results measured by performance indicators with the costs of funding the work, the budget analyst is using ROB to determine funding allocations. Ideally, budget analysts will use additional information on how well programs are achieving objectives, but performance indicators are a good place to start. In practical terms, government departments and units usually suggest performance indicators for review by GBD, but GBD can also suggest performance indicators. In the end, the selection of indicators is a joint decision by government departments and units and GBD, and all budget analysts should understand the full process of developing indicators described in this section.

Target levels are the quantitative degree or amount of performance that the government anticipates it will achieve towards an objective, by when, as measured by the performance indicators, given the planned structure and funding level for the program. The target level and the indicator together form the target.

The concept of causality can be represented through logic models, which connect cause with effect. The logic model is a visual representation of how cause connects to effect through intermediate actions and results. The following discussion explains how analysts can use logic models to map out the connection between inputs and results, in order to establish the appropriate program objectives. Figure 2 is an example of a generic logic model.

Figure 2: Generic Logic Model



a. Strategic Objectives

Typically, the high level strategic (or policy) objectives (or goals) are set either before or at the beginning of the budget process, typically by senior officials. Multi-year national, sectoral, and government department and unit goals and objectives are set in documents such as the National Agenda, the National Executive Development Program, and government department and unit strategic plans. Annual high level goals and objectives are set in

documents such as the MTEF and the Budget Policies and Priorities Paper. It is important for analysts to understand what these high level objectives are and how they are set, because it will be the analysts' job to make recommendations on how to allocate funding and structure programs to best achieve these objectives, in the form of the Annual Budget Law, which serves as the MTEF.

The role of strategic objectives in government policy can be presented through a logic model (see Figure 3). Although politicians may develop an understanding of strategic objectives intuitively and through conversations and personal experience, professional policy and budget analysts should do this analytically and systematically, using a logic model. Analysts should include their understanding of the logic model for their program's strategic objectives as a foundation for their budgetary analysis and recommendations.

Figure 3: Logic Model for Strategic Objectives



The logic model for strategic objectives (see Figure 3), and the process for establishing and evaluating strategic objectives, begins with the problems or needs that the program is trying to resolve. It is important to be clear on what the problem is, otherwise the actions taken to resolve the problem may not actually provide a benefit that is really needed by the people. If you understand the cause of a problem, the solutions will normally be easier to develop.

The middle of this logic model, and the next step in establishing strategic objectives, is the government policies. These are the actions or strategy that a government takes to address the problems and needs, and achieve its objectives. The logic model for strategic objectives must give general guidance on which policies will be used. The budget process will then help define what programmatic actions or services the government will pay for (either through its own work or through contracts outside the government) to implement the policy, in essence giving a detailed, practical description of the policy.

This logic model ends with the objectives that government is trying to achieve. Strategic objectives reflect our desired state of affairs. What is it that the government is trying to achieve for its citizens? What result justifies the expenditure of public resources?

In conclusion, analysts should only recommend strategic objectives that can be tied to problems and needs, and policies to address them, through a logic model.

A template for using logic models to analyze strategic objectives is provided in Appendix I.b Analysis of Strategic Objectives Through Logic Models.

Here is an example for tax collection:

- Problem/Need: Many people do not file income taxes who should, meaning that the tax burden is distributed inequitably.
- Policy: Make it easier to file taxes (clearer forms, increased assistance, etc.) and harder to not file taxes (better identification of delinquent taxpayers, and increased imposition of penalties for not filing, etc.).

- Objective: To raise revenue for the government through an equitable distribution of the tax burden.

Performance indicators are used for analyzing progress towards achieving strategic objectives, as well as for program objectives. The discussion on selecting performance indicators in the next section on Program Objectives also applies to selecting performance indicators for strategic objectives.

b. Program Objectives

The budget analyst's main work is at the level of program objectives. The budget analyst's role is to make recommendations on funding allocations and the structure of the program's work and actions, in order to achieve program objectives within funding limits. The budget analyst recommends the funding allocations based on a review of past performance and an assessment of what can be achieved in the future.

In general, the program objectives are already established when the budget analyst begins work. Therefore, this section emphasizes how to select the performance indicators to measure progress towards achieving program objectives. However when the analyst is reviewing new or modified program objectives, they should apply the logic model described in Chapter Analytic Methods to the problems and policies at the program level, and consider the outputs and outcomes (quantified results, accomplishments, or benefits of the program) identified through the analysis and selection of performance indicators described in this section. The program objective should summarize what the program's work and actions are trying to achieve in response to the identified problems or needs, as measured by the output or outcome indicators. Program objectives should be as specific as possible. Generic or overly broad objectives do not provide helpful guidance.

The logic model can be used at the program level (or subprogram, activity, or project level) to help identify, develop, and analyze the objectives of a program, determine how the program can be best structured to achieve results, and establish performance indicators that will be used to measure progress towards those objectives. The logic model at the program level is structured differently than the logic model at the strategic level. At the strategic level, the logic model started with the problem or need, in order to determine the policy and the objective. The program already has the guidance from that analysis at the strategic level, and so its logic model focuses on describing how to implement the government program and achieve the objectives. Nonetheless, the outcomes identified in a program logic model should support the objectives identified in the related strategic planning logic model.

Government departments and units often ask how they can prevent a uniform cut to all their programs if they have to cut my budget somewhat. One approach is to use logic models to identify the programs that have the strongest link to national and government department and unit goals, and protect funding for those programs, finding cuts elsewhere (see Figure 4). A related approach is to use the logic model to identify the drop in services (outputs) that a budget cut will cause. Government departments and units (and GBD) can compare the service reductions resulting from funding cuts to different programs and determine which are most acceptable.

Figure 4: Logic Model at the Budgeting and Program Planning Level



Using a Program-Level Logic Model to Develop Performance Indicators

As part of ROB analysis, budget analysts should use program-level logic models to help understand the connection between inputs and results. The logic model clarifies what the program is trying to achieve and what it does to get results. Budget analysts should use this analysis to decide which indicators can be measured to track performance.

The program-level logic model (see Figure 4) identifies:

1. **Input:** The resources that the program uses in the delivery of goods and services.
2. **Action/Process/Intermediate Output:** How the program uses its resources to provide the goods and services, or what the government is doing.
3. **Output:** The products or services that the program delivers and the quality of those products and services.
4. **Outcome:** The resulting benefit for the people. The consequence of the government action.

There can be performance indicators that measure every step in the process represented by the logic model. However, the key performance indicators (KPIs) included in the budget should generally measure performance at the output or outcome stages. A template for using logic models to develop performance indicators is provided in Appendix I.c Development of Performance Indicators Through Logic Models.

Inputs are the resources that the program spends money on. These are the line items that you see in economic classification budgeting. Money is not itself an input, it is the measure of the cost of the inputs (there is no line item for money in the budget). Examples of inputs are personnel, buildings, equipment, vehicles, and land.

The *action or process* is a description of what the program does with its resources. In some cases, it is called an “intermediate output”, something that we can see, count, or measure, but not something that we can count as a success. This work is something that could be done well or poorly, whereas the output is the good thing that the program is trying to create. A poorly implemented ROB system may count actions or processes in their performance indicators, but number of actions or processes performed is not a good measure of success. For example, the number of training sessions held (an action) does not tell us whether those training sessions were successful, or even whether any students attended the sessions. Number of reports written does not tell us whether the reports were helpful or whether anyone read them. Number of hospital beds available does not tell us whether patients are receiving treatment. To get good performance indicators, we must push through to the next steps in the logic model: outputs and outcomes.

Outputs are the beneficial product or service of a program. These are the things that when we count them, we know the direct achievement of the program. Outputs are the primary performance indicator used in performance budgeting, and thus are the direct justification for the funding provided through the budget process. They can be measured in the short-term, generally on an annual basis or more frequently. From the examples in the previous paragraph on actions and processes, we can see that outputs are things like the number of

people trained, the number of patients treated, or the number or value of report recommendations that were successfully implemented.

Outcomes are the final step in the program-level logic model. Outcomes are the changes in economic, physical, social and cultural environment that government is trying to influence. Outcome indicators measure progress in achieving objectives and the impact the program has on the problem it was designed to address. Example outcomes are increased employment, reduced homelessness, reduced infant mortality, and increased energy efficiency of the economy.

Figure 5 provides five example logic models, each showing the four steps of inputs, action/process (or intermediary output), output, and outcome. Each step in the examples could be used as a performance indicator, but the more useful KPIs (for budgeting) would be from the last two steps in each logic model.

Figure 5: Example Logic Models at the Budgeting and Program Planning Level

Categories of Steps in the Budgeting/Program Planning Logic Model



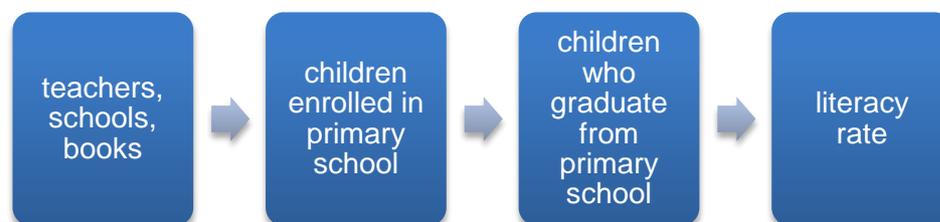
Agricultural Training



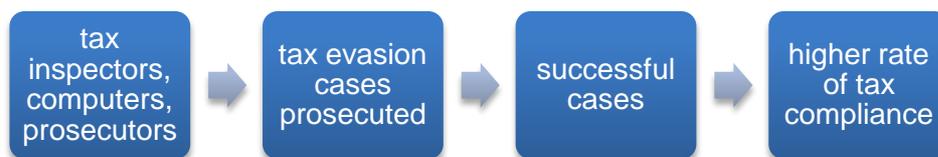
Road Construction



Elementary Education



Tax Enforcement



Irrigation System Maintenance



Terminology. There are a lot of different terms that are used to describe the steps in logic models describing how to achieve strategic objectives and program objectives. These different terms can cause some confusion. While the terms may have specific, differentiated meanings in certain contexts, the main point is to understand the general meanings of each word and to recognize that several terms have more or less the same meaning. However, within any document, you should be consistent with how you use your terminology. The following are the key groupings of related terms:

- *Goals.* Terms include: purpose, mission, objective, and vision. These terms all describe the general goal that the program or government department or unit is trying to achieve. They tend to apply to strategic planning, but can also apply to program planning.
- *Causes.* Terms include: input, action, activity, process, and intermediate output. These terms all describe what we need to have and do to get where we want to go. But they are not what we are trying to achieve. They generally operate at the program level.
- *Effects.* Terms include: result, output, outcome, impact, and effectiveness. These terms all describe specifically what we are trying to achieve, in either the near-term or the long-term. They generally operate at the program level.

Selecting Performance Indicators. More important than the specific terminology, is the concept of the causal relationship presented in the logic model: what cause leads to what effect. Causes are easier to measure than effects, but effects are generally more important to policy makers and taxpayers. Accurate information about all the stages in the logic model is important for ROB. Therefore, analysts need indicators describing performance at all the stages, from causes through effects. Managers need more information about what resources they have and how the program is using them, so they are more interested in indicators for the causes in the logic model, but must also pay attention to the effect indicators. Policy makers care more about the results a program achieves, and so they want to see indicators of the effects in the logic model compared to the costs, but care less about the cause indicators.

In ROB, the decisions of how a program operates (measured by indicators of cause) are made by the managers, and generally not specified in the budget. The ROB presentation focuses on the results to be achieved with the money spent (measured by indicators of effect). Unfortunately, budgets often have performance indicators that are more causes than effects.

Selecting Indicators that Measure the Effects of a Program, not its Causes

The most important indicators for ROB presentation are the indicators of effect (outputs and outcomes), not cause (inputs, actions, processes, and intermediate outputs) (IMF/WB, 2009). When choosing KPIs, analysts should try to use indicators that measure effects, towards the end of the chain of events in the logic model. Indicators of cause may be a useful part of a budget analysis, but they are not enough on their own to conduct a proper budget analysis, and they are usually not appropriate as the key indicators to be presented in the budget.

How far towards the end of the logic model should an analyst go in selecting KPIs to present in the budget? The ability to attribute government action to performance indicator value (good or bad) is the most important concept in answering this question. The farther you go towards the effect end of the logic model (i.e., the outcome), the harder it is to attribute the indicator performance to government action. It is difficult to attribute outcomes (the end of the program-level logic model) to government action because there are other factors that affect outcome indicators, regardless of the effectiveness of the government department or unit's programs. Key factors outside of government department and unit control include: economic changes, demographic changes, some cost drivers (e.g. inflation, energy cost), and policy changes in other programs. For example, if the Ministry of Agriculture has an indicator for sales of white meat, the result is largely attributable to the actions of the private sector farmers and the market demand, with only a portion attributable to the ministry's program to promote livestock health.

Table 6 summarizes the differences between indicators of cause and indicators of effect, when representing performance at different stages in the logic model.

Table 6: Comparison of Indicators Measuring Causes and Effects

	Indicators Measuring Causes	Indicators Measuring Effects
Type of Indicator	Typically input or intermediary output indicators	Typically output or outcome indicators
Who Uses Them	More useful for managers of program implementation	More useful for policy makers, senior officials
Main Advantages	Easier and cheaper to measure	More clearly show the benefit to society
Attribution of Performance Results	Easier to attribute performance results to government action	Attributing performance results to government action may require in-depth evaluation

The book KPI Mega Library (Baroudi, 2010) has example performance indicators for a wide variety of subject areas.

Special Types of Performance Indicators

The following discussion looks at two special types of performance indicators that can be useful for budget analysts to track and analyze program performance: efficiency indicators and administrative output indicators.

Efficiency Indicators. Efficiency indicators look at program output or outcome relative to the resources required to produce it. They are often stated as the average quantity of a resource consumed (or the cost) to produce one unit of output, or as the number of outputs per resource (person, machine, etc.). Since ROB is based on connecting budget with performance, it makes sense to compare the cost with the service or benefit. Efficiency indicators are a way of demonstrating that government departments and units are not wasting government revenue. There are many different words for indicators that express ratios: e.g., effectiveness, productivity, cost-effectiveness, cost-benefit ratio, unit cost.

Unit cost is often what we are interested in when we buy something. How much does it cost per minute to make a cell phone call, or how much does a vaccination cost? In business we may be interested in productivity, which is the amount we can produce for each person, piece of equipment, or other resource. A clothing manufacturer may care how many shirts per hour the machine can make. A call center may care how many customer calls per hour each employee can respond to. A water company needs to know how many meters of well can be dug per day by each drill rig. An agricultural training program should track how many farmers are trained per year by each trainer.

Efficiency indicators allow us to compare different ways of achieving the same goal, e.g., different methods of service delivery or the production of goods. If there is traffic congestion in a region, there may be different road construction projects under consideration. A budget analyst could compare the cost per savings in passenger travel time. A plan to increase school capacity could compare the cost per student served of building one large school versus several small schools.

Employment levels lend themselves particularly to the calculation of efficiency performance indicators, for example:

- the number of outputs, such as reports, legal opinions, audits, or inspections per employee
- the time it takes an employee (on average across all employees) to produce certain outputs, such as responding to the public for services requested (driver licenses, business permits, etc.)
- the number of employees used to provide certain services or complete certain tasks, such as the number of employees per hospital bed or kilometer of road improved

How Can Government Departments and Units Develop Efficiency Indicators?

Every government department and unit or directorate should have at least one efficiency indicator to show that it is trying to control costs and improve performance.

- In order to develop good efficiency indicators, the government department or unit needs to know which employees are working on which processes or outputs. With this information, the government department or unit can calculate the amount of output per employee.

- If employees work on more than one output, they can make a simple estimate of how they allocate their time (it could be as simple as assuming that employees who work on more than one output split their time equally between each output).
- Ideally, the government department or unit would go one step further and establish cost centers based on its key outputs. It would then allocate employee and other costs to the cost centers to get the full cost per output.
- GFMS is a useful tool for tracking the use of resources and calculating efficiency indicators.
- Budget amendments can upset the efficiency of government department and unit actions, because the efficient plan of action at one funding level may not easily adapt to an efficient plan of action at another funding level. Therefore, the government should strive to reduce the number of budget amendments.

It is important to keep in mind that there are many things that government departments and units do that cannot be captured by efficiency indicators. Budget analysts need to keep in mind that an efficiency indicator may not measure the quality of the work, and that accounting practices can be used to hide costs that should be attributed to the output. We do not want the use of efficiency indicators to encourage lower quality work, or accounting tricks. Sometimes, the right budget decision is to choose the option with the higher unit cost because it has advantages that are not captured by the indicator. Efficiency indicators are important pieces of information to help make budget decisions and to encourage government department and unit staff to think about ways to improve performance, but they should not be the sole basis for budget decisions.

Administrative Output Indicators. It can be difficult to develop indicators for purely process or administrative work, since administrative programs are often processing or managing something, rather than producing an easily counted product. However, everyone does something, and there are ways of measuring what is done, even if the indicators are not perfect measures.

Since administrative units are responsible for facilitating the work of the other programs, one good indicator is to have the administrative unit judged on the success of the other programs, for example by the percent of performance targets that the government department or unit as a whole meets. Typical administrative outputs that can be measured by performance indicators for quantity and quality are: applications, approvals, inspections, reports, certifications, investigations, reviews, and proposals.

Here are some examples of administrative output indicators:

- Number of actions initiated or completed
- Average time per completed action
- Average cost per completed action
- Number of actions completed within deadline
- Administrative cost as percent of total cost

Other ways of measuring administrative performance include:

- Percent of staff with a certain qualification, certification, or training
- Error rate in performing a task
- Clean audit of financial statements
- Customer satisfaction measured in surveys or complaints

c. Target Levels

Once the program's objectives are established and indicators are selected to measure performance, the program manager, the government department or unit budget or finance office, and GBD must all agree on what the target levels are. The target levels are the quantitative degree or amount of performance that the program anticipates it will achieve towards an objective, by when, as measured by the performance indicators, given the planned structure and funding level for the program. Budget analysts should use this information to help determine to what extent the program's benefits justify the costs of achieving them, and thus what funding level should be provided to the program.

This section describes how budget analysts (in programs, government department and unit budget or finance offices, and GBD) can establish useful performance targets, including the indicator and target level. The general indicator will already have been established through the process described in the previous section on Program Objectives. This section describes how to refine and finalize the performance target – including the indicator and the target level – into a reliable and practical tool for budget analysis. It explains:

- SMART criteria for good performance targets
- Which sources to use for good quality data
- Tips for how to select the right levels for performance indicators

SMART Performance Targets

People often use the acronym “SMART” to refer to the characteristics of good performance targets (the indicator and target level). Each letter represents an important characteristic. To determine whether the performance target meets the criteria for each characteristic, the following questions can be asked:

- **S**pecific. Is it clear how success is defined?
- **M**easurable. Do reliable data exist? Are they reported in time to be useful?
- **A**chievable. Target level should be a challenge, but not impossible. If you always meet your targets, they are probably not a challenge.
- **R**elevant. Does the indicator measure the most important function of the program?
- **T**ime-bound. Is there a deadline for when the target must be achieved?

There are different definitions or characteristics for the SMART target acronym, because there are more than five issues to consider, but the above list is a good basis for evaluating targets. There are other issues to consider besides the ones I've selected here. The SMART characteristics apply to indicators at any point in the logic model, causes or effects, inputs, processes, outputs, or outcomes. Analysts should be aware that different terms are used to refer to performance targets: e.g., targets, indicators, measures, and goals. These terms may have slightly different meanings in different contexts.

In addition to the SMART characteristics, the following are key factors to consider, in order to set good target levels:

- Is there a baseline for measuring the program impact? A baseline is needed as a point of comparison to judge whether the program is improving the situation.
- Are there several years of historical data to show the current trend? The future target should be set based on a projection of the current trend into the future. Once

the projection is made, the target can be adjusted from the projected level, based on analysis of the program's likely impact.

- Would the target level be achieved without the government action? We are trying to determine what benefit we are buying with the government action that we would not get in the absence of the government action.
- Do the indicator and target level ensure broad coverage? A target of high benefit is less helpful if only a few people are covered by the program or only a few people receive the benefit. If the program only solves a tiny bit of the problem, a different approach with broader impact may be needed.
- Does the indicator measure quality of service? How do we know if the program produced a good service, rather than just a lot of the service?
- Can the indicator be gamed? If the indicator is to reduce the number of violations, it might encourage people to simply not report violations.
- Does it give the wrong incentive? An efficiency measure to reduce the cost of production might encourage people to do poor quality work, or to only take on easy tasks instead of difficult ones.
- Does the target level put the program on a path to success or completion? If the target is achieved, will that represent a good benefit or value for the money spent on the program.
- Would the public understand the indicator based on the description given? Performance indicators should communicate clearly to the public what the government is doing.

Here are some examples from the agriculture sector of target levels (the indicator and the target level) that demonstrate the SMART criteria and help show the difference between poor target levels and good target levels. For each of the SMART criteria, two target levels are given, one that is poor for meeting the criterion and one that is good for meeting the criterion. These examples help show how to tell

Specific

- Poor: Develop 3 varieties of improved seeds.
- Good: Develop 2 varieties of seeds that require 25% less water.

To be specific, the performance indicator must define what "improved" means. In the good example, "improved" is defined as using a certain amount less water.

Measurable

- Poor: Number of farmers planning for climate change.
- Good: Number of farmers using drought-resistant seeds.

It is hard to measure whether farmers are planning for climate change because farmers may be taking action to address changing climate even if they don't think about their actions in terms of a response to climate change. It is easier to find out how many farmers are using a certain type of seed.

Achievable

- Poor: Produce all food domestically.
- Good: Reduce the risk of food price spikes by 20%.

In a country like Jordan with little water, it is unrealistic to set a target of producing all food domestically. Furthermore, it would be regressive economically to try to shut down trade, which drives economic growth. It is much more realistic, and supportive of economic development, to say that the goal is to prevent food prices from increasing sharply, whether the food comes from Jordan or from foreign sources.

Relevant

- Poor: Increase demand for beef.
- Good: Reduce risk of disease in cattle.

The Ministry of Agriculture is more responsible for protecting the health of the food supply, than it is for changing what people want to eat. Demand for beef is something that can be increased through the actions of a private association of cattle farmers or marketers.

Time Sensitive

- Poor: Spread awareness of forest conservation.
- Good: Open environmental clubs in 25% of high schools by 2012.

Clearly, saying that you will achieve a certain goal without saying when it will be achieved is not a very useful goal, since you can always say that you will achieve the goal later.

Data Sources

The “Measurable” SMART criterion requires that government departments and units have good sources of data for their performance indicator. There are many places you can and should look for data, but the two most important sources are:

- Government department and unit records, especially for indicators measuring what the government department or unit has done (usually inputs, processes, and outputs)
- Department of Statistics (DOS) data, especially for indicators measuring how the target sector is doing or how the Jordanian people are benefiting from the program (usually for outcomes)

Each government department and unit or directorate should have at least one KPI that uses data from an independent data source (e.g., DOS). Independent data sources are useful because they are likely to provide an unbiased view, or at least an alternative perspective. In general, internal government department and unit data is more appropriate for measures of actions, processes, and some output measures, especially for data that directly measure government department and unit actions. External sources of data should be used for outcome and some output measures, especially for sectoral data that measure the effect of the government department or unit work on the service recipients.

To validate the quality of performance data and analyze whether target levels were achieved, it is important for government departments and units to set up processes for tracking performance data that are auditable, even if the government department or unit doesn't conduct an external audit of performance data. The processes are similar to financial record-keeping. Budget analysts (internal and external to the government department or unit) should analyze the quality of performance data based on their own best judgment. The budget analyst is like a judge in a trial, who reviews the evidence presented – often by experts – and then makes his or her determination. A judge is not necessarily an expert in the technical field being reviewed, but is an expert in how to review and analyze.

A good place to start is to ask for the calculations that were used to come up with the performance data, or to see examples of the source data as it is collected, or at least ask how data are collected. The Audit Bureau may also help validate performance data.

External (i.e., not from the government department or unit) sources of data are also very helpful for validating performance and, of course, for obtaining data that is not collected by the government department or unit. The numbers needed for these indicators may not be collected directly by the government department or unit or the directorate that has the performance indicator. Networking with your colleagues in other parts of the Government of Jordan can make the search for data easier and more productive. Data may come from:

- Another directorate
- Another government department or unit
- Non-governmental organizations (NGO)
- United Nations organizations
- Private businesses
- Business associations

Here are a few examples of program indicators and external sources of data that you could use:

- A street repair program, with an indicator that measures the number of citizen complaints about road conditions. The complaints might come into the local government, even if it is the national government that is responsible for making the repairs. You might need to ask the city government to count these complaints for you.
- A high schools administration program, with an indicator that measures the pass rate of first-year students at universities. The directorate that oversees high schools would have to obtain this information from the directorate that oversees universities.
- A flu vaccine subprogram for school-aged children with an indicator of school attendance levels during flu season. The Ministry of Health would need to get information from the Ministry of Education.

Meaningful indicators and target levels are best created by multi-disciplinary collaboration: executives, planners, budget, finance, and program experts. Here are some guidelines on the process by which performance targets should be developed:

- Managers directly responsible for supervising operations generally have the best information for setting target levels, while senior officials often have the best view of what needs to be achieved. Government departments and units should propose target levels and explain how they developed the numbers. GBD should evaluate the proposal, ask questions, and suggest modifications.
- The target level for an indicator must be based on a plan – a specific set of changes in policies or procedures – for how the target will be achieved. “We will all work harder” is not a plan.
- Each year’s target should offer some challenge, but it should not be impossible. At the moment, there are no consequences to meeting, exceeding, or failing to meet a target, but this might change.
- Government departments and units should present draft target levels based on the target funding levels in the budget instructions, which might be the indicative funding levels from the previous year’s budget. If government departments and units wish to

request increased funding, they can present alternative target levels that correspond to the increased funding levels. The government department or unit can use the projection of improved performance to justify the request for increased funding.

Options for Projecting Future Performance

Setting target levels starts with establishing what the current trend is for the performance indicator, by reviewing results from the last couple years. Once you have historical data, there are a couple options for projecting future performance.

- A straight-line projection is the most commonly used approach, and it is simple. Graph the last 2-5 years of data and fit a straight line to estimate the future values. Use those values for the target levels. This approach assumes no changes to program funding or work and no changes in the external environment. The effect of funding and external changes can be considered qualitatively when evaluating performance. For example, an increase in the cost of building materials could be used to explain an increase above the target level in the projected cost to build roads.
- Alternatives to straight-line projections typically start with a straight-line projection and then make adjustments, based on estimates of what improvements the government action can achieve, or on what the policy objective is. This approach may require separating out the impact of current government action, and predicting the impact of continued or modified government action. Separating out the impact of government action from what would happen in the absence of a government program is a challenge.
- Another approach is to identify the best and worst performers (e.g., amongst different regional offices) and set targets for everyone to meet the performance level of the best performers.

Straight-line projections assume a continuation of current performance trends, and good performance is demonstrated by exceeding current performance trends. If the performance target represents an improvement on current performance trends, then you need to identify what will be done differently to bring about the change in performance. If you are proposing changes to the government action it can take time to implement the changes and even more time to see their affects, especially on outcome goals. Here are some questions to ask if you are not using straight-line projections:

- What program changes will be necessary to achieve the target levels?
- How much change can you make within the constraints of your budget resources?
- How long will it take to achieve objectives?
- Will progress toward the objective be at an even rate? Slow at first, faster later? Fast at first, slower later?
- How much change from the baseline does the target represent?

Should target levels change when the budget changes?

Target levels must be appropriate for the funding level allocated. The type of indicator (input, action/process/intermediate output, output, or outcome) determines how much the target level should change if the funding level changes.

- Target levels for input, action/process/intermediate output, and output indicators should change when the budget changes (e.g., if your budget allocation is different from

the amount requested), because these indicators measure results that are closely tied (attributable) to resources allocated to government work. Adjusting target levels based on budget is important to show the relationship between results and budget. If the same direct results of government action can be achieved with less money, then it may be appropriate to reduce funding.

- Target levels for outcome indicators may stay the same, at least for small and moderate budget changes. Outcome results are not attributable solely to government actions, so funding levels may not change performance. Also, it is good to evaluate progress towards long-term goals to see whether the government approach is successful. If progress is not made on outcomes, then a new approach may be needed. But if the outcome targets are changed every year, you will never see whether the current approach is successful.
- Efficiency measures of outputs per dinar are great performance indicators for budgets that change from year to year. The unit cost should stay the same over a range of funding levels.

Here is an example of adjusting your target levels based on the difference between requested and allocated funding. Assume you are a program manager for a program that repairs city streets. You requested JD 5 million to repair 25 kilometers of city streets. If your final expenditure ceiling is only JD 4 million, your indicator of “kilometers of street repaired” will have to be reduced to correspond to the reduced budget ceiling. If you don’t reduce the indicators in response to a funding reduction, GBD may assume either that your request was overstated or that there are no adverse consequences from reducing your budget. However, if you have an efficiency indicator of “cost to repair a kilometer of street”, it could stay the same even if the funding changes.

It is very important to specify whether indicators in monetary units (measuring cost or value) are in current prices or constant (also known as “real”) prices. Current prices are the price (or value or cost) for items in that year and include the effect of inflation. Since current prices include inflation, you can’t compare the price of an item in one year with its price another year. For example, if a kilo of bread costs 50 piasters one year and 55 piasters the next year, while inflation is 10% annually throughout the economy, then in constant (real) prices, the cost of bread hasn’t changed. Constant prices are adjusted to remove the effect of inflation, so that prices can be compared across years. If a financial target is in current prices, inflation can have a major effect on the result. Since inflation is outside the control of the government department or unit, an indicator in current prices will not give a clear picture of whether the program is succeeding.

Performance indicators are tracking progress over time, which requires comparability of the results in one year with those in another year. Therefore, it is much better to use constant prices than current prices for indicators, so that inflation does not influence the result and distort comparisons across years. However, the constant prices must specify which year is used as the base year. In the base year, the constant price equals the current prices. For all other years, constant prices are determined by taking the current prices and adjusting them according to an inflation index (or “deflator”). The inflation index is determined by comparing the cost in current prices of a set of standard goods between one year and the next. People will understand a performance indicator better if the base year is a recent one, since the prices will then be close to the current prices that people are familiar with. Performance indicators with monetary units should use the most recent base year with actual (i.e., historical, not projected) data on current vs. constant prices (i.e., with inflation index data). E.g., when preparing the 2012 Budget in 2011, use 2010 as the base year. The

Director of Economic Statistics at DOS develops the inflation index data and can confirm whether performance indicators in monetary units have been set properly using constant prices. The Director of Studies and Information at GBD can also provide confirmation.

Performance Indicators in Monetary Units

Follow these guidelines for current vs. constant prices when using performance indicators in monetary units:

- Use constant prices
- Specify the base year
- The base year should be the most recent year with actual price data
- Confirm the use of constant prices with the Director of Studies and Information at GBD or the Director of Economic Statistics at DOS

Consider as an example the following scenario for the Ministry of Agriculture:

- The goal is to increase the value of crop production in current prices from 500 million JD in 2011 to 550 million JD in 2012. The expectation is that there will be a 10% increase in inflation and production will be unchanged.
- The actual result for 2012 is 525 million JD in current prices, and there is no inflation. This means that in constant prices, production increased by 5%.

In this example, the Ministry is viewed as not meeting its target, even though production increased above expectations, because inflation was not as high as expected. It is not fair to criticize the Ministry for failing to meet the target simply because inflation was lower than expected. If the target were set in constant prices, the indicator would show that the target was exceeded because production was better than expected. This example shows why it is better to use constant prices for targets in monetary units.

Checklist: Useful Information for Developing Target Levels

Here is the key information that government departments and units and budget analysts should use to develop and review target levels for performance indicators. Although target levels can be set without this information, the targets will be much more useful if this information is used.

1. At least three years of historical data for the indicator, if at all possible, to provide information on how the indicator is trending.
2. An explanation of the source and quality of the data, including how the data are collected. Budget analysts may want to review data samples, so they can better understand how the data should be used.
3. A brief description of possible sources of error in the data and the size of the potential errors.
4. Data on how many staff there are in each organizational unit, down to the most detailed level of the organization chart. This information is used to allocate labor levels or costs to performance goals and adjust performance goals based on the level of employment and funding.
5. Identification of which capital projects from the budget support which performance indicators. This information gives a fuller picture of resources that are allocated to each goal, in order to connect budget and performance.

6. An estimate of the funding associated with each performance indicator compared to the target levels for the indicator, for recent past and projected future years. It may be easier to make the estimate of associated funding for output indicators and harder for outcome indicators, but in either case it is very useful for adjusting target levels to different levels of funding. At a minimum, the manager responsible for the indicator should estimate the number of staff who spend a majority of their time supporting that indicator.
7. Information from other planning documents (e.g., strategic plans, the National Executive Development Program) relevant to the performance indicators or funding that supports achievement of the indicators.
8. Identification of the region with the best performance for each indicator and the worst performance. Evaluate why there are regional differences.
9. A brief assessment of the key factors affecting performance other than funding, both internal to the government department or unit and external.
10. Brief description of how the performance indicator could be used by managers. Performance indicators should be used by managers to improve operations. If the information from the performance indicator isn't useful, then it may be better to use a different indicator.
11. Brief description of how the performance indicator could be used for budgeting decisions. Again, performance indicator information should be useful.

According to the IMF, the availability of the right performance information is a necessary – but not a sufficient – condition for the success of ROB. The performance information also has to be actually used in the budget process. There have been a number of examples of countries that have made great efforts to develop the necessary performance information – and have also placed the budget on a program basis – but have then failed to make any significant use of this information when deciding the budget. (IMF, 2009a)

See Appendix 2 Example Performance Indicators for examples of how GBD and a variety of government departments have developed high quality performance indicators. For each indicator, the example shows the old indicator, the problems with the old indicator, the new or additional indicator, and an analysis of the new or additional indicator.

3. Evaluating Performance

Evaluation examines the results of a program against what was expected, and is designed to ensure that the lessons learned are fed back into the decision-making process. This ensures government action is continually refined to reflect what best achieves objectives and promotes the public interest (United Kingdom Treasury, 2003). This section gives guidance on how to evaluate performance.

See Chapter II.3.e Auditing and Evaluation for additional information on the role of auditing and evaluation in the budget process. Chapters VI.2.b Program Objectives and VI.2.c Target Levels explain how to develop and use KPIs, which is needed to provide the information to evaluate program performance. Chapter VI.5 Setting Funding Levels gives additional information on how to evaluate performance in the context of allocating funding, especially the section under the heading “Stage 2: How Effective and Efficient Is the Program?”

Evaluation should provide a cost-benefit analysis, either formally or informally. One of the key challenges in a cost-benefit evaluation is to estimate what would have happened in the absence of the program, or in some other alternative scenario such as providing the service through a different program. The cost-benefit analysis then determines whether the benefits

of the program, relative to what would have happened without the program or in the alternative scenario, justify the costs of program. Even in the absence of a formal cost-benefit analysis, the budget analyst should include in their analysis and recommendations an evaluation of what would happen in the absence of the program, and present program benefits and costs relative to the no-action scenario. Additional discussion of cost-benefit analysis is provided in Chapter XIII Capital Budgeting with a focus on evaluating capital projects.

Every program should be evaluated annually for progress against its performance indicators. Evaluation of performance indicators gives good summary information about how well a program is doing. It can be done by the government department or unit, with review by GBD. In addition, programs should undergo comprehensive evaluations by external experts in the relevant discipline every couple years to look beyond the performance indicators. (United Kingdom Treasury, 2003)

Budget analysts at government departments and units and GBD should informally review program performance on an ongoing basis through program field visits; interviews with managers, staff, service recipients, academic experts, and other relevant experts; review of detailed performance data they request from the program; comparison with related programs either in Jordan or internationally; and review of reports by other government departments and units, non-governmental organizations, academics, and private sector entities.

Analysts should feel comfortable developing analyses and making recommendations, even if they are not experts in the field. Much of the work of budget analysis is like being a judge or jury at a trial. The lawyers for the prosecution and the defense are the experts in what happened, but the judge or jury must evaluate the information and make a decision. Analysts should seek out the knowledge of experts, both inside and outside the program, to gain the information they need to evaluate programs. If an analyst is afraid to admit that he or she doesn't know something about a program, the analyst is unlikely to learn what he or she needs to know in order to be effective.

- The following are good sources of performance evaluation information, which budget analysts can access both through printed material and through meetings with key staff:
- The government department or unit itself, including headquarters and program offices.
- Prime Ministry – Delivery Unit. It is responsible for monitoring the progress of all projects managed across government and ensuring they reflect the goals of the National Implementation Plan. The Delivery Unit works with the various government departments and units that manage priority projects to find solutions to problems that are flagged in the monitoring process.
- Prime Ministry – Government Performance Administration. Its principal role is to monitor progress in achieving the goals of the National Agenda. It also works hands-on with all government departments and units towards developing streamlined, measurable, and results-oriented strategic plans, action plans, and performance indicators to ensure compliance with the National Agenda.
- Ministry of Planning – Monitoring and Evaluation Department. Its principal role is to measure the performance and impact of socio-economic development initiatives that are called for in the National Executive Development Program.

- Audit Bureau. The Audit Bureau focuses primarily on budget and financial review, but it also addresses performance and management issues by conducting selected performance audits.
- Ministry of Public Sector Development (MOPSD). It has the mandate to cooperate with government departments and units in “measuring the level of services provided, and to indicate areas for possible improvement of these services” (GOJ, Regulation No. 64 of the Year 2006). It also has the authority to “oversee” the evaluation of “the performance of public sector institutions in the means of achieving national priorities in accordance with the indicators and criteria that have been approved by the Council of Ministers” (GOJ, Regulation No. 2 of the Year 2005).
- King Abdullah Center for Excellence (KACE). It reviews institutional performance. It focuses on a set of specific criteria – leadership, process, knowledge and human resources, and financial management.
- Universities and academic journals.
- Popular media (newspaper stories, magazines, television, internet).
- Private sector organizations (trade organizations, industry experts).
- International organizations (United Nations organizations, the World Bank, embassies).
- Non-governmental organizations (both Jordanian and international).

Annual Evaluation of Performance Indicators

Every year, each government department and unit should submit an evaluation of its actual results compared against the target levels for each performance indicator, along with its budget request. Evaluation of performance is essential because it provides accountability for achieving results with the funding provided. The government department or unit and GBD must use information on past performance to determine future performance target levels and future budget levels. The evaluation should include:

- The target performance levels compared against the actual performance levels
- The anticipated funding levels at the time the targets were set compared against the actual funding levels
- An analysis of why the actual performance differed from the target performance, including lessons learned
- An analysis of what the results imply for future management or policy decisions.

A template for annual evaluation of performance indicators is provided in Appendix I.d Annual Evaluation of Performance Indicators.

In addition to the basic performance indicator evaluation, the government department or unit should also provide analysis of:

- How effective the work was in achieving its objectives, and why
- The cost effectiveness of the work

The results obtained should generally lead to recommendations for the future. These may include, for example, changes in procurement practice, delivery, or the continuation, modification, or replacement of a program. (United Kingdom Treasury, 2003)

The results and recommendations from evaluation should feed into future decision-making, both in terms of budget allocation and other management issues. The methods used to

achieve this will often require endorsement by senior officials, but budget analysts are well-positioned to make recommendations on program changes. Efforts should be made to disseminate the results widely, and, for this purpose, it may be helpful to use summaries of the main points, and reports, which synthesize the results from a number of evaluations with common features. Evaluation reports and the research that informs them should be placed in the public domain unless there are good reasons, in terms of security or commercial confidentiality, for not doing so. (United Kingdom Treasury, 2003)

What happens if a program doesn't meet its target level (assuming actual funding is the same as in the Annual Budget Law)?

- Programs should meet their target levels for indicators measuring causes (inputs, actions, processes, and intermediate outputs). E.g., if the budget level assumes hiring 100 employees and the program spends that money, it should hire that many people.
- Programs should not be expected to meet all of their target levels for indicators measuring effects (outputs and outcomes). Other factors outside the program may affect results.
- When actual results are different from target levels, it is an opportunity to analyze and improve performance.

4. Comparing Alternatives

The purpose of comparing alternatives is to help develop a value for money solution that meets the objectives of government action. Creating and reviewing options helps decision-makers understand the potential range of action that they may take. The discussion of comparing alternatives is based on information in the United Kingdom Treasury's "Green Book" (United Kingdom Treasury, 2003).

This analysis should be used to guide budget development and budget review, in government departments and units, GBD, and other budgetary and planning government departments, as well as for ongoing internal management at government departments and units. The specific budget process and the responsibility for comparing alternatives are described in Chapter VIII.3.c Budget Policies and Priorities Paper and Chapter IX Budget Process – Preparation in the sections on the Government Department and Unit Budget Requests, the GBD Funding Proposal, the Government Department and Unit Annual Budget Law Proposals, and the GBD Draft Annual Budget Law Proposal.

The first step is to prepare a list of the range of actions that government could possibly take to achieve the identified objectives (see Chapter VI.2 Setting Objectives). The list should include an option where government takes the minimum amount of action necessary (the 'do minimum option'), so that the reasons for more interventionist actions can be judged.

The range of options depends on the nature of the objectives. For a major program, a wide range should be considered before short-listing for detailed appraisal. Both new and current policies, programs, subprograms, activities, and projects should be included as options. At the early stages, it is usually important to consult widely, either formally or informally, as this is often the best way of creating an appropriate set of options.

An option may affect, or be affected by, other expenditure across the public sector (for example, where its outputs or costs depend upon another project or the implementation of a related policy perhaps in another organizational unit). Where a number of expenditures or work processes are linked together and the costs or benefits are mutually dependent, the

proposal must be appraised as a whole. However, the contribution of the component parts of each proposal to achieving overall value for money must be taken into account.

Checklist: How to Develop Alternatives

Establishing a range of options can be challenging. The following actions are suggested:

- Research existing reports, and consult widely with practitioners and experts, to gather the set of data and information relevant to the objectives and scope of the problem.
- Analyze the data to understand significant dependencies, priorities, incentives and other drivers.
- From the research, identify best practice solutions, including international examples if appropriate.
- Consider the full range of issues likely to affect the objective.
- Identify the full range of policy instruments, programs, subprograms, activities, or projects that may be used to meet the objectives. This may span different sorts or scales of intervention; regulatory (or deregulatory) solutions may be compared with self-regulation, spending or tax options.
- Develop and consider radical options. These options may not become part of the formal appraisal but can be helpful to test the parameters of feasible solutions. Well-run brainstorming sessions can help to generate such a range of ideas.

Examples of strategic and operational options include:

- Varying time and scale
- Options to rent, build or purchase
- Changing the combination of capital and current expenditure
- Refurbishing existing facilities or leasing and buying new ones
- Co-operating with other parts of government
- Changing locations or sites
- Providing grants (e.g., to local governments or non-governmental organizations) instead of the national government providing a service
- Provision of the service, such as maintenance, or facility by the private sector
- Co-locating, or sharing facilities with other government departments and units or organizational units within the government department or unit
- Using IT to improve delivery, as part of wider organizational changes
- Transferring service provision to another body, or improving partnership arrangements
- Varying the balance between outsourcing and providing services (or retaining expertise in-house)
- Engaging the voluntary sector
- Regulation, including private sector self regulation, and voluntary action
- Different standards or compliance procedures for different groups (e.g. large and small businesses)
- Varying quality targets
- Different degrees of compulsion, accreditation, monitoring, and inspection regimes, including voluntary codes, approved codes of practice or government regulation
- Action at a regional, national, or international level
- Better implementation of existing measures or initiatives

- Information and education campaigns
- Deregulation and non-intervention
- Changes that will be permanent in the foreseeable future, or initiatives with specified time horizons.
- Using tax incentives.
- Providing loans (direct or indirect loans, subsidized loans, or loan guarantees)

5. Setting Funding Levels

This section describes how to set funding levels in a ROB system, based on all the information developed through the techniques described in previous sections of Chapter VI Analytic Methods. Almost every step of the budget planning and preparation stages need to apply the tools for setting funding levels, but they are particularly relevant for the work described in Chapter VIII.3.c Budget Policies and Priorities Paper and Chapter IX Budget Process – Preparation in the sections on the Government Department and Unit Budget Requests, the GBD Funding Proposal, the Government Department and Unit Annual Budget Law Proposals, and the GBD Draft Annual Budget Law Proposal.

The legal authority for GBD’s responsibilities to set funding levels is provided in the Organic Budget Law, Articles 5.A and 5.D.

Organic Budget Law Description:

Article 5.A. [GBD] revises the financial allocations requests, which all governmental departments and units submit, by reducing, increasing, collecting, interview or reviewing it to assure that the allocations’ requests meet the Kingdom’s public policy.

Article 5.D. [GBD] audits all programs, projects and activities that require allocations in order to ascertain their priorities, benefits and its relation with each other.

As described in Chapter II How the Budget Process Shapes Policy, the budget is a decision about how to spend government funds in the most cost-effective manner, within overall fiscal constraints, to get the best results. The numerical funding allocation is an important part of the budget process, but not the only part. Other goals of the budget process are to review, revise, and improve aspects of government work beyond the allocation of funds between programs: the methods and processes used by the programs; the efficiency with which they work; the coordination with other parts of the government, service recipients, the private sector, and non-governmental organizations; etc.

Funding allocation decisions weigh the importance of achieving an objective with the cost of achieving it. An important objective that is very expensive or poorly run may be a lower priority for funding than a less important objective that is very inexpensive or well run. Programs that are run efficiently in essence reduce the cost of achieving their objectives, which increases their priority for funding. Just because a program has a critical objective does not mean it needs a lot of money to achieve that objective. Some essential government functions are small operations that can be performed inexpensively. These programs should be a very high priority for receiving a small amount of funding.

Funding allocation decisions should be determined in two stages. The first stage is to look at how justified government action is in the type of work that the program does. The second stage is to look at how well the program works in achieving its objective.

Stage 1: How Justified Is Government Action?

Chapter VI.1 Justifying Action listed five questions that can be asked to help answer the very important sixth question of what programs, subprograms, activities, or projects are priorities for receiving limited financial resources. The funding priority for different components within a program can help determine how much funding to recommend for each program. Here are the five questions, with a brief commentary on how to use the answers to make funding allocations:

1. What are the objectives of the program? Programs that directly support key national policy objectives (e.g., objectives listed in the Budget Policies and Priorities Paper or the National Agenda) should receive higher priority for the funding needed to achieve those objectives (which may be a small or large amount of money).
2. What is the reason for the government action? The two main reasons are market failure and promoting equity. Programs that address a clear market failure, or an important source of inequality, should receive higher priority for funding. Programs that do work that the private sector can do, or do not address equity issues as effectively as other programs, should receive lower priority for funding.
3. To what group of people, and on the basis of what criteria, are the program benefits distributed? Programs that have open, competitive systems for awarding benefits, and provide communal or indirect benefits should have higher priority for funding than programs that do not have a system for prioritizing service recipients or provide individual benefits.
4. Are there better ways to achieve the program objective (alternatives)? Even if a program is good at what it does, if there is a better way of achieving the objective, then more funding should be allocated to the more effective program.
5. What is the proper role of government versus the private sector in providing the service? Depending on the type of service, it may be appropriate to change the government role in providing the service, contracting the work to the private sector, reducing or stopping the program, or funding the program through fees. If the program needs to change its role, funding should probably be reduced.

Based on these five questions, the budget analyst can get a rough idea of how to prioritize funding for different programs and identify candidate programs for significant increases or decreases in funding.

Stage 2: How Effective and Efficient Is the Program?

The second stage is to revise the initial funding priorities by reviewing how effective and efficient the program is at achieving its objectives. This analysis determines whether the program is actually achieving its objectives and whether the cost of the program is justified by the benefits. There are qualitative and quantitative ways to perform this analysis. See also Chapter VI.3 Evaluating Performance for additional information on how to determine how well the government and its programs are solving problems.

Budget analysts in government department and unit budget or finance offices and at GBD should learn about the performance of the programs in their portfolio on an ongoing basis; managers at government departments and units should already know this information. This information can give a qualitative or quantitative understanding about whether the program is doing a good job of achieving its objectives and what are the opportunities for improvement. Programs that perform well should be candidates for increased funding, while programs that perform poorly should be candidates for decreased funding. Information can come from within the program, including visits to the program headquarters and field or project sites, program progress reports, and interviews with managers and staff. Analysts

can find information that either speaks directly about the program or is about the field in general, but can be used to analyze the program performance by the analyst. It can be helpful to learn about successful government programs in other countries and compare them with Jordan.

Information can also come from external sources, such as government review organizations (e.g., the Audit Bureau), academia (meeting with professors or reading their research papers), media (newspaper stories, magazines, television, internet, etc.), the private sector (trade organizations, industry experts), international organizations (United Nations organizations, the World Bank, embassies, etc.), and non-governmental organizations (both Jordanian and international).

In their presentations or reports making funding recommendations, analysts should use and cite these sources of information that evaluate program performance to justify their recommendations.

Analysts should also use the structured information from the performance indicators to make recommendations for funding levels. The KPIs published in the budget are the most important indicators, but the analysis can also be conducted on indicators that are not published in the budget.

The following discussion explains the five steps for the analysis of performance target levels compared to funding levels.

Template for Analysts:

Appendix I.e provides a sample template, “Analysis of Budget Proposal and Performance Target Levels”, that budget analysts can fill out and provide to their management as backup documentation to explain their funding recommendations (within government departments and units, in requests provided by government departments and units to GBD, within GBD, etc.).

- This analysis can be very helpful not only in developing and reviewing proposals, but also in communicating and justifying proposals to other people (e.g., a government department or unit to GBD).
- Even if this template is not used as a required form during the budget review process, analysts should incorporate the answers to these questions in whatever justifications they provide for their funding recommendations

- I. Identify whether the program proposes to increase or decrease funding for work that supports an indicator, and whether the related KPI target level is proposed to improve or worsen.
 - In the simplest analysis, funding changes should correlate with performance changes. If funding increases, then performance should improve. If performance decreases, then funding should decrease. These correlations should be checked both for actual (past) performance and estimated (future) performance. If the correlation does not hold, then there should be an explanation why, focusing on the key factors that affect cost. Possible explanations include increases in the cost of materials, or improved efficiency of operations. E.g., if materials costs increase 10% it is possible to see a 10% reduction in output if funding is held constant, but it is not justified to see a 20% reduction in output.

- This step requires complete and accessible information on actual and estimated performance. It also requires estimates of the funding level allocated to work that support each performance indicator.
 - It can be hard to identify which funding supports which KPI, but it is essential for ROB. As an interim measure, if it is not possible to break down funding to the level of the performance indicator, the analysis can be done comparing funding for the program with proposed trends for all the performance indicators in the program.
 - Analysts should identify which performance indicators received the biggest funding increase and why that work is increasing in importance. If they are not policy priorities, those funds may be better allocated elsewhere.
2. Validate the performance data and learn about the program by finding out how the target level was generated. For example, was it based on an expert opinion, a calculation, or data from another government department or unit?
 - The government department or unit should provide the calculation, assumptions, or reference for the target level. This information can help guide funding allocations by explaining what are the key factors determining performance and targeting resources or improved management to strengthen those factors.
 3. Determine whether the program is proposing to do anything differently to improve performance.
 - Improved performance may be a good justification for increased funding, but only if there is a good reason to believe that performance will actually improve and that increased funding is needed to achieve the improvement.
 - Saying, “we’ll work harder” is not an acceptable plan for improved performance.
 - For example, does the government department or unit have new procedures, better equipment, or does the program just expect more funding? E.g., if performance is expected to increase because the government department or unit assumes more people will be hired, but there is a freeze on hiring more employees, then the performance target will need to be revised.
 4. Compare target and actual performance levels from the last year with actual performance data.
 - Identify lessons learned to improve management and target level estimation. Government departments and units that can use indicator results to identify process improvements may deserve additional funding. In any case, information from indicators should be used to improve program performance.
 - Determine how well the government department or unit can predict performance. If the government department or unit’s predictions match actual performance, then the performance targets for the future can be used as good justification for budgeted funding levels. If not, the budget analyst may be more skeptical about recommending increased funding based on promises of improved performance.
 5. Assess whether the proposed performance change for the budget year is reasonably related to the proposed funding change for the budget year, based on the information from the previous four steps. If not, either the performance targets or the funding levels should be changed.

This step represents the “results” and the “budgeting” in “results oriented budgeting” distilled to their simplest form. The performance targets represent the “results”, while the funding levels are the “budget”. The basic task of budget analysis is to decide whether the results justify the budget, or whether there are better ways to use some or all of the funding. Using target performance information correlated with funding, government departments and units and GBD can discuss the performance implications of increasing or decreasing funding levels. This information can help adjust budget allocations to achieve the best balance between different programs. Budget analysts can also use it to develop the scenarios for minimum, recommended, and maximum funding levels that gives senior officials options for adjusting the overall funding levels.

While the basic comparison of target levels with the funding levels analysis can be summarized in a very simple form of, there is a large amount of prior analysis that must be done to make that summary analysis valid. It strengthens the analysis if the previous steps have been conducted correctly and the entire argument can be presented to senior officials to justify the recommendations. In particular:

- The performance target levels must be good estimates that are likely to be accurate. The analyst must know whether the program is effective at achieving its objectives.
- The performance indicators must represent the key work being done by the program. If the performance targets only represent a small amount of the program’s benefits, then funding allocations cannot be set effectively on the targets.
- The alternative uses of the funding must also have good performance indicators and target levels, so that the analyst can make legitimate comparisons between alternative programs.
- The analyst must also know how important is the work represented by the performance targets within the national policy priorities.
- The Stage I analysis, “How Justified Is Government Action” is equally important to making funding recommendations.

Some useful questions to ask for this step include:

- If funding were less or more, how much would the performance level change? Could funding be reallocated to improve performance of the overall portfolio of work within or across programs?
- Is there work within the funding that doesn’t support performance indicators? How much funding is needed for it and how important is it relative to the work that is represented by the indicators. Could this work have indicators, too?

Practical Considerations

In practice, budgetary funding decisions are not made from scratch each year. There is generally an initial starting point for funding that is provided (referred to as the planning ceilings), at least at the level of government departments and units, and sometimes expanded to programs. See the discussion, “What are the planning ceilings for each government department and unit?” in Chapter II.3.a Planning, for information on how these planning ceilings are set. The budget process generally considers reallocations of funding from this starting point.

Budget analysts should not exempt current expenditures when developing options for budget savings. Budgetary savings that focus too much on capital expenditures tend not to be sustainable. In particular, proposals that use flexibility with respect to civil service

expenditures should be considered. High quality estimates for current expenditures in the indicative years are also very important (IMF/WB, 2009).

Current expenditures can more easily be made part of the options for budget savings if those savings are reviewed over a multi-year time period. If guidance is provided at the beginning of the budget process on how to evaluate current expenditure options for the indicative years of the budget, government departments and units and GBD can develop more rigorous current expenditure budgets for indicative years and have more time to implement the necessary changes. Therefore, in setting funding levels, serious consideration should be given to current and capital expenditures in the indicative years. Amounts in the indicative years take into consideration factors such as inflation assumptions, demographic changes, beneficiary levels, and longer-term policy guidance. The analyst should be clear about the assumptions underlying the indicative year projections and whether are new policies implied in those years.

Reallocating Salaries and Wages

According to the 2010 Budget Policies and Priorities Paper, funding for salaries, wages, and pensions “has reached 60% of current expenditure, which is one of highest rate in countries similar to Jordan.” There are several approaches for addressing this issue.

- One approach is to limit the increase in funding to standard raises for each position, but to freeze the addition of new positions. It is even possible to shrink the number of positions through attrition by limiting hiring of replacements and removing some positions that have been vacated.
- A complementary approach is to reallocate salaries and wages to the programs that are performing best, or providing the greatest benefits. Government departments and units – and GBD – should consider whether existing staff can be reassigned to priority functions within the government department or unit. This approach focuses on getting greater benefit for the Kingdom within existing levels of salaries and wages, rather than reducing the levels of salaries and wages.

An alternative approach requires that every year the entire budget of each government department and unit must be justified, starting from a base of zero funding allocation. Zero Based Budgeting (ZBB) is an approach to budgeting that starts from the premise that no costs or work should be factored into the plans for the coming budget period, just because they figured in the costs or work for the current or previous periods. Rather, everything that is to be included in the budget must be considered and justified (CIPFA, Zero Based Budgeting). In practice, it is a challenge to take on a complete review and justification of all government funding every year. It is easier (and reasonable) to assume that the basic structure of the previous budget provides useful information to guide the upcoming budget.

There is value to the principle of ZBB that budget analysis should not merely provide incremental change, but should consider radical change if circumstances and analysis justify it. One way of providing an incentive for consideration of radical change, even without formally using ZBB is to require each budget analyst to make at least one recommendation for termination or significant funding reduction for a program. Another way is for GBD to more favorably review government department and unit requests for new programs or significant funding increases when these requests are complemented by termination or significant funding reduction for another program.

Since incremental budgeting is a common way of thinking about how to set funding levels, regardless of whether it is used formally or for presentation of recommendations, it is described in additional detail in the following discussion.

Incremental Budgeting. Incremental budgeting is not a budgeting system, but an approach to simplifying analysis and decision making related to the budget request. The term “baseline” budgeting is frequently used to describe the incremental approach to budgeting. With the technique of incremental budgeting, the budget request is made up of two parts: a base budget and changes to the base budget. The base budget consists of last year’s appropriation for recurring expenditures plus required adjustment to base. The base budget therefore excludes from last year’s appropriation non-recurring capital expenditures and other one-time expenditures. Adjustment to base may include such items as cost of authorized salary increases, and increases to annualize work not fully funded in the previous year. The latter includes new work initiated, for example in July, and funded for only six months during the previous year. Adjustments to base therefore include the additional sum needed to fund the new work on a full year basis. Inflationary cost increases may be included as an adjustment to base, but often are unfunded due to a lack of revenue or as a management tactic aimed at improving efficiency by forcing programs to absorb the higher costs. (OTA, 1997)

Incremental changes to the base budget are the focus of justification, review and analysis. These changes are made up of requests for program increases consisting of improvements to current programs or for new programs, and requests for program decreases consisting of program reductions or elimination (OTA, 1997).

The incremental changes can be prioritized or traded off against each other, using ROB analytic methods. For example, the government department or unit or GBD can list the recommended funding increases in priority order, based on the techniques described in this chapter of justifying action, setting objectives, and comparing alternatives. Depending on how much additional funding is available compared to the base (if any), funding increases can be selected to fill the funding window, using the techniques for setting funding levels described in this section. Savings (or cuts) can also be listed and prioritized. If funding reductions are needed, they can be taken from this list. Furthermore, government departments and units and GBD can use these two prioritized lists of increases and savings and make room in the budget for funding increases in some areas by selecting offsetting savings in other areas.

With the techniques of incremental budgeting, government departments and units can concentrate on justifying requests for program improvement, or requests for new programs. Analysis of the budget requests, likewise, is simplified. The incremental budgeting strategy may be used regardless of the budget system used. In time of revenue decline or slow growth, budget request instructions may require that the budget request include a proposal for a reduction in the base. (OTA, 1997)

A frequent criticism of the incremental approach to budgeting is that it is only the element of change that becomes the focus of review and analysis, rather than the base program, which generally requires a level of funding many times that of the requested change. By the same token, the focus on incremental change is also the strength of the technique. It simply is not practical to subject all programs every year to the degree of review and analysis required to support decision making of government officials and legislators. Budget officials aware of the weakness of the incremental approach, often attempt to supplement the annual budget review with a program evaluation cycle that periodically subjects each base program to rigorous review. Budget officials by coordinating their efforts with internal and

external auditors and other management review efforts can help ensure that base programs remain responsive to public need and are efficiently operated. (OTA, 1997)

Capital Project Selection. As noted in Chapter II.3.b Preparation, budget analysts should analyze current and capital budgets both in an integrated process that compares the benefits of current expenditures against capital expenditures, and through separated processes that compare current expenditures against other current expenditures and capital expenditures against other capital expenditures. The primary technique for capital project selection is somewhat different depending on which analytic approach is being used (integrated capital and current vs. separated capital and current), but both techniques are helpful, and both should be used. Additional discussion of capital project selection is provided in Chapter XIII Capital Budgeting.

When performing an integrated analysis of current and capital funding, the selection of capital projects is based on an analysis of the best ways to achieve program goals within the overall program funding level. This approach to allocating funds within a program should be essentially the same as the approach to allocating funding between programs within a ceiling for a government department or unit. Funding levels are set based on an analysis of the best ways to achieve performance goals. In this approach, the budget analyst recommends capital projects based on consideration of the most effective and efficient combination of current and capital expenditures, with capital projects competing against each other and against current expenditures for funding allocation. Prioritization of capital projects and increments of current expenditures within the program is based at least in part on how much progress they make towards the program's performance objectives, relative to their cost. In this approach, the apples and oranges of different objectives are prioritized through the process of allocating funding between different programs, which then simplifies capital project selection to competition between projects with largely similar objectives within each program.

When performing an analysis and selection of capital projects separately from the allocation of funding to current expenditures, the prioritization process may be based on a broad set of criteria that allows projects with different objectives in different programs to compete against each other. The criteria should include a ranking system that gives greater weight to benefits in priority policy areas, which allows prioritization of the apples and oranges of different objectives.

VII. Budget Process – Introduction

This chapter begins the second part of the manual, which explains the mechanics of the budget process and suggests how the techniques from the first part (Chapters II through VI) can be applied successfully in the budget process. Chapters VII through XII explain the mechanics of the budget process in terms of the work products that must be completed, and how to produce them in a way that accomplishes the objectives of each of the five stages of the budget process. Chapter II.3 Stages of the Budget Process provides an explanation of the general roles and objectives of the five budget stages in developing and implementing government policy, which is a good introduction and background to the more detailed processes described in Chapters VII through XII. Chapter V Organizational Responsibilities describes the general organizational responsibilities of each of the parts of the Government of Jordan that participate in preparation and implementation of the budget, which are described in more detail in Chapters VII through XII.

Each of the five chapters following Chapter VII Budget Process – Introduction addresses one stage of the budget process:

- Chapter VIII Budget Process – Planning describes the process for planning the fiscal and policy framework of the budget.
- Chapter IX Budget Process – Preparation describes the process for preparing the Draft Annual Budget Law based on that framework, as well as the related Manpower Tables.
- Chapter X Budget Process – Ratification describes the process for ratification of the Annual Budget Law.
- Chapter XI Budget Process – Execution describes the process for implementing the programs in the budget.
- Chapter XII Budget Process – Auditing and Evaluation describes the process for auditing and monitoring budget execution to ensure compliance with the budget law and evaluate the effectiveness and efficiency of government expenditure.

In order to explain the mechanics of the budget process and provide guidance on how to accomplish the objectives, Chapters VIII through XII each do the following:

- Summarize the role of the stage in the policy process and the associated organizational responsibilities
- Provide a flowchart that maps out workflow for each stage.
- List the work products, including for each work product:
 - what it is,
 - done by whom,
 - using what inputs and process,
 - for whom,
 - when,
 - why, and
 - how to add value to the work product

The budget process applies to all government departments and units, which may be called ministries, departments, bureaus, authorities, companies, commissions, etc. More specifically, a government department or unit has its own chapter in the Annual Budget Law (i.e., in the General Budget Law or the Government Units Budget Law). Please see Chapter I.I Glossary for additional information on the use of the terms “government department” and “government unit”.

VIII. Budget Process – Planning

The planning stage gives high-level instructions and establishes the overall framework for all participants in the budget process. It establishes what policy objectives are to be achieved, how much money is available to do the work, and by setting target funding levels (planning ceilings) it provides an initial prioritization of policy objectives and of responsibilities of each government department and unit. The planning stage is distinct from the subsequent preparation of the detailed budget proposals. It requires significant review and formal approval by the Council of Ministers of key planning documents, in particular the Medium Term Fiscal Framework and the Budget Policies and Priorities Paper.

The most important references from the first part of the manual for the planning stage are the following:

- Chapter II.2 Results-Oriented Budgeting (ROB) gives guidance on how the budget process supports the overall functioning of the government, which is especially important for deciding how to structure the Budget Calendar and for developing policies and priorities.
- Chapter II.3.a Planning gives information and guidance for budget analysts on the role of the planning stage in the budget process, including specific guidance on setting policy priorities and planning ceilings.
- All of Chapter VI Analytic Methods is relevant guidance for the developing the Budget Policies and Priorities Paper, with particular emphasis on Chapter VI.1 Justifying Action and Chapter VI.2.a Strategic Objectives.
 - Chapter VI.1 Justifying Action is very relevant to the planning and preparation stages. The analysis of the role of government should be driven from a review at the sectoral and government department and unit level – initiated during the planning stage and continued during the preparation stage – and at the program level, which happens primarily during the preparation stage.
 - Chapter VI.3 Evaluating Performance is more relevant to the preparation stage, but is also important for the planning stage.

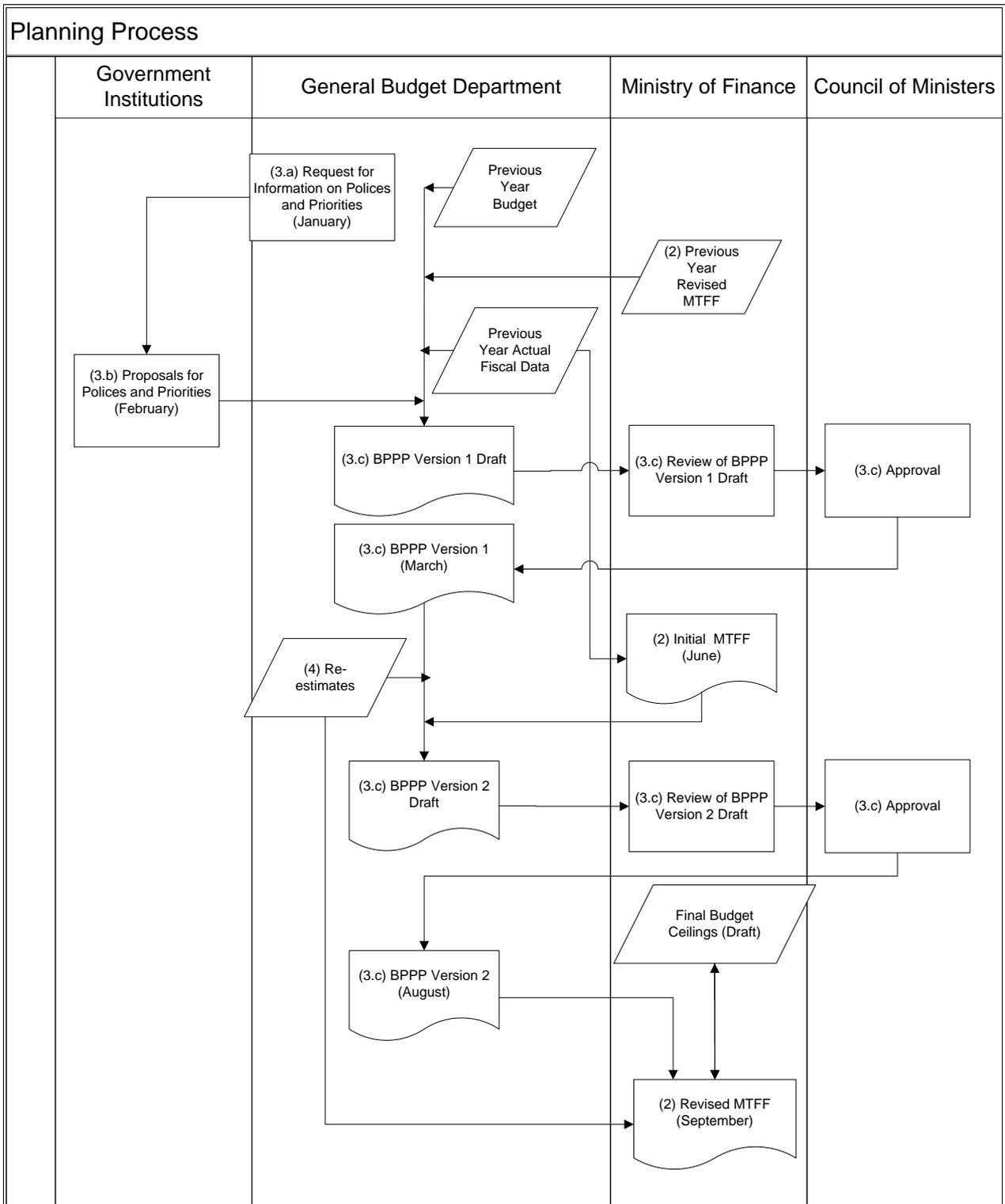
The key products during the planning stage are:

1. Medium Term Fiscal Framework
2. Budget Policies and Priorities Paper
3. Re-Estimates

The Budget Calendar is not a product of the budget process, but rather provides the framework for the entire budget process.

Figure 6 on the following page is a flowchart that maps the workflow for the Planning stage.

Figure 6: Planning Stage Workflow



The numbers before each document refer to the section in this chapter where it is described. Note that the Budget Calendar is described in Section I. It is not a product of the budget process, but rather provides the framework for the entire budget process. Note also that the Request for Information on Policies and Priorities and the Proposals for Policies and Priorities may be removed from the budget process.

I. Budget Calendar

What It Is: The Budget Calendar is:

- a list of the key work products required for preparation of the budget,
- who is responsible for each product, and
- when each product will be completed.

The Budget Calendar is not a product of the budget process, but rather provides a framework for the entire budget process.

Done By: The calendar is prepared by GBD management (the Director General, the Assistant Director General, and the Director of Studies and Information). It is reviewed, amended, and approved by the Minister of Finance and the Prime Minister. It is signed by the Prime Minister.

Using What Inputs and Process: The calendar is based on the previous year's calendar, with updates to reflect any changes to the budget process. GBD prepares the Budget Calendar in accordance with the Organic Budget Law, Article 4.E.

Organic Budget Law Description:

Article 4.E. Prepare a detailed statement of the important operations to approve the general budget and the government units' budgets provided that a specified time is determined to each operation where the final approval of the general budget and the government units' budgets will be obtained before the first day of January of each year.

Done For: All government departments and units involved in the budget process.

When: If revisions to the calendar are needed, they are issued by January, but in some years the calendar is not revised.

Why: The Budget Calendar ensures that everyone in the budget process has enough time to do their work properly, while meeting the ultimate deadline to complete the budget before the first day of January of each year.

How to Add Value: The calendar should be clear, predictable, publicized, and implemented according to schedule.

Chapter II.2 Results-Oriented Budgeting (ROB) gives guidance on how the budget process supports the overall functioning of the government, which is especially important for deciding how to structure the Budget Calendar and for developing policies and priorities.

2. Medium Term Fiscal Framework

What It Is: The Medium Term Fiscal Framework (MTFF) is the beginning of the process for determining total government revenues and expenditures – and thus the deficit – for the next Annual Budget Law, covering the budget year and the following two indicative years.

Two versions are prepared each year:

- The Initial version is prepared in June, using:
 - actual financial data from the previous fiscal year,
 - actual financial data from available months of the current year, and
 - budget re-estimates for the remaining months of the current year.

- The Revised version is prepared in September, using:
 - actual financial data from the previous fiscal year,
 - actual financial data from available months of the current year (more than in the Initial version),
 - budget re-estimates for the remaining months of the current year, and
 - the Final Budget Ceilings, which are developed in coordination with the Revised MTFF.

Note that the re-estimates are more important for the Revised version than the Initial version because later in the year there is more actual data available, and the re-estimates are more likely to be different from the estimates.

The MTFF contains the following key policy information, as well as the macroeconomic and government financial data used in the analysis:

- Analysis of economic and government financial conditions.
- Projections of the total revenues and other fiscal resources at the government's disposal, including domestic revenues and external grants, based on detailed and consistent projections of key macroeconomic variables. Revenues are broken down into major categories (e.g., income tax, customs duties).
- Target levels for public expenditures, divided between current and capital expenditures. Current expenditures are broken down into major categories (e.g., payroll, fuel subsidies).
- An estimate of the budget deficit, both including and excluding foreign grants, and in absolute numbers and as a proportion of the gross domestic product (GDP).

Additional information on the MTFF can be found in the Medium Term Financial Framework Manual, prepared by the Studies and Economic Policies Directorate.

Done By: The MOF Studies and Economic Policy Directorate prepares the MTFF, in consultation with other MOF directorates and with GBD management. It is reviewed, amended, and approved by the Minister of Finance and the Council of Ministers. It is signed by the Minister of Finance.

Using What Inputs and Process: The MTFF is based on a combination of analysis of macroeconomic and government financial indicators, and policy decisions on issues such as taxes, salaries, and target deficits. Together, this information is inserted into macroeconomic models and used to generate projections of economic and government financial performance. The legal authority for GBD to participate in preparation of the MTFF is provided in the Organic Budget Law, Article 7.

Organic Budget Law Description:

Article 7. The ministry [MOF] with the cooperation of the department [GBD] shall prepare the medium-term financial framework, which the general budget preparation process requires.

The MTFF uses data collected from:

- The Department of Statistics
- Other government departments and units
- The Central Bank of Jordan
- Economic surveys of the private sector

- Donors and international organizations (e.g., the International Monetary Fund)

The key analyses of economic and government financial indicators are as follows:

- Macroeconomic models are used to calculate historical and project future economic growth in terms of gross domestic product (GDP).
- Baseline revenues are estimated based on projected economic trends and agreements relating to foreign-funded projects.
- Baseline expenditures are based on existing policies and budgets, prior to any changes proposed in the MTFF.

The key policy decisions that are made for the MTFF and inserted into the model are as follows:

- Target budget deficit, in terms of percent of GDP, balancing needs for austerity versus stimulus and the role of the public sector versus the private sector in promoting economic growth, while keeping debt at safe levels to protect the currency.
- Changes in revenue policy (e.g., tax increases or decreases), which may be based on macroeconomic goals (e.g., maintain a certain tax burden for the Kingdom as a whole) or specific programmatic goals (e.g., promote energy efficient products). Final decisions on revenue policy, in the Revised MTFF, are implemented through legislation that is separate from the Draft Annual Budget Law. They must be approved through a separate tax law, or in some circumstances administrative action. Basing the MTFF on tax revenue proposals that are not enacted can lead to an unplanned increase in the deficit and may require difficult adjustments in the budget part way through the year.
- Target change in current expenditures, which may be based on macroeconomic goals, analysis of economic classification expenses (e.g., salaries and wages), revision of on-going programs or introduction of new programs (e.g., based on reports on program performance), and other changes in priorities.

Target change in capital expenditures. A capital expenditures target may be determined by: setting a current expenditures target, estimating revenues, setting a deficit target, and then subtracting current expenditures from the sum of revenues and the deficit target. When possible, the MTFF sets capital expenditures based not only on the calculation deriving from predetermined current expenditures, revenues, and deficit, but also on an analysis of the return on investment of capital expenditures. The MTFF may consider making adjustments to policy on current expenditures and revenues – and possibly the deficit – in order to make room in the fiscal framework for a target level of capital expenditures that is sufficient to fund capital projects with significant and cost-effective expected benefits in priority policy areas. In summary, the MTFF is developed through an analysis of the tradeoff between the benefits of capital projects and the benefits of current expenditures, revenue policies, and deficit policy.

Done For: The MTFF is an internal document used by MOF and GBD to guide the budget process. MOF and GBD use the revenue and expenditure targets at the government level in the MTFF to guide the setting of Final Budget Ceilings after review of Government Department and Unit Budget Requests. The expenditure proposals can be enacted through the Annual Budget Law. The revenue proposals can be enacted through tax law, or in some circumstances administrative action.

It is not distributed to other budgetary and planning government departments or government departments and units. However, much of the information in the MTFF is published on the web site of GBD and/or included in the Budget Circular.

When:

- The Initial version is prepared before the Government Department and Unit Budget Requests are submitted, in June.
- The Revised version is prepared after the Government Department and Unit Budget Requests are submitted, in September..

Why: Establishing the MTFF is critically important to creating budgets with sound plans for expenditures and revenues. Overly optimistic projections of macroeconomic and revenue performance distort perceptions of the true resource envelope and affect budget planning, in many case leading to cash-flow shortfalls, constant budget revisions, and unplanned ad-hoc borrowing to cover budget commitments.

Two versions are prepared because there is sufficient change in government finances and macroeconomic conditions over 6 months to make a semi-annual update valuable to people who use the MTFF. The budget will be more attuned to current needs of the people and the government if it provides revenues and expenditures based on the most recent version of MTFF.

The MTFF can be an instrument to:

- Coordinate tax/revenue policy with expenditure policy
- Coordinate foreign aid and cooperation with donors
- Integrate and ensure consistency for policies and data (across sectors and institutions, and over time)
- Secure funding for multi-year investment projects
- Design and monitor the implementation of fiscal policy reforms
- Assess fiscal performance based on a set of benchmarks

How to Add Value:

- The MTFF should be used in setting planning budget ceilings in the Budget Policies and Priorities Paper (or the Budget Circular if it is issued before the Government Department and Unit Budget Requests are due).
- The macro-economic models should be validated by independent experts, and their accuracy evaluated based on past performance.

3. Budget Policies and Priorities Paper

Overview: The Budget Policies and Priorities Paper establishes the progress the Government of Jordan intends to make in the budget year towards its medium and long-term goals and the budget program priorities, especially changes in priorities from previous years. It is used to guide GBD review of Government Department and Unit Budget Requests and preparation of the Budget Circular. It is the first step in the budget process that examines and makes recommendations for funding at the government department and unit level.

The process for developing the Budget Policies and Priorities Paper uses the following supporting documents:

- Request for Information on Policies and Priorities

- Government Department and Unit Proposals for Policies and Priorities

The supporting documents are described first, followed by the Budget Policies and Priorities Paper itself.

a. Request for Information on Policies and Priorities

Note: This step may be removed.

What It Is: The request for information is a brief letter requesting government departments and units to provide, by a specified deadline, the following information:

- initial proposed funding levels
- for the budget year and two subsequent indicative years,
- at the level of the **activity and project**.

Although not necessarily mentioned directly in the letter, it is understood that government departments and units should also provide:

- the indicative funding levels from the previous budget and
- the requested change in funding between the indicative funding levels and the initial proposed funding levels.

Done By: The request for information is prepared by GBD management and signed by the Minister of Finance.

Using What Inputs and Process: The request for information is based on the previous year's request, with updates to reflect any changes in the type and timing of information required for the budget process.

Done For: Finance offices at the government departments and units will respond to the request for information with their initial proposed funding levels for the budget year and two subsequent indicative years.

When: January.

Why: GBD prepares the form to ask government departments and units for initial input on their plans for the budget, which will be used to prepare the Budget Policies and Priorities Paper.

How to Add Value: The request for information should only require information that is needed for preparation of the Budget Policies and Priorities Paper, and is significantly different from the information already available in the previous year's budget.

b. Government Department and Unit Proposals for Policies and Priorities

Note: This step may be removed.

What It Is: A form in which each government department and unit provides

- the indicative funding levels from the previous budget,

- the requested change in funding between the indicative funding levels and the initial proposed funding levels, and
- initial proposed funding levels,
- for the budget year and two subsequent indicative years,
- at the level of the activity and project.

Done By: Finance offices at the government departments and units, with input from program offices or other organizational units responsible for program implementation.

Using What Inputs and Process: Government departments and units develop the proposed funding levels based on desired or anticipated changes to programs or economic classification expenses. These changes can be based on a review of changing problems and opportunities, lessons learned from program performance, changes needed to achieve goals and objectives from national and government department and unit strategic plans, policy statements by senior government or royal officials, etc. Each government department and unit develops their own form to show their initial proposed changes in indicative funding levels from the previous budget.

Done For: Government departments and units prepare their proposals for GBD to use in developing the Budget Policies and Priorities Paper.

When: February.

Why: The government department and unit proposals give GBD the important insights and perspectives of program implementers in developing the Budget Policies and Priorities Paper.

How to Add Value: Government departments and units should focus on presenting significant changes in program funding and policy, justified by policy analysis.

c. Budget Policies and Priorities Paper

What It Is: The main function of the Budget Policies and Priorities Paper (BPPP) is to present the main features and dimensions of the budget within the medium-term expenditure framework (MTEF) of three years. It highlights the proposed policies and procedures to guide budget preparation, identifies total capital expenditures, and the fiscal space (the amount the government can spend without jeopardizing financial stability or economic stability). The paper contains five sections as follows:

1. A presentation of the main economic and fiscal developments of the previous year.
2. Expected economic and fiscal performance in the current year, with a focus on public finance.
3. The main features of the budget for the MTEF, including the assumptions and expectations upon which the budget will be developed and the policies and procedures proposed to be adopted in the budget.
4. The methodology to be used to prepare the budget and preliminary estimates, to advance the government's policy.
5. A review of public expenditure priorities by sector during the current year and previous two years and an identification of capital expenditure priorities by project (continuous, underway, and new) for 2011-2013.

Two versions of the paper are prepared each year:

- Version 1 is prepared using:
 - actual financial data from the previous fiscal year,
 - actual financial data from available months of the current year
 - budget re-estimates for the remaining months of the current year
 - budget data for future years from the previous year's budget, and
 - macroeconomic historical data and projections from the previous year's Revised MTFF.
- Version 2 is prepared using:
 - actual financial data from the previous fiscal year,
 - actual financial data from available months of the current year (more than in Version 1),
 - budget re-estimates for the remaining months of the current year, budget data for future years from the previous year's budget, and
 - macroeconomic historical data and projections from the current year's Initial MTFF.

Note that the re-estimates are more important for Version 2 than Version 1 because later in the year there is more actual data available, and the re-estimates are more likely to be different from the estimates.

The Budget Policies and Priorities Paper contains the following information:

- Review of macroeconomic and government financial indicators from the previous fiscal year (from the MTFF).
- Estimates of macroeconomic and government financial performance for the current year (from the MTFF). In Version 2, an explanation is given for the differences between the estimates and re-estimates for the current year (not in the MTFF).
- Estimates of macroeconomic performance for the budget year and two indicative years (from the MTFF).
- Key policies to govern development of the budget. E.g., salary and wage adjustments, changes in employment levels, changes in subsidies, changes in fees, institutional structures, legislative changes with budgetary implications, procurement requirements, and guidance on which capital projects to fund (not in the MTFF).
- Targets for the budget year and two following indicative years for the following categories of revenues and expenses, presented in terms of total value and as a percentage of GDP (from the MTFF):
 - Total public revenues
 - Domestic revenues
 - Foreign grants
 - Total public expenditures
 - Current expenses
 - Capital expenses
 - Existing projects (continuous and underway or committed)
 - Fiscal space for new projects
 - Deficit, before grants
 - Deficit, after grants
 - Net public debt
- Analysis of the major features of public expenditures:
 - Previous current expenditures (e.g., salaries and wages, pensions, military)

- Previous capital expenditures (by sector)
- Future capital expenditures for existing projects (by sector)
- General risks for the budget (e.g., inflation, increased subsidies for electricity and water)

Done By: The Budget Policies and Priorities Paper is drafted by GBD management. It is reviewed, amended, and approved by MOF and the Council of Ministers. It has not yet been established who will sign it.

Using What Inputs and Process: The Budget Policies and Priorities Paper is prepared based on an analysis of the best way to implement strategies and achieve goals described in the following documents:

- MTFF (see entry above)
- Government Department and Unit Proposals for Policies and Priorities (see entry above)
- national and government department and unit strategic plans (e.g., the National Agenda, the National Executive Development Program)
- royal initiatives
- speeches and statements by senior officials
- other planning documents
- program evaluations of past performance and progress on policy objectives
- formal and informal discussions with senior government officials

Done For: The Budget Policies and Priorities Paper is used as guidance throughout the budget process by GBD management, MOF, and the Council of Ministers. It is not distributed directly to government departments and units, but the relevant concepts are sent to government departments and units in the Budget Circular.

When: Two versions are prepared each year:

- Version 1 is prepared in March, before the Initial MTFF is prepared.
- Version 2 is prepared in August using re-estimates of budget data and the Initial MTFF. The updates in the second version are primarily to the figures in the tables, though there are also a few changes to the narrative.

Why: The Budget Policies and Priorities Paper establishes agreement between GBD, MOF, and the Council of Ministers on the progress the Government of Jordan intends to make in the budget year towards its medium and long-term goals and the budget program priorities, especially changes in priorities from previous years. These concepts are used to guide GBD review of the Government Department and Unit Budget Requests and Government Department and Unit Annual Budget Law Proposals, and may be used as a first draft for parts of the Budget Circular. It is the first step in the budget process that examines and makes recommendations for funding at the government department and unit level. The importance of setting planning ceilings is that it gives a realistic starting point to the budget discussion. If there were no planning ceilings, government departments and units could make unrealistically large funding requests, which could never be fulfilled and provide little useful information for the budget process.

- Version 1 is used primarily to guide GBD review of Government Department and Unit Budget Requests, both to ensure that the total of all government department

and unit funding does not exceed MTFE targets, and to ensure that government department and unit funding allocations are consistent with policy decisions in the document.

- Version 2 is used primarily to guide GBD review of Government Department and Unit Annual Budget Law Proposals, both to ensure that the total of all government department and unit funding does not exceed MTFE targets, and to ensure that government department and unit funding allocations are consistent with policy decisions in the document. It may also be used to guide preparation of Budget Circular.

How to Add Value:

- The document should address programmatic or sectoral objectives (e.g., strategies for increasing industrial production, or improving child health), as well as budget policy for the economic structure of spending (economic classification line items) (e.g., salary and wage changes, building construction) and procedural issues (e.g., legislative changes, procurement rules).
- The document's policies should be based on a thorough policy analysis at the strategic level, using the techniques described in Chapter II How the Budget Process Shapes Policy and Chapter VI Analytic Methods, which are referenced in more detail at the beginning of this Chapter VIII Budget Process – Planning. The analysis to develop the document should be based on all the Chapter VI Analytic Methods sections: Justifying Action, Setting Objectives, Evaluating Performance, Comparing Alternatives, and Setting Funding Levels. The analysis is generally at the high level of the Kingdom, sector, or government department or unit.
- Since the previous budget is generally the starting point for the next year's budget, it is very helpful in the Budget Policies and Priorities Paper to focus on changes from the previous year.
- Guidance should be tied to strategies and objectives described in other policy documents. The Priorities and Policies document should integrate their guidance, which may not be consistent across documents.
- Guidance should be sufficiently specific to be used by budget analysts (including senior officials) in developing government department and unit and program budgets. Vague or general guidance is not helpful.
- The document should not only say what is a high priority, but also what is a low priority or what has not been successful. Information contrasting higher and lower priority work, strategies, and objectives will help analysts make budget tradeoffs.

4. Re-Estimates

What It Is: The re-estimates are updates to macroeconomic and government financial projections for the current fiscal year, carried out at various times during the fiscal year based on the most recent actual partial year figures. The information is presented in various documents, notably the following:

- The Initial and Revised MTFE provide re-estimates of macroeconomic and some government financial data.

- Government Department and Unit Budget Requests and Government Department and Unit Annual Budget Law Proposals provide government expenditure re-estimates.

Note that the re-estimates are more important for the documents produced later in the fiscal year because later in the year there is more actual data available, and the re-estimates are more likely to be different from the estimates.

Done By: The MOF Studies and Economic Policy Directorate prepares the re-estimates for the MTFF, in consultation with GBD management. Government departments and units prepare the expenditure re-estimates in their budget requests, in consultation with GBD.

Using What Inputs and Process:

- Data from government departments and units, economic surveys of the private sector, and donors and international organizations.
- Actual government spending for the previous fiscal year depends on the closing accounts rounded to the nearest dinar. If the closing account is unavailable, the financial position rounded to the nearest decimal for January 1st can be used instead.
- Re-estimates of the government's expenditure in the current fiscal year depend on the financial position of the last month available, rounded to the nearest 100 dinars per article and 1,000 dinars per group. Government departments and units estimate expenditures for the remaining months in the year based on their analysis of expenditures to date, commitments, and expected commitments.
- Re-estimates of government financial figures are presented in the Government Department and Unit Budget Requests. Re-estimates of government financial figures are also presented in the Government Department and Unit Annual Budget Law Proposals, using updated data on actual spending to calculate the re-estimates.
- GBD does independent calculations of the re-estimates to review and approve the government department and unit re-estimates.

Done For: MOF and GBD will use the information to draft the Initial and Revised MTFF. Government departments and units will use the information – especially the government expenditure information – in preparing their Budget Requests and Draft Annual Budget Law Proposals, which GBD will then review and analyze.

When:

- The macroeconomic and some government financial re-estimates are presented in the Initial MTFF in June and the Revised MTFF in September.
- The government expenditure re-estimates are prepared in July in the Government Department and Unit Budget Requests and revised in September in the Government Department and Unit Annual Budget Law Proposals.

Why: The re-estimated data is used to provide a more current picture of government finances and macroeconomic conditions than the estimates based only on previous year actual data. The budget will be more attuned to current needs of the people and the government if it provides revenues and expenditures based on the re-estimated data, than the previous year estimates.

How to Add Value: Complete the re-estimates promptly, in time for GBD to use them to guide its review of Government Department and Unit Budget Requests and the Government Department and Unit Annual Budget Law Proposals.

IX. Budget Process – Preparation

The preparation stage takes the policies and priorities guidance from the planning stage, which is generally at the government-wide or sectoral level, and turns it into specific budget and performance proposals at the levels of programs, subprograms, activities, and projects. The Preparation Stage advances the policy process by taking all the existing policy guidance, much of which is qualitative or general, and developing a much more detailed implementation plan, with quantitative decisions on funding details matched to quantitative projections of specific results. The legal authority for GBD's responsibilities to prepare the Annual Budget Law is provided in the Organic Budget Law, Article 4.

Organic Budget Law Description:

Article 4. The department [GBD] shall take over the following tasks and responsibilities:

- A. Preparing the country's general budget.
- B. Preparing the government units' budgets.
- C. Preparing job formation schedules for the governmental departments and units with coordination with the Civil Service Bureau and the competent authorities in accordance with the effective laws and regulations.
- D. Allocating the financial appropriations to execute the country's public policy according to the priorities to achieve the distribution of the development's benefits and gains on all the Kingdom's governorates.
- E. Prepare a detailed statement of the important operations to approve the general budget and the government units' budgets provided that a specified time is determined to each operation where the final approval of the general budget and the government units' budgets will be obtained before the first day of January of each year.

The most important references from the first part of the manual for the preparation stage are the following:

- Chapter II.1 Budget Formats explains what information should be included in the different parts of Jordan's budget, and how to use that information to develop quality budgets.
- Chapter II.3.b Preparation gives information and guidance for budget analysts on the role of the preparation stage in the budget process.
- Chapter VI.1 Justifying Action is relevant to the planning and preparation stages. The analysis of the role of government should be driven from a review at the sectoral and government department and unit level – initiated during the planning stage and continued during the preparation stage – and at the program level, which happens primarily during the preparation stage.
- Chapters VI.2.b Program Objectives and VI.2.c Target Levels explain how to develop and use key performance indicators (KPIs), including setting the specific objectives (target levels) for government work, in areas where it is justified (see previous bullet). Chapter VI.2.a Strategic Objectives is more relevant to the planning stage than the preparation stage, but applies to both.
- Chapters VI.3 Evaluating Performance and VI.4 Comparing Alternatives together explain how to select the best ways of achieving the objectives defined by the KPIs (see previous bullet).

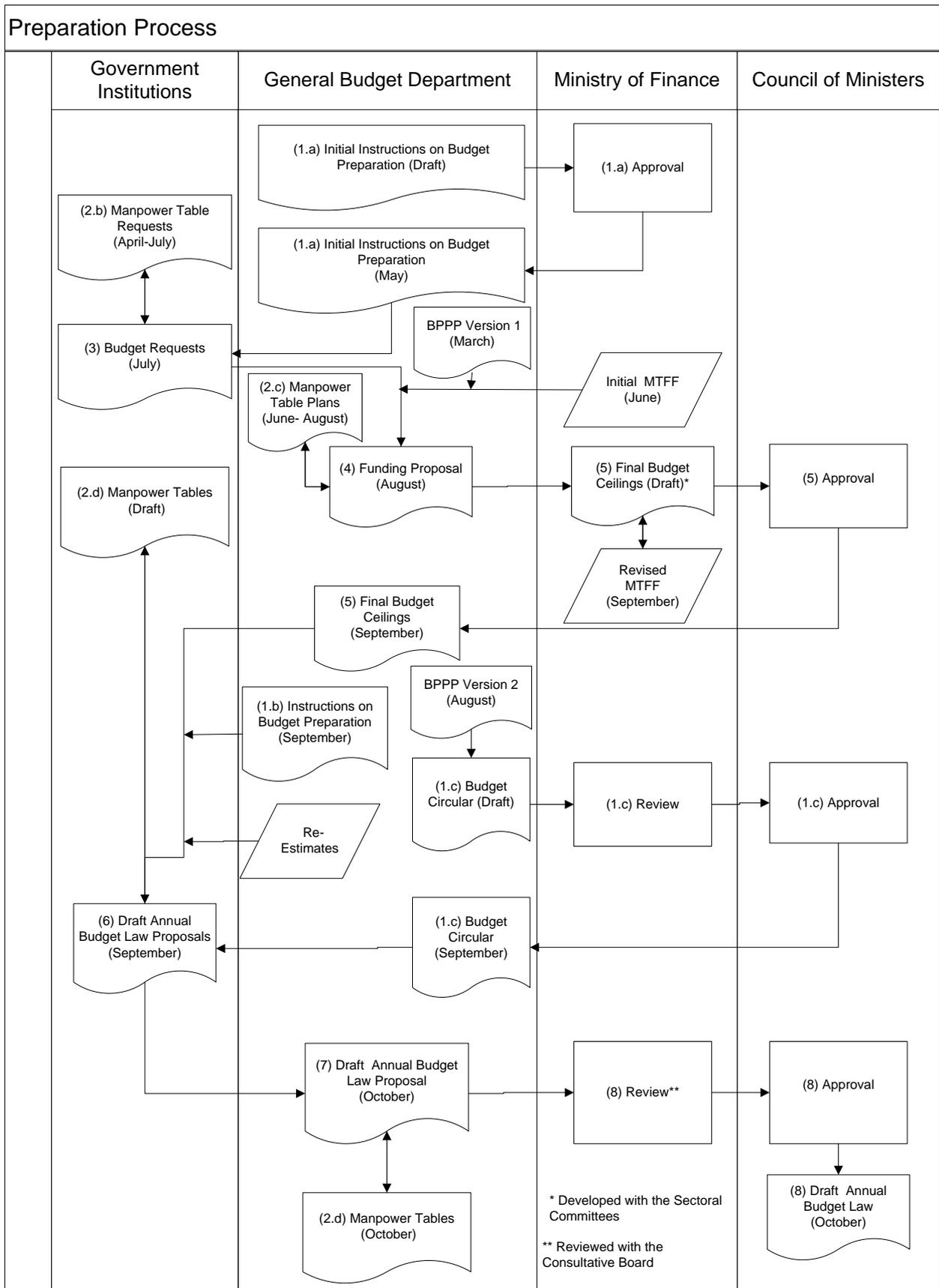
- Chapter VI.5 Setting Funding Levels provides guidance on the central goal of the preparation stage, by explaining how to pull together the information from the other analysis and make budget recommendations.

The key products during the planning stage are:

1. Budget Circular (including the Instructions on Budget Preparation)
2. Manpower Tables
3. Government Department and Unit Budget Requests
4. GBD Funding Proposal
5. Final Budget Ceilings
6. Government Department and Unit Annual Budget Law Proposals
7. GBD Draft Annual Budget Law Proposal
8. Draft Annual Budget Law
9. Draft Supplementary Annual Budget Law

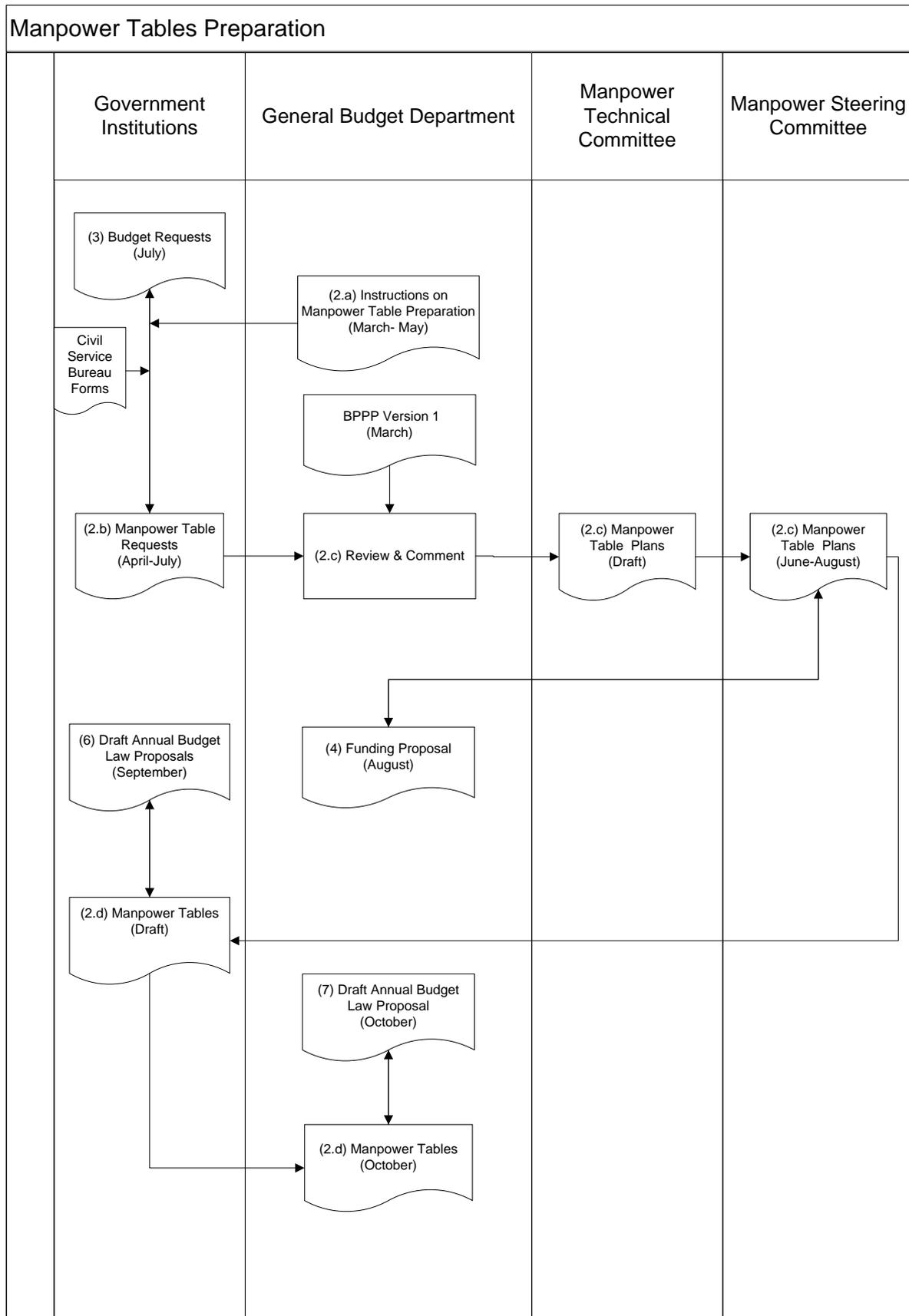
Figure 7 and Figure 8 on the following pages are flowcharts that map the workflow for the Preparation stage. Figure 7 shows the overall process and Figure 8 shows the details of the Manpower Table preparation.

Figure 7: Preparation Stage Workflow



The numbers before each document refer to the section in this chapter where it is described.

Figure 8: Manpower Tables Workflow



The numbers before each document refer to the section in this chapter where it is described.

I. Budget Circular

Overview: The Budget Circular and its related documents state the government's fiscal targets and proposed policies for the upcoming budget. They also provide the technical guidelines for preparation of the budget, including the instructions for the government departments and units' budget chapters and budget requests, and deadlines for the milestones in the budget preparation stage. The legal authority for GBD's responsibilities to prepare the Budget Circular is provided in the Organic Budget Law, Article 5.B.

Organic Budget Law Description:

Article 5.B. [GBD] requests the necessary information and data from all the governmental departments and units related to the objectives, programs, projects and activities and financing them.

The Budget Circular and its related documents cover the following elements:

- A statement of the macroeconomic and government finance situation
- Overall government targets for revenues, expenditures, and the resulting deficit target
- The policy framework for budget preparation, including specific guidelines on how to decide funding levels for major expenditure items and programs, such as personnel expenditures, investment projects, and entitlement programs
- Information on how to analyze, develop, and present performance information in connection with proposed funding levels to achieve progress towards strategic and program objectives
- Key economic assumptions that enable government departments and units to prepare their budget requests, such as the expected inflation rate

Some information that conceptually is part of the Budget Circular guidance is issued separately from the Budget Circular in related documents. The Budget Circular focuses on policy issues. The related documents provide technical guidelines for the budget process. These related documents are:

- Initial Instructions on Budget Preparation
- Instructions on Budget Preparation

The documents with technical guidelines are described here first, followed by the Budget Circular itself.

Policy on personnel budgeting is developed both through the Annual Budget Law and the Manpower Tables. The Instructions on Manpower Table Preparation, described in Chapter IX.2.a, must be coordinated with the Budget Circular instructions, so that policy on personnel budgeting is developed in a consistent manner.

a. Initial Instructions on Budget Preparation

What It Is: The Initial Instructions on Budget Preparation is a brief letter requesting government departments and units to provide their budget requests, by a specified deadline. The letter lists the following required information:

- current expenditures,

- capital expenditures, divided by
 - continuous (operations, maintenance, and supplies for completed projects),
 - underway or committed (projects not yet completed), and
 - new,
- spending by governorate, divided by
 - current and
 - capital,
- lists of programs, activities, and projects related to
 - the gender budget and
 - the child budget,
- updates to the government department and unit strategic plans, including
 - vision,
 - mission,
 - strategic objectives,
 - programs,
 - indicators, and
 - other related data or information,
- for the budget year and two subsequent indicative years,
- considering indicative funding levels from the previous budget.

Separate versions of the letter are prepared for government departments and for government units. The difference between these versions is that the letter for government units also requires information on estimated revenues and proposed subsidies and borrowing.

Done By: The letter is prepared by GBD management and signed by the Minister of Finance.

Using What Inputs and Process: The letter is based on the previous year's letter, with updates to reflect any changes in the type and timing of information required for the budget process. The standard forms that government departments and units will use to submit their budget requests are available to government departments and units at the GBD web site.

Done For: Finance offices at the government departments and units will respond to the letter with their budget request for the budget year and two subsequent indicative years.

When: May.

Why: GBD prepares the letter to ask the government departments and units for their budget requests. The information required in the letter (i.e., the government departments and units' budget request) is more detailed than in the information required in the Request for Information on Policies and Priorities (see Chapter 8.C. Budget Policies and Priorities Paper).

How to Add Value: The letter should be sent at least 6 weeks before the Government Department and Unit Budget Requests are due to GBD.

b. Instructions on Budget Preparation

What It Is: The Instructions on Budget Preparation provide government departments and units and governors with detailed information on how to develop the Government Department and Unit Annual Budget Law Proposals, within the funding levels set by the budget ceilings for the budget year and two subsequent indicative years. They are sent as an attachment to the Budget Circular. They include:

- Detailed technical instructions on what information must be submitted and included in the Budget Law (this is the majority of the document)
- In some cases, a few policy instructions on how to make the detailed funding allocations and Manpower Tables (e.g., forbidding appropriations for certain types of expenses, listing which types of positions may be created)
- It provides the dates for government departments and units to submit the Government Department and Unit Annual Budget Law Proposals.

The sections are:

- General Instructions, which includes objectives and performance indicators
- Revenues and Financing Sources
- Expenditures
 - Current Expenditures
 - Salaries, Wages, and Allowances
 - Operating Expenditures (Goods and Services Use)
 - Interest, Aid, Subsidies, Grants, and Social Benefits
 - Miscellaneous Expenditures and Non-Financial Assets
 - Capital Expenditures
- Loans and Liabilities
- Instructions for the Preparation of Manpower Tables

Done By: The instructions are prepared by GBD management, and approved by MOF as part of the Budget Circular review process (see below). The instructions are sent in a letter signed by the Minister of Finance.

Using What Inputs and Process:

- The technical instructions are based on the previous year's letter, with updates to reflect any changes in the type and timing of information required for the budget process. The standard forms that government departments and units will use to submit their budget requests are available to government departments and units at the GBD web site.
- The policy instructions are based on decisions made in the Budget Circular (see below).

Done For: Finance offices at the government departments and units, with inputs on capital requests from Governors, will respond to the instructions with their Government Department and Unit Annual Budget Law Proposals for the budget year and two subsequent indicative years.

When: The instructions either accompany the Budget Circular, which is issued in September, or they may be sent prior to issuance of the Budget Circular.

Why: GBD prepares the instructions to ask the government departments and units for their Draft Annual Budget Law Proposals. The information required in the instructions (i.e., the Draft Annual Budget Law Proposal) is the same as in the Government Department and Unit Budget Requests, except that the instructions include the following additional requirements:

- Government departments and units submit performance target levels.

- Government departments and units submit information on the amount of funding supporting the women’s budget and the children’s budget.
- Government departments and units submit other non-financial information that will be included in the Annual Budget Law, e.g., the vision, mission, and objectives.
- The total funding must fit within the budget ceilings.
- The proposal must meet any policy guidance in the instructions or in the Budget Circular.

How to Add Value:

- Provide clear instructions for each piece of information required.
- Provide the instructions to government departments and units in a timely manner.

c. Budget Circular

What It Is: The Budget Circular requests government departments and units to provide GBD with the Government Department and Unit Annual Budget Law Proposals, covering the budget year and two subsequent indicative years.

- The Budget Circular explains the macroeconomic and government financial framework for the Draft Annual Budget Law, including the total government revenue estimate and the total ceiling for public expenditure.
- It explains the general policy themes and specific policy guidance and decisions that government departments and units must use in developing their Draft Annual Budget Law Proposals.
- It briefly addresses sectoral goals and geographic goals for the budget’s funding allocations.
- It provides policy guidelines and requirements for job formations.
- It provides references for obtaining budget forms, including the GBD website.
- It provides the dates for government departments and units to submit the Government Department and Unit Annual Budget Law Proposal.
- It does not include the Final Budget Ceilings for each government department and unit, which are sent in a separate document.
- It includes the Instructions on Budget Preparation, as an attachment.

Done By: The Budget Circular is drafted by GBD management. It is reviewed, amended, and approved by MOF and the Council of Ministers. It is signed by the Prime Minister.

Using What Inputs and Process: The Budget Circular is prepared based on figures and policies in the most recent version of the MTFF and Version 2 of the Budget Policies and Priorities Paper. The ceilings are based on reconciliation, by all parties involved in the budget process, of information from:

- the top down process of the MTFF and the Budget Policies and Priorities Paper and
- the bottom up process of the Government Department and Unit Budget Requests and subsequent review by GBD, MOF, and the Council of Ministers.

For additional information on setting the ceilings, see Chapters II.3.a Planning, IX.4 GBD Funding Proposal, and IX.5 Final Budget Ceilings.

After the Budget Circular is issued, GBD budget analysts must contact government departments and units to ascertain that they received the budget preparation notice, started preparing their budget plans and their job formations, and will meet the deadline for preparing the Government Department and Unit Annual Budget Law Proposals. GBD budget analysts should resolve any questions government departments and units have on budget preparation, so that government departments and units can fulfill all the requirements of the Budget Circular.

Done For: The general policy guidance and financial framework is prepared for all government departments and units involved in the budget process. Some guidance may be focused on individual sectors. A single version of the document is provided for government departments and units.

When: The Budget Circular is issued in September.

Why: The Budget Circular updates the information from the MTFP and Budget Policies and Priorities Paper. It is especially important for the government departments and units, since they do not receive the MTFP and the Budget Policies and Priorities Paper, where earlier versions of much of the Budget Circular information are available.

How to Add Value: See comments on the MTFP and Budget Policies and Priorities Paper.

2. Manpower Tables

Overview: The Manpower Tables state the number of personnel positions at every compensation level within the Civil Service Bylaw, for each government department and unit. The funding for personnel costs in the Annual Budget Law must be sufficient to cover the costs associated with those positions.

The Manpower Tables are developed through a process built on the following documents:

- Instructions on Manpower Table Preparation
- Government Department and Unit Manpower Table Requests
- Manpower Table Plans
- Manpower Tables

Some government departments and units are exempt from the Civil Service Bylaw. Exempt government departments and units must still follow the same processes as government departments and units that are subject to the regulation, but they may have additional flexibility in the specific changes to the previous year's table that they propose. Additional details are provided below.

The discussion here in Chapter IX.2 Manpower Tables provides a summary description of the process for developing the Manpower Tables, with a focus on the information needed for budgeting purposes. Additional information on the Manpower Tables and personnel budgeting in general is provided in Chapter XIV Personnel Budgeting (Formations).

a. Instructions on Manpower Table Preparation

What It Is: The Instructions on Manpower Table Preparation is a brief letter requesting government departments and units to provide their Manpower Table Requests, by a specified deadline. The letter lists the following required information:

- Vacancies

- From retirement and resignation
- From the two previous years that have not yet been filled
- Promotions – optional or mandatory – and changes to positions or titles
- Employees transferred
- Names of employees not listed in the Manpower Tables who must comply with tenure rules
- Names, positions, grades, and classes of employees being paid under the early retirement program.

One version of the letter is prepared for government departments and another for government units.

Done By: The letter is prepared by GBD management and signed by the Director General of GBD.

Using What Inputs and Process: The letter is based on the previous year’s letter, with updates to reflect any changes in the type and timing of information required for the budget process. The standard forms that government departments and units will use to submit their budget requests are available to government departments and units from GBD.

Done For: Personnel offices at the government departments and units will respond to the letter with their Manpower Table Requests, in coordination with the finance offices.

When: There is no official schedule for when the Instructions on Manpower Table Preparation is issued.

Why: GBD prepares the letter to ask the government departments and units for their Manpower Table requests. The information required in the letter (i.e., the Government Department and Unit Manpower Table Requests) will be used to develop the final Manpower Tables that determine personnel practices in the following year. The information will also help determine funding allocations for salaries and wages in the budget.

How to Add Value: The letter should be sent at least 6 weeks before the Government Department and Unit Manpower Table Requests are due to GBD.

b. Government Department and Unit Manpower Table Requests

What It Is: Each government department and unit submits a detailed table showing information about every position in the government department or unit, with one line of information for each position. In addition, subtotals by category are provided, e.g., the number of unfilled positions at each level.

Done By: Personnel offices at the government departments and units, with significant input from finance and program or organizational unit offices, and approved by senior government department and unit officials.

Using What Inputs and Process: Government departments and units develop their Manpower Table Requests based on:

- The guidance provided in the Instructions on Manpower Table Preparation
- Standard forms prepared and distributed by the Civil Service Bureau
- The Civil Service Bylaw
- An assessment of how to allocate personnel to best meet national and government department and unit strategic and program objectives, based on performance evaluations of individual employees and organizational units

- Coordination with personnel funding levels being developed in the Government Department and Unit Budget Requests

As noted above, some government departments and units are exempt from the Civil Service Bylaw. Exempt government departments and units must still follow the same processes as government departments and units that are subject to the regulation, but they may have additional flexibility in the specific changes to the previous year's table that they propose. Additional details are provided below.

Done For: The Government Department and Unit Manpower Table Requests are developed for review, revision, and approval by the Manpower Technical Committee and the Manpower Steering Committee.

When: There is no official schedule for when the Government Department and Unit Manpower Table Requests are submitted.

Why: Detailed personnel allocations are needed to support plans for government action and decide priorities. Government departments and units have the most information on their personnel, so they are best placed to start the process of making detailed personnel allocations. The process of deciding personnel allocations requires strategic and tactical thinking about what human resources are needed to best achieve strategic and program objectives, based on a review and analysis of which individuals and organizational units have been successful or unsuccessful in the past and the level of progress towards achieving performance and policy goals.

How to Add Value: Ensure that the proposed personnel actions in the Government Department and Unit Manpower Table Requests not only are consistent with the Civil Service Bylaw, but also support the national and government department and unit strategic and program objectives within budgetary constraints.

c. Manpower Table Plans

What It Is: The Manpower Table Plans are the plans for government department and unit personnel actions approved by the Manpower Steering Committee. There is one plan for each government department and unit. The plans provide the following information:

- Summary of all personnel by class
- Transfers to/from other government departments and units
- Promotions, normal and exceptional (for superior performance, which can be awarded to up to 5% of personnel)
- Changes in job titles
- Deleted positions, and vacant positions that will not be deleted
- New positions
- Modifications to responsibilities of a position based on improved qualifications of the individual in that position (e.g., if they obtained an advanced degree while in the position)
- Voluntary early retirements

Done By:

- GBD analysts (staff level)
- Manpower Technical Committees, which are made up of personnel specialists from GBD, the Civil Service Bureau, and the government department or unit whose

Manpower Table is being discussed, as well as the GBD analyst responsible for the government department or unit.

- Manpower Steering Committee, which is made up of representatives (the Minister, President, Director General, or the Secretary General) from: GBD, the Civil Service Bureau, MOPSD, Legislation and Opinion Bureau, and the government department or unit whose Manpower Table is being discussed.

Using What Inputs and Process:

- The GBD analyst responsible for each government department and unit reviews and analyzes the Government Department or Unit Manpower Table Request.
 - The analyst reviews whether the request is consistent with the organizational chart and programmatic needs of the government department or unit, as well as whether it is consistent with the Civil Service Bylaw.
 - The analyst calculates the funding required to support the proposed personnel levels, and ensures that it is consistent with guidance in the Budget Policies and Priorities Paper and with formal or informal guidance on funding levels for personnel. The analyst also calculates whether the listing of current personnel levels is consistent with the current personnel costs indicated in the monthly financial positions.
 - The analyst must take into consideration the funding required to support the plan, both in the case where the current vacancy rate is maintained (funding is based on the current actual personnel costs) and the case where the current vacancies are filled (funding is based on the potential personnel costs if vacancies are filled).
- The Manpower Technical Committee reviews and revises the government department or unit request, based on recommendations from the GBD analyst, and writes up its findings in a draft of the Manpower Table Plan.
- The Manpower Steering Committee reviews, revises, and approves the draft plan presented by the technical committee, and signs the final Manpower Table Plan for each government department and unit.
- Everyone involved in development of the Manpower Table Plans must ensure that the costs of the personnel levels in the plan are consistent with the personnel funding levels being developed in the GBD Funding Proposal.

Some government departments and units are exempt from the Civil Service Bylaw. Exempt government departments and units must still follow the same analytic processes as government departments and units that are subject to the regulation, but their Manpower Tables are only reviewed by GBD, and not the other members of the Manpower Technical or Steering Committees. Exempt government departments and units may have additional flexibility in the specific changes to the previous year's table that they propose. The GBD process for reviewing Manpower Tables must pay special attention to the validity of requests by exempt government departments and units, since they are not reviewed the committees and not subject to the Civil Service Bylaw. In particular, GBD must ensure that the Manpower Tables are consistent with the funding allocated to personnel in the budget.

Done For: The Manpower Table Plans are used by government departments and units and GBD in developing the detailed Manpower Tables and the funding levels for personnel in the Annual Budget Law.

When: There is no official schedule for when the Manpower Table Plans are issued.

Why: Personnel decisions have impacts on a variety of governmental functions, which is why these decisions must be reviewed by the various members of the Manpower Technical Committees and Manpower Steering Committee. Personnel decisions must be consistent with the Civil Service Bylaw, budgetary constraints, principles of good government operations, and fairness to government employees.

How to Add Value: Ensure that the proposed personnel actions in the Government Department and Unit Manpower Table Requests not only are consistent with the Civil Service Bylaw, but also support the national and government department or unit strategic and program objectives within budgetary constraints. This review does not require information on individual positions, but rather summary information focusing on the allocation of personnel costs to different programs. This review does require updates to the Manpower Table as budget decisions are made, but should be finished by the time GBD sets budget ceilings for current expenditures.

d. Manpower Tables

What It Is: The Manpower Tables list the number of positions at every compensation level, with notes explaining changes from the previous year. They are divided by organizational unit within each government department and unit. They are published as a single volume with each government department and unit in a separate chapter.

Done By: Government departments and units and GBD.

Using What Inputs and Process:

- Government departments and units take the Manpower Table Plans, use them to guide their revision of the Government Department and Unit Draft Manpower Tables, and send the revised versions of the plans to GBD. Government departments and units must ensure that the costs of the personnel levels in the draft tables are consistent with the personnel funding levels being developed in the Government Department and Unit Annual Budget Law Proposals.
- GBD reviews the updated tables from the government departments and units and confirms that they are consistent with the Manpower Table Plans and the GBD Draft Annual Budget Law Proposal.
- GBD re-enters the data from the government departments and units' revised Manpower Tables (consistent with the Manpower Table Plans) into a database, often in collaboration with personnel specialists from the government departments and units.
- A GBD committee confirms that the data has been entered correctly.
- The Manpower Tables are published.

Done For: The Manpower Tables are used by government departments and units to guide their personnel actions.

When: There is no official schedule for when the Manpower Table is issued. Generally, they are issued around the same time as the Budget Circular, since they must be consistent with the budget ceilings for current expenditures.

Why: The Manpower Tables ensure that any personnel actions (e.g., promotions, hiring) will fit within the budget allocated for personnel. They are also a way of checking that personnel actions are consistent with the Civil Service Bylaw.

How to Add Value: The data in the Manpower Tables need to be consistent with the decisions of the Manpower Table Plans.

3. Government Department and Unit Budget Requests

What It Is:

- The Government Department and Unit Budget Requests are the first proposals in the budget process with funding information at the level of detail that will be presented in the Annual Budget Law, down to the level of the Detailed Volume of the General Budget Law. They include actual funding data for the past year; the previous budget's estimate for the current year; the re-estimate for current year funding (using preliminary re-estimates); and funding requests for the budget year and two subsequent indicative years. The requests also show proposed current and capital expenditures of each government department and unit in each governorate.
- The requests include an analysis of funding changes between the current year and the proposed funding for the budget year.
- In addition to funding information, the budget requests include, for GBD review and approval, any proposed changes to:
 - Program, activity, or project structure.
 - Strategic or program objectives.
 - Performance indicators (target levels for the indicators are proposed in the Government Department and Unit Annual Budget Law Proposals).

See Chapter IX.1.a Initial Instructions on Budget Preparation for a list of the categories of information provided.

Done By: Finance offices at the government departments and units, with significant input from planning, policy, and program or organizational unit offices at the government departments and units, and from governorates and districts. It is approved by senior government department and unit officials.

Using What Inputs and Process: The process for preparation of the Government Department and Unit Budget Requests contains all the major features of the overall budget preparation stage:

1. The finance office receives the Initial Instructions on Budget Preparation from MOF. The government department or unit may start some of the following steps prior to receiving the instructions.
2. The finance, program (or implementing organizational unit), policy, and planning offices, together with senior officials, set policies and priorities for the government department or unit budget, based on a review of previous program performance, national and government department or unit strategic plans, budget guidance from MOF, and other policy guidance.
3. The finance office sets initial funding targets for each program and/or organizational unit, based on indicative funding levels in the previous budget or planning ceilings from GBD and MOF and the government department or unit policies and priorities.
4. The programs or organizational units send budget requests to the finance office, based on the work and performance results they recommend for achieving the government department or unit's strategic goals.
5. The finance office reviews the requests, discusses them with the program or organizational unit managers, as well as planning and policy offices, and makes funding recommendations. Personnel funding in the budget requests should be consistent

with the cost of supporting the employment levels proposed in the Government Department and Unit Manpower Table Requests.

6. Senior officials review the recommendations of the finance office, consult with the program or organizational unit managers, and make final decisions about the funding (and associated manpower) levels to propose in the Government Department and Unit Budget Requests.

Done For: The Government Department and Unit Budget Requests are prepared for review by GBD, MOF, and the Council of Ministers.

When: July.

Why: Detailed funding allocations are needed to plan government action and decide priorities. Government departments and units have the most information on their work, so they are best placed to start the process of making detailed funding allocations. The process of deciding funding allocations forces difficult decisions about policy priorities that have not yet been resolved. It also requires strategic and tactical thinking about what actions can best achieve policy objectives, based on a review and analysis of what has been successful or unsuccessful in the past and the level of progress towards achieving policy goals.

The analyses of funding changes are provided to justify the funding requests, but they will not be included in the published budget.

The information on the allocation of capital expenditures to each governorate will be published in the Annual Budget Law, but the information on the allocation of current expenditures to each governorate is not published. The information on current expenditures by governorate – provided down to the “item” level of detail – is used for review by GBD analysts, e.g., to analyze the number of employees per governorate.

How to Add Value:

- Base the budget request on a thorough policy, budget, and performance analysis at the strategic and program level, using the techniques from Chapter II How the Budget Process Shapes Policy and Chapter VI Analytic Methods, which are referenced in more detail at the beginning of this chapter. The analysis to develop the request and the explanations (written or oral) to defend the request should be based on all the Chapter VI Analytic Methods sections: Justifying Action, Setting Objectives, Evaluating Performance, Comparing Alternatives, and Setting Funding Levels .
- Refer to the sections of the manual referenced at the beginning of Chapter VIII Budget Process – Planning, since the government department or unit’s internal budget process includes planning aspects. The government department or unit may already have this information ready from its contribution to the Budget Policies and Priorities Paper.
- Identify and justify changes to existing programs, in terms of the connection between funding, programming (the actions and work to implement the budget), and performance. The templates in Appendices I.a Analysis of Program Function and Funding Priority and I.e Analysis of Budget Proposal and Performance Target Levels can help structure and document the analysis.
- Analyze – qualitatively and quantitatively – to what extent the funding requested will help achieve government department or unit strategic goals and national goals, making specific reference to the relevant documents. The analysis should describe

the specific work (tasks, processes, actions) that each program carries out with its funding, and what would happen to the tasks and the performance if funding were higher or lower. Logic models are very helpful for explaining these connections (see Appendices I.b Analysis of Strategic Objectives Through Logic Models and I.c Development of Performance Indicators Through Logic Models).

- Include a discussion of past performance compared to target levels, and identify lessons learned for program management and funding allocations (see Appendix I.d Annual Evaluation of Performance Indicators).
- Include KPIs that use data from an independent data source (e.g., DOS).
- Identify savings in one area to offset funding increases in other areas.
- Provide data on the nature of entitlement and subsidy programs, such as the number of beneficiaries and the method of calculation.
- Ensure that the budget request represents the integrated input from finance, policy, planning, and program or organizational unit offices at the government departments and units, as well as governorates and districts.

4. GBD Funding Proposal

What It Is: An informal table showing proposed budget ceilings for each government department and unit (i.e., each chapter in the Annual Budget Law), for the budget year and the two subsequent indicative years. For each year, funding is broken down into:

- Current expenditures
- Capital expenditures
- Total expenditures

In presenting funding for three years (budget plus two indicative years) at the government department and unit level, within the constraints of the MTFF, it represents a draft of the Medium Term Expenditure Framework (MTEF). The current expenditure levels in the GBD Funding Proposal are generally accepted as final ceilings, while the capital expenditure levels are subject to further review during preparation of the Final Budget Ceilings. Additional information on development of the MTEF is provided in Chapter IX.5 Final Budget Ceilings.

The legal authority for GBD's responsibilities to prepare the GBD Funding Proposal is provided in the Organic Budget Law, Articles 5.A and 5.D.

Organic Budget Law Description:

Article 5.A. [GBD] revises the financial allocations requests, which all governmental departments and units submit, by reducing, increasing, collecting, interview or reviewing it to assure that the allocations' requests meet the Kingdom's public policy.

Article 5.D. [GBD] audits all programs, projects and activities that require allocations in order to ascertain their priorities, benefits and its relation with each other.

Done By: GBD budget analysts, managers, and senior management.

Using What Inputs and Process: GBD's review of the Government Department and Unit Budget Requests is a bottom-up process that begins with a detailed review and analysis at the program and economic classification level of every line item in each government department and unit's request, and ends with a table that shows only current, capital, and

total expenditures for each government department and unit, for the budget year and two subsequent indicative years:

1. GBD receives the Government Department and Unit Budget Requests at about the same time as Version 2 of the Budget Policies and Priorities Paper is issued, which has been updated based on the Initial MTF.
2. GBD analysts scrutinize the Government Department and Unit Budget Requests to determine whether the requests reflect government policy expressed in the Budget Policies and Priorities Paper, and recommend changes to improve the budget's ability to achieve those policy objectives. GBD analysts include the following elements in their review of the Government Department and Unit Budget Requests:
 - Discuss the requests with officials at each government department and unit at least once, and possibly multiple times as each GBD analyst's review progresses. GBD analysts should also draw on their understanding of the program's work (tasks, processes, actions) and performance, based on information gathered earlier in the year, including program field visits; interviews with managers and staff at government departments and units, service recipients, academic experts, and other relevant experts; review of detailed performance data they request from the program; comparison with related programs either in Jordan or internationally; and review of reports by other government departments and units, non-governmental organizations, academics, and private sector entities.
 - Coordinate with each other regarding the funds allocated to more than one government department or unit, especially those allocated to MOF and MOPIC for use by other government departments and units.
 - For current expenditures, develop funding recommendations by reviewing each economic classification line item to determine whether the increase or decrease proposed by the government department or unit is appropriate. For some items, such as wages, there are prescribed rates of increase, freezes, or decreases. For operational expenses, ensure that adequate funding is provided to maintain basic operations at the government department or unit. In many cases, the GBD analyst uses their best judgment, informed by discussions with the government department or unit.
 - Analyze the government departments and units' analysis of funding changes between the current year and the proposed funding for the budget year, and provide updated analyses to justify the GBD analyst's proposed funding changes (both versus the government department or unit request and the previous year's budget). Consider changes in the number of people being served or the level of service being provided when evaluating requests for changes in funding from the previous year.
 - Make adjustments to either the personnel budget or the Manpower Tables to ensure that the requested personnel funding is adequate to cover the cost of employment levels in the Manpower Tables, as calculated by the GBD analyst.
 - For capital expenditures, confirm that the government department or unit has properly categorized project expenditures as continuous, underway or committed, or new, based on comparison with information from the previous budget and the capital project information sheet. Government departments and units should not expand the scope of committed projects. The Budget Policies and Priorities Paper will generally provide guidance on how to set funding for each category of capital expense. For example, the

guidance may say that analysts should only recommend funding for continuous and underway or committed capital expenses, with a determination of the allocation of funding for new capital projects to be made after the GBD Funding Proposal step is complete, during preparation of the Final Budget Ceilings.

- Also for capital expenditures, confirm that the proposed annual funding for each project will not lead to exceeding the total allowed cost in the capital project information sheet. Note that the capital project information sheet has a brief description of the project scope, total cost, actual cost to date based on expenditure data entered on an ongoing basis, and completion date. The GBD analyst may propose adjusting the annual funding to meet capital expenditure targets, but should do so in a way that does not delay the completion date or increase the total cost. GBD analysts should also consider any unpaid bills for completed work on each capital project and set funding based on an agreement with the government department or unit on work and funding that will prevent unpaid bills either carrying over from one year to the next or requiring additional funding from a supplementary budget.
 - In reviewing information on governorates' budgets, budget analysts may refer to GBD's semi-annual report on governorates. (GBD, Strategic Plan 2011)
 - Prepare funding recommendations by economic classification line item, down to the "sub-item" level of detail, and are prepared to discuss each line-item. However, the primary analysis takes place in a table showing current and capital expenditures by summary economic classification line item at a summarized "item group" level, specifically the following categories:
 - Current expenditures
 - Salaries (including wages, allowances, and social security contributions)
 - Operating expenses (use of goods and services)
 - Subsidies to public corporations (institutions that are not subject to the Annual Budget Law – i.e., they do not have a chapter in the law – but still receive funding from the budget) and government units
 - Other allocations (Royal Court, Parliament, and the Prime Ministry)
 - Other current expenditures
 - Capital expenditures
 - Continuous (operations, maintenance, and supplies for completed projects)
 - Underway or committed (projects not yet completed)
 - New
3. In addition to preparing funding recommendations, GBD reviews, revises, and approves changes proposed in the Government Department and Unit Budget Requests to:
- program, activity, or project structure
 - strategic or program objectives
 - performance indicators (GBD approves target levels for the indicators in the GBD Draft Annual Budget Law Proposal)
4. GBD analysts present their funding recommendations in informal tables and their analysis orally to managers, who review and revise the funding levels.

5. GBD analysts and managers present their funding recommendations in informal tables and their analysis orally to GBD management, who review and revise the funding levels.
 - It is at this stage where combined funding levels for all government departments and units (as recommended by GBD analysts and managers) are compared with total government expenditure targets in Version 2 of the Budget Policies and Priorities Paper. GBD management makes adjustments to individual government department or unit funding, often at the “item group” level of the economic classification line item, in order meet expenditure targets and meet other policy objectives.
 - GBD analysts revise the detailed line items based on any changes at the group level made by GBD management.
 - The initial comparison of combined capital expenditures for all government departments and units with total government expenditure targets may be deferred until the review of Final Budget Ceilings (See Chapter IX.5).
6. This review process by GBD analysts, managers, and senior management – informed by discussions with the government department or unit – may undergo several iterations. Discussions with the government department or unit take place primarily at the level of the GBD budget analyst (using the term “analyst” in the sense of the specific position at GBD) rather than the level of the manager (“sector manager”) or senior management.
7. GBD discusses current budget ceilings with each government department and unit and negotiates agreement on a ceiling level. In general, discussions of current budget ceilings are completed at GBD, and are not an open issue when they reach MOF.
8. GBD management prepares the informal table with its funding proposal showing current, capital, and total expenditures for each government department and unit, to be transmitted to MOF for review and revision in the next step of the Preparation Stage, the Final Budget Ceilings. The current expenditure ceilings are generally considered final at this stage, while the capital expenditure ceilings undergo further review.

Done For: GBD prepares its Funding Proposal for review by MOF and then the Council of Ministers.

When: August.

Why: The GBD Funding Proposal will be used as the basis for determining the budget ceilings for each government department and unit, after review and revision by MOF and the Council of Ministers.

How to Add Value: GBD budget analysts developing the GBD Funding Proposal can add value by working with the government department or unit to provide the same analyses recommended for adding value to the Government Department and Unit Budget Requests (see Chapter IX.3). The analysis to develop the proposal and the explanations (written or oral) to defend the proposal should be based on all the Chapter VI Analytic Methods sections: Justifying Action, Setting Objectives, Evaluating Performance, Comparing Alternatives, and Setting Funding Levels. GBD budget analysts may not come to the same conclusion, and their analysis may not be as detailed as the government department or unit analysis, but the types of analysis apply equally to government department and unit budget preparation and GBD budget review.

5. Final Budget Ceilings

What It Is: The Final Budget Ceilings serve as Jordan's Medium Term Expenditure Framework (MTEF) because they:

- set government department and unit funding levels within the constraints of the MTEF expenditure targets for
 - current expenditures,
 - capital expenditures, and
 - transfers to government units,
- over the three-year timeframe of
 - the budget year and
 - the two subsequent indicative years.

The ceilings are sent individually to each government department and unit in a brief letter that generally accompanies the Budget Circular.

Done By: MOF prepares the Final Budget Ceilings, based on the GBD Funding Proposal. The current ceilings have generally already been finalized, but may be subject to further review. The capital ceilings are modified through negotiations with the government departments and units. The Council of Ministers reviews, revises, and approves the final ceilings. The letters transmitting the Final Budget Ceilings are signed by the Director General of GBD and then sent to government departments and units.

- Sectoral Committees may provide input on the capital budget ceilings. The Sectoral Committees may include representatives (usually the Minister and/or the Secretary General) from: MOF, the government department or unit whose budget is being discussed, the Council of Ministers, the Ministry of Planning and International Cooperation (MOPIC), and the Ministry of Public Sector Development (MOPSD).
- A technical committee from MOPIC may provide input on the capital budget ceilings.

Using What Inputs and Process: The ceilings are developed based on reconciliation of information from:

- The top down framework of the government and sectoral funding targets and policies in the most recent version of the MTEF and Version 2 of the Budget Policies and Priorities Paper. The Initial MTEF may be used as a starting input, and then the Revised MTEF and the Final Budget Ceilings are developed in coordination with each other.
- The bottom up process of the Government Department and Unit Budget Requests and subsequent GBD Funding Proposal.

For additional information on setting planning ceilings and Final Budget Ceilings, see Chapter IX.4 GBD Funding Proposal and Chapter II.3.a Planning.

In order to reconcile the top down expenditure targets with the bottom up Government Department and Unit Budget Requests and GBD Funding Proposals, MOF coordinates a review process that involves the government departments and units requesting funding and the budgetary and planning government departments.

- I. MOF reviews and revises the proposed budget ceilings for each government department and unit in the GBD Funding Proposal, considering the Government

Department and Unit Budget Requests, while maintaining consistency with government and sectoral expenditure targets and policies in the MTFF and the Budget Policies and Priorities Paper.

2. MOF negotiates the capital budget ceilings with each government department and unit.
 - These negotiations happen in the Sectoral Committees and involve other budgetary and planning government departments, such as the Council of Ministers, MOPIC, and MOPSD.
 - When MOF receives government departments and units' revised proposals, MOF must compare the proposed ceilings with expenditure targets for the entire government in the MTFF. Negotiations continue until the government department and unit budget ceilings are reconciled with the expenditure targets.
 - These negotiations may be based on discussion of the appropriate funding level for line items (bottom up) or on the need for general adjustments to funding at the government department and unit level, with the changes to line item details to be determined by the government departments and units (top down).
 - MOF may consult with GBD to further discuss the basis for the GBD Funding Proposal and to obtain GBD's advice on potential modifications to the GBD proposal, based on developments in the negotiations with the government department or unit.
 - A MOPIC technical committee may review, analyze, and propose revisions to the lists of capital projects proposed by the government department or unit and by GBD, for consistency with the National Executive Development Program.
 - The Council of Ministers reviews and revises the budget ceilings under discussion in the negotiations and gives final approval to all the budget ceilings.
3. MOF and the Council of Ministers generally accept the current budget ceilings proposed by the GBD, but may make changes if necessary.
4. When the negotiations on capital budget ceilings are completed, with agreement between MOF and the government department or unit, and the Council of Ministers has given its approval, the current and capital ceilings at the government department and unit level are presented in the Final Budget Ceilings, and the results at the government and sectoral level are presented in the Budget Circular.
 - Although the negotiations settlement may involve an understanding of funding allocations below the level of the government department or unit's current and capital budgets, in general these details are not finalized until later in the Preparation stage.
 - Government departments and units have generally agreed on the capital budget ceilings, but have not seen the current budget ceilings before they received the Final Budget Ceilings.

Done For:

- The Final Budget Ceilings are developed for the government departments and units, to provide the framework for the detailed Government Department and Unit Annual Budget Law Proposals.

- As Jordan's MTEF, the ceilings are useful information on prioritization and implementation of the Government of Jordan's budget priorities for all government departments and units, especially those involved in the budget process.

When: The Final Budget Ceilings generally accompany the Budget Circular, which is issued in September.

Why:

- The Final Budget Ceilings complete the process of making the funding allocations at a high level, which forces difficult decisions about policy priorities that have not yet been resolved.
- The ceilings provide the framework for making the more detailed funding allocations.
- They also provide the framework for making the decisions about which work (tasks, processes, actions) to do with the allocated funding, and how to make the most benefit from the available resources. These decisions are just as important as the funding allocations and should receive equal attention, even though they are often lower profile.

How to Add Value:

- Rather than negotiate an increase or decrease to the government department or unit top line, negotiate the ceilings on the basis of:
 - programmatic performance and
 - national and government department and unit goals and objectives.
- Discuss what performance each program can achieve at different funding levels and how important that performance is to achieving national and government department and unit goals and objectives.

6. Government Department and Unit Annual Budget Law Proposals

What It Is: The first presentation of the government departments and units' proposed funding, performance, and other information at the full scope and level of detail that will be in the Annual Budget Law. The funding must match the levels specified in the Final Budget Ceilings. See Chapters IX.7 GBD Draft Annual Budget Law Proposal, IX.8 Draft Annual Budget Law, and X.2 Annual Budget Law for additional information. While funding information was included in the earlier Government Department and Unit Budget Requests, there was no performance information or other non-financial information that must be published in the Annual Budget Law. Therefore, this is the first stage to include performance information tied to funding levels.

In addition to performance information, the government departments and units submit the narrative information contained in the budget law, such as the vision, mission, tasks, contributions to national objectives, issues and challenges, government department and unit objectives, directorates supporting each program, and program services. Government departments and units may submit, for GBD review and approval, any proposed changes to program, subprogram, activity, or project structure, strategic or program objectives, and performance indicators, but government departments and units are encouraged to submit these requests for changes earlier in the process, in the Government Department and Unit Budget Requests.

Done By: Finance offices at the government departments and units, with significant input from planning, policy, and program or organizational unit offices at the government departments and units, and from governorates and districts. It is approved by senior government department and unit officials.

Using What Inputs and Process: Each government department and unit prepares its Draft Annual Budget Law Proposal based on the guidance in the following documents:

- The Instructions on Budget Preparation guide the format and content. Budget Law forms are provided by GBD for submitting the required information.
- The Budget Circular provides high-level policy guidance.
- The Final Budget Ceilings provide current and capital expenditure ceilings for each government department and unit, within which government departments and units must propose their spending allocations according to the program and economic classifications. In addition, GBD analysts generally tell government departments and units informally the funding level for salaries and wages that formed the basis of the decision on the current expenditure ceiling. Government departments and units generally follow the GBD analysts' recommendations for salaries and wages, while GBD analysts generally give government departments and units flexibility to decide the allocation of other operating expenses. Funding levels for personnel must be consistent with the employment levels approved in the Manpower Table Plans.
- The re-estimates provide updated information on program costs in the current year, which can be used to guide funding allocations for the budget year.
- Government departments and units will also rely heavily on the funding allocation they proposed in the Government Department and Unit Budget Requests. In this step, government departments and units update the allocations so that total funding fits within the budget ceilings.

Government departments and units estimate performance levels for the KPIs. This step is the first time in the budget process when performance information is required. Managers responsible for achieving the performance, together with the government department or unit finance office, set targets for what the program can achieve, given the funding allocated.

Government departments and units have generally agreed on the capital budget ceilings, but have not seen the current budget ceilings before they received the Final Budget Ceilings. In the event that there remains disagreement over the ceiling levels, government departments and units may in rare cases appeal the Final Budget Ceilings to GBD, MOF, or the Council of Ministers, before finalizing their Draft Annual Budget Law Proposals.

Government department and unit budgets must use the program, activity, and project structure approved by GBD at the GBD Funding Proposal step (Chapter IX.4).

Done For: GBD reviews the Government Department and Unit Annual Budget Law Proposals.

When: September.

Why: The full detail presented in the Annual Budget Law is needed to plan government action and decide priorities. Government departments and units have the most information on their work, so they are best placed to start the process of presenting the full detail. In addition, government departments and units need to propose how to fit their programs, subprograms, activities, and projects within the ceilings, in order to achieve the best performance and progress toward national and government department and unit goals and

objectives. This step is the first in the current budget process to require performance information, and thus is a good opportunity for government departments and units to use ROB to make funding proposals. However, as this manual explains, ROB can definitely be used in the previous steps.

How to Add Value: Many of the suggestions for Government Department and Unit Budget Requests also apply to the Government Department and Unit Annual Budget Law Proposals (see the suggestions in Chapter IX.3 Government Department and Unit Budget Requests). The analysis to develop the proposals and the explanations (written or oral) to defend the proposals should be based on all the Chapter VI Analytic Methods sections: Justifying Action, Setting Objectives, Evaluating Performance, Comparing Alternatives, and Setting Funding Levels.

One main difference between the Government Department and Unit Annual Budget Law Proposals and the Government Department and Unit Budget Requests is that this step requires government departments and units to estimate performance levels. Chapters VI.2.b Program Objectives and VI.2.c Target Levels explain how to develop and use KPIs, including setting the specific objectives (target levels) for government work.

Another main difference between this step and the Government Department and Unit Budget Requests is that the funding ceilings have been set. This means that government departments and units may have to make difficult decisions in spreading the funding. The easiest option is to continue all work at a lower than desired funding level. The more challenging – but ultimately more beneficial – option is to make tradeoffs in which significant cuts to some lower performing or lower priority programs, subprograms, activities, or projects are used to allow other programs, subprograms, activities, or projects to be funded at the desired level. If government departments and units submit their budget requests at the indicative level from the previous year's budget, then they will have already made a first draft of these difficult decisions, and received feedback from GBD.

Government departments and units should take advantage of the narrative portions of the budget law format to clearly describe what the government department or unit does and why it is important. At the government department and unit level, the tasks of the government department or unit should be work that clearly links to the national objectives they help achieve, and possibly link to challenges that they are trying to address. At the program level, the services provided should be work that clearly links the directorates providing the service to the performance indicators that represent the objectives. Strategic and program level logic models are very helpful for explaining these connections (see Chapter VI.2 Setting Objectives).

7. GBD Draft Annual Budget Law Proposal

What It Is: The GBD Draft Annual Budget Law Proposal is GBD's revision of the Government Department and Unit Annual Budget Law Proposals, including performance information and narrative statements, at the full scope and level of detail that will be presented in the Annual Budget Law. When the requests from the government departments and units are compiled and revised in the GBD Draft Annual Budget Law Proposal, they consist of historical data (the most recent completed year when the budget is being prepared) and budget estimates for a four-year period (the current year when the budget is being prepared, re-estimate of the current year based on actual partial year data, the budget year, and the two indicative years) of total revenue and expenditure for the Government of Jordan, including:

- Current expenditures
- Capital expenditures
- Detailed revenue information
- Expenditures by functional classification
- Expenditures by economic classification
- Civil service expenditures
- Capital expenditures by governorate
- Programs supporting women's and children's issues
- Detailed expenditures by program and economic classification for each budget chapter (government department or unit)
- Capital projects
- Sources and uses of financing
- Debt

See Chapters IX.6 Government Department and Unit Annual Budget Law Proposals, IX.8 Draft Annual Budget Law, and X.2 Annual Budget Law for additional information.

Done By: GBD budget analysts, managers, and senior management.

Using What Inputs and Process: GBD scrutinizes the Government Department and Unit Annual Budget Law Proposals to determine whether the proposed allocation of funds to programs, activities, projects and economic classification line items reflects government policy expressed in the Budget Circular, other policy documents, and any specific policy guidance provided by the Council of Ministers during the Final Budget Ceilings step.

- GBD recommends changes to improve the budget's ability to achieve the policy objectives.
- GBD reviews whether the assumptions GBD used for salaries and wages to develop the GBD Funding Proposal are maintained in the Government Department and Unit Draft Budget Proposals. It generally gives government departments and units flexibility to decide the allocation of other operating expenses. Funding levels for personnel must be consistent with the employment levels approved in the Manpower Table Plans.
- Most disagreements with government departments and units about funding allocations are resolved by GBD analysts, managers, or senior management. Very few issues are passed on for MOF to resolve.
- The processes used by GBD to prepare the GBD Funding Proposal (Chapter IX.4) are generally applicable to the funding review in this step, too.

In addition to reviewing funding, GBD also reviews and makes recommendations on revisions to the performance levels proposed by government departments and units for the KPIs. This step is the first time in the budget process when GBD reviews performance information.

- GBD reviews whether each program's targets for what it can achieve are reasonable, given the funding allocated.
- GBD also uses the government departments and units' proposed performance information to analyze whether funding between programs should be reallocated to achieve better overall or higher priority performance results. Thus, the performance review can be used to inform the funding allocation review.

Once the negotiations with the government departments and units are completed, the following steps are taken to prepare the database for the budget law:

- The GBD Studies Directorate receives the budget figures approved by the GBD Director General, which include revenues and expenses, for the purpose of preparing gross-figures tables.
- GBD analysts enter into the budget database all the quantitative and qualitative information that will be presented in the Annual Budget Law.
- The GBD Studies Directorate receives an audited copy of the figures entered into the database and compares them with the figures approved by the Director General.

Done For: GBD prepares its Draft Annual Budget Law Proposal for review and approval by MOF and then the Council of Ministers.

When: October.

Why: The GBD Draft Annual Budget Law Proposal will be used as the basis for determining the Draft Annual Budget Law, after review and revision by MOF and the Council of Ministers. This step is the first in the current budget process where government departments and units are required to provide GBD with performance information, and thus is a good opportunity for GBD to use ROB in making funding recommendations. However, as this manual explains, ROB can definitely be used in the previous steps.

How to Add Value: The analysis required for the GBD Draft Annual Budget Law Proposal is very similar in many ways to the earlier GBD Funding Proposal. In both steps, GBD budget analysts developing the GBD Funding Proposal can add value by working with the government department or unit to provide the same analyses recommended for adding value to the Government Department and Unit Budget Requests (see Chapter IX.3). The analysis to develop the proposal and the explanations (written or oral) to defend the proposal should be based on all the Chapter VI Analytic Methods sections: Justifying Action, Setting Objectives, Evaluating Performance, Comparing Alternatives, and Setting Funding Levels. GBD budget analysts may not come to the same conclusion, and their analysis may not be as detailed as the government department or unit analysis, but the types of analysis apply equally to government department and unit budget preparation and GBD budget review.

One main difference between the GBD Draft Annual Budget Law Proposal and the GBD Funding Proposal is that this step requires government departments and units to estimate – and GBD to review and revise – performance levels. Chapters VI.2.b Program Objectives and VI.2.c Target Levels explain how to develop and use KPIs, including setting the specific objectives (target levels) for government work.

Another main difference between this step and the GBD Funding Proposal is that the funding ceilings have been set. This means that government departments and units may have to make difficult decisions to make in spreading the funding. The easiest option is to continue all work at a lower than desired funding level. The more challenging – but ultimately more beneficial – option is to make tradeoffs in which significant cuts to some lower performing or lower priority programs, subprograms, activities, or projects are used to allow other programs, subprograms, activities, or projects to be funded at the desired level. If planning ceilings are set before government departments and units submit their budget requests, then government departments and units will have already made a first draft of these difficult decisions, and received feedback from GBD.

A third main difference between this step and the GBD Funding Proposal is that GBD has to make recommendations on the detailed funding allocations, rather than simply recommending total capital funding and total current funding for government departments and units. Therefore, GBD has to analyze the tradeoffs between programs within a government department or unit. While it may be difficult in some cases to compare the value of performance between different government departments and units, since their results are often so different, it is less difficult to compare the value of performance at the program level, either within a government department or unit, or between selected similar programs in separate government departments and units. GBD has a strong opportunity to use the principles of ROB to work with government departments and units on deciding funding allocations between programs, subprograms, activities, and projects.

Finally, GBD can help government departments and units use the narrative portions of the budget law format to clearly describe what the government department or unit does and why it is important.

8. Draft Annual Budget Law

What It Is: The Draft Annual Budget Law is the Executive Branch's proposal for the Annual Budget Law, at the full scope and level of detail that will be presented in the final law. See Chapters IX.6 Government Department and Unit Annual Budget Law Proposals, IX.7 GBD Draft Annual Budget Law Proposal, and X.2 Annual Budget Law for additional information.

Done By: MOF, Consultative Board, and the Council of Ministers, with support from GBD.

The Consultative Board is made up of representatives (usually the Minister and/or the Secretary General) from: MOF, GBD, Ministry of Industry and Trade, Audit Bureau, Civil Service Bureau, MOPIC, and the Central Bank of Jordan.

Using What Inputs and Process:

- MOF reviews, revises, and approves the GBD Draft Annual Budget Law Proposal, with a focus on resolving any remaining issues.
- The Consultative Board reviews, revises, and approves the MOF version, with a focus on resolving any remaining issues.
- The Council of Ministers reviews, revises, and approves the Consultative Board version, with a focus on resolving any remaining issues.
- GBD makes adjustments to the budget as directed by MOF or the Council of Ministers, and enters the changes into the database.
- The GBD Studies Directorate receives an audited copy of the final figures entered into the database and compares them with the figures approved by the Council of Ministers.

Done For: MOF and the Council of Ministers prepare the Draft Annual Budget Law for review and ratification by the Parliament and the King.

When: October. This deadline is set to give Parliament adequate time to review the Draft Annual Budget Law and meet the requirement of Article 4.E of the Organic Budget Law to obtain final approval of the General Budget Law before the first day of January of each year. Article 112(i) of the Constitution requires that the Draft Annual Budget Law be submitted to Parliament at least one month before the beginning of the fiscal year.

Why: The Government of Jordan is required annually by Article 112 of the Constitution to prepare the Draft Annual Budget Law for review and approval by the Parliament. It is good government practice to have the Executive Branch prepare a budget proposal, for review, revision and approval by the Legislative Branch.

How to Add Value:

- MOF and the Council of Ministers can promote a budget based on ROB principles by requiring GBD and the government departments and units to provide ROB analysis to justify the Draft Annual Budget Law.
- The Council of Ministers should present the Draft Annual Budget Law to Parliament at least one month before the beginning of the fiscal year, pursuant to Article 112 of the Constitution.

9. Draft Supplementary Annual Budget Law

What It Is: The Draft Supplementary Annual Budget Law contains additional allocations or amendments to the Annual Budget Law. It is not a standalone document, but is to be implemented together with the Annual Budget Law. It presents the Executive Branch's request for adjustments to the Annual Budget Law part way through the fiscal year.

The request consists of tables showing:

- the current and capital funds requested,
- the impact to revenues, the impact to the deficit, and
- the source of funds to cover the deficit (e.g., loans).

The line-item changes are presented at the full level of detail in the detailed volume of the General Budget law.

Done By: Government departments and units, GBD, MOF, and the Council of Ministers.

Using What Inputs and Process: The Draft Supplementary Annual Budget Law is developed through an abbreviated version of the regular budget process. First GBD, MOF, and the Council of Ministers must give the government department or unit permission to submit a request for additional funding. If permission is granted, the government department or unit and GBD develop the details of the request, which must be approved by MOF and the Council of Ministers.

Done For: Government departments and units, GBD, MOF, and the Council of Ministers prepare the Draft Supplementary Annual Budget Law for review and ratification by the Parliament and the King.

When: In general, there should be at most one Draft Supplementary Annual Budget Law per year, around the middle of the year.

Why: A Draft Supplementary Annual Budget Law is appropriate when urgent needs arise that could not have been anticipated during regular budget preparation, and there would be serious consequences if the solution were delayed until the new budget in the next year.

How to Add Value: The number of Draft Supplementary Annual Budget Laws presented to Parliament should be strictly limited (preferably only one per year) for two main reasons:

- Budget analysis is best conducted by comparing and prioritizing competing programs within an overall budget ceiling. Therefore, GBD should try to review all requests from government departments and units together during preparation of the Annual Budget Law, and minimize the number of separate requests reviewed in supplementary requests.
- Budget execution is difficult to control when the budget is continually being revised. Therefore, it is better to avoid changes to government departments and units' budgets part way through the fiscal year.

In order to subject supplementary requests to the same rigorous analysis as the regular the budget, it can be helpful to require any additional funds to be offset by cuts to the regular budget. Finding offsets forces consideration of the priority of the supplementary request when compared to the items in the existing budget.

X. Budget Process – Ratification

During the Ratification Stage, the Parliament reviews, revises, and approves the Annual Budget Law for the coming year, and the King ratifies it. The Annual Budget Law defines the maximum financial resources available for each category the law identifies as a control category. (OTA, 1997)

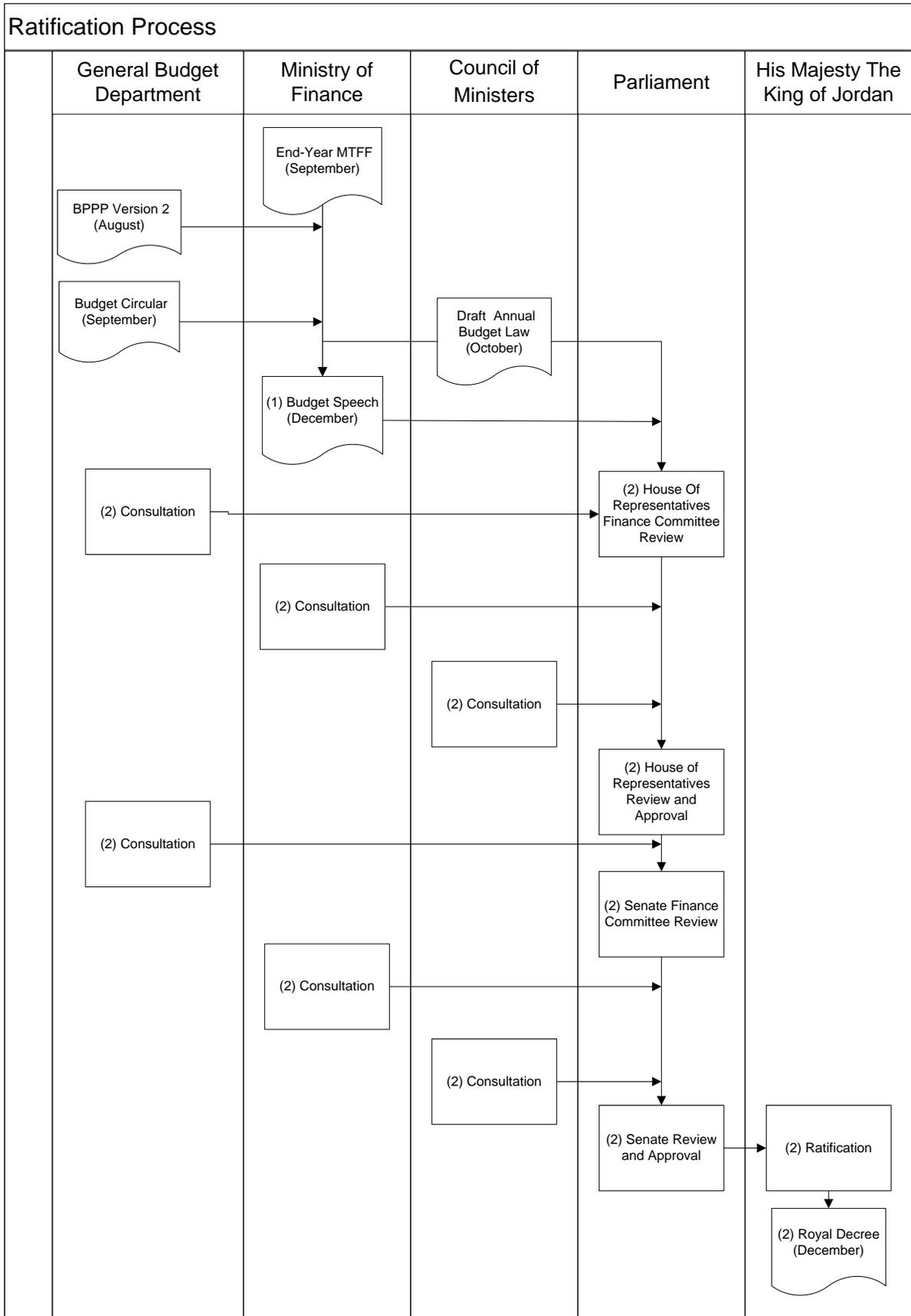
Chapter II.3.c Ratification gives information and guidance for budget analysts on the role of the ratification stage in the budget process.

The key products during the ratification stage are:

- A. Budget speech
- B. Annual budget law

Figure 9 on the following page is a flowchart that maps the workflow for the Ratification stage.

Figure 9: Ratification Stage Workflow



The numbers before each document refer to the section in this chapter where it is described.

1. General Budget Speech

What It Is: The General Budget Speech includes a brief description of the MTFF and a brief explanation of the proposed government programs, objectives, and expected results within the context of national objectives and priorities. It is the Executive Branch's explanation to Parliament of the budget and the government policy that the budget promotes. It addresses the following topics:

- A review of key accomplishments by government programs from the previous year.
- An update of information from the Budget Circular:
 - An analysis of the macroeconomic and government finance situation.
 - A description of overall government budget targets for revenues, expenditures, and the resulting deficit target.
- Key policy decisions in the budget affecting expenditures and revenues.
- Some discussion of general policy goals.

Done By: The speech is presented by the Minister of Finance and is prepared by MOF with support from GBD management.

Using What Inputs and Process:

- MTFF
- Budget Policies and Priorities Paper
- Budget Circular
- Draft Annual Budget Law
- Analysis supporting revenue and expenditure decisions in the budget

Done For: Parliament.

When: December.

Why: It is important for Parliament to hear the Executive Branch's analysis of where the Kingdom stands, and what the government should do to help advance economic and social development.

How to Add Value: MOF can promote a budget based on ROB principles by describing to Parliament the ROB analysis and principles that guide the budget. MOF should explain not only how much funding will be provided, but also what are the key performance objectives and other results that will be achieved with the funding.

2. Annual Budget Law

What It Is: The Annual Budget Law of the Hashemite Kingdom of Jordan represents the Government of Jordan's annual plan of action for promoting and supporting the economic, social, and cultural development of the Jordanian people. The budget must justify the Government's use of funds that could otherwise be used directly by the private sector through reduced taxes. The budget represents agreement by the Executive Branch, Parliament, and the King on the government's plan of action.

The contents of the Annual Budget Law are described in the Organic Budget Law, Article 8 (see Appendix 4 Organic Budget Law). It consists of:

- The General Budget Speech (see Chapter X.1).
- Provisions that guarantee executing the Annual Budget Law in the optimal way, including:

- Legally binding “articles” in the budget law that primarily describe financial and personnel management requirements that are the same every year. E.g., forbidding making financial commitments in excess of appropriations in the budget law. Changes to these articles are made only rarely.
- Policy guidance, called “key hypothesis and platforms”, which describe and clarify, in both general and specific terms, the policies that are included in the funding allocations. E.g., ceasing procurement of vehicles or limiting salaries and wages to an annual increase of 3%. This language is not legally binding on its own, but it usually explains funding allocations that are legally binding.
- A summary of each chapter in the budget, including the vision, message, and the strategic objectives that the government department is seeking to achieve within the medium term, in addition to the programs, projects, and activities that achieve these objectives and the performance measurement indicators for monitoring and evaluation purposes.
- A table for the budget summary, which includes the public revenues, public expenditure and financing budget of the budget year.
- A table showing the total estimated public revenue allocated to government departments and units in the budget year for each chapter of the budget.
- A table showing the total appropriations allocated to government departments and units in the budget year for each chapter of the budget.
- Tables showing public revenue estimations according to the functional and economic classifications and any other classifications for the budget year; actual data and re-estimation of previous years and the current year; and indicative data for the following two years.
- Tables showing the current and capital expenditure estimations according to the groups, chapters and articles of the budget year; actual data and re-estimation of previous years and the current year; and indicative data for the following two years.
- A general table summarizing the budget of the previous fiscal year, which precedes the current year; the budget estimations and re-estimations of the current fiscal year; and the budget estimations for the previous years and the following years.
- Tables showing the credits and debits of the government (including short-term or long-term debts either domestic or foreign).
- Any other tables or data.

The budget information for government departments is presented in the General Budget Law. The budget information for government units is presented in the Government Units Budget Law.

Done By: Parliament and the King, with support from MOF, GBD, and the Council of Ministers.

Using What Inputs and Process: Parliament reviews, revises, and approves the Draft Annual Budget Law submitted by the Council of Ministers, first in committee and then in full session, in both the House of Representatives and the Senate. Parliamentary review proceeds according to the following steps:

- I. The House of Representatives refers the draft law to the Finance Committee formed by the House of Representatives to study and discuss the Draft Annual Budget Law with officials from the Executive Branch, and then forwards its recommendations to the full House of Representatives. The Finance Committee may schedule meetings to discuss the Draft Annual Budget Law’s proposal for individual

government departments and units. These meetings are typically attended by the Director General, the Director of Studies and Information, and the relevant sector manager and budget analyst from GBD, as well as representatives from the relevant government department or unit. The Finance Committee may request additional details on the Draft Annual Budget Law; these requests are usually made orally, rather than in writing.

2. A special session of the House of Representatives is dedicated for discussing the Draft Annual Budget Law, attended by the Prime Minister, Minister of Finance, and other Ministers, as well as the general public. The Finance Committee submits its report, which includes notes and recommendations regarding the Draft Annual Budget Law. The report is discussed, along with the Draft Annual Budget Law, and then the Minister of Finance and the Prime Minister present the government's reply to the Finance Committee's report and to the Deputies' observations brought up during the discussion.
3. While discussing the Draft Annual Budget Law, the House of Representatives may reduce some of the expenses stated in the chapters for each government department or unit, in order to serve the public interest, but it may not add to these expenses, in accordance with Article 112(iv) of the Constitution.
4. During deliberations over the Draft Annual Budget Law, the House of Representatives may not cancel an already imposed tax, impose a new tax, or adjust the enacted taxes by increasing or decreasing them, in accordance with Article 112(v) of the Constitution.
5. After hearing the government's reply, a vote on each and every chapter of the Draft Annual Budget Law shall be held in accordance with Article 112(vi).
6. Once the House of Representatives approves the draft law, it is referred then to the Senate. The Senate reviews, revises, and approves the Draft Annual Budget Law according to the same procedures as the House of Representatives.

After the Senate approves the draft Annual Budget Law, it is referred again to the Executive Branch of the Government in order for the King to ratify it and issue his royal decree, which is effective as of the date of publication in official newspapers.

During this process, GBD provides the following support:

- Prepare an explanatory memorandum that includes the major items of the current and capital budget, in order to answer any question brought up during the Parliamentary deliberations. The memorandum includes a description of detailed achievements of each government department and unit, as measured by KPIs.
- Collaborate with government department and unit officials to prepare answers to the questions posed by the committee members and respond to questions and observations made by Senators and Deputies in speeches.

Done For: The Annual Budget Law, when ratified, provides funding and policy guidance to the Government of Jordan.

When: December.

Why: The Government of Jordan is required annually by Article 112 of the Constitution to prepare the Draft Annual Budget Law for review and approval by the Parliament. It is good government practice to have the Executive Branch prepare a budget proposal, for review, revision and approval by the Legislative Branch.

How to Add Value: Parliamentary review should ensure that the budget is responsive to the interests of the citizens.

XI. Budget Process – Execution

The Execution Stage is where the government departments and units take the funding allocations for work specified in the Annual Budget Law and make the expenditures, perform the tasks, and achieve the results. This stage is where the policies are implemented, and hopefully beneficial results and progress towards policy objectives are achieved.

Chapter II.3.d Execution gives information and guidance for budget analysts on the role of the execution stage in the budget process.

This section is intended to update information about the process steps for budget execution from the 2003 Jordan budget manuals. It will be completed at a later time. In the interim, the information from the 2003 manuals is provided here. In addition, since much of the Execution Stage is governed by the requirements of the GFMIS system, budget analysts are encouraged to reference the existing GFMIS manuals.

2003 Budget Cycle Manual Description:

The annual draft general budget state law shall be issued through a budget implementation notice, public and special financial orders, money orders, and financial transfers and positions, various liability orders.

The implementation is also carried out through following up on achievements, evaluation and tracking of performance indicators through making field visits to various enterprises and programs in cooperation with the relevant authorities, and through other means. Moreover, the implementation of the general budget law requires a follow-up on the recommendations made by the financial committees of both the Senate and Parliament Concerning the General Budget Law, in coordination with the relevant ministries and departments and in accordance with the prime ministry's decisions.

The phase of implementing the budget starts immediately once the general budget law is published in official newspapers. Then the law becomes effective. In light of this, the implementation phase involves the following steps of practical procedures:

I. Issue of Public Financial Order:

Spending from current expenditures takes place under a public financial order issued by the finance minister after being prepared by the General Budget Department. Ministries and government institutions are hereunder licensed to spend from the current funds allotted in the General Budget Law. A copy of the order shall be sent to Prime Ministry, Accounting Bureau, Central Bank, Ministry of Finance, and to the relevant department. In case the endorsement of the General Budget Law was behind schedule; I

January of every year, for any reason, a public financial order is issued on a monthly basis, with a value of 1/12 of the total funds allocated in the budget of the previous year, until the General Budget Law passes in accordance with Article 113 of the constitution.

Moreover, the finance minister shall issue circulars to ministries and government institutions, in which the person in charge of disbursement and control of funds as approved in accordance with the General Budget Law.

* The allowances of his majesty the king and the royal family are disbursed under a special financial order issued by the prime minister.

2. Issue of Special Financial Order:

Spending from capital funds allocated according the General Budget Law under a special financial order.

Government departments provide the General Budget Department with these financial orders, including the number and name of the enterprise and the item stated in the capital budget and allocated funds, as well as the required sum. The special financial order shall be audited by the budget analyst and ratified by the finance minister after being approved by the director general of the General Budget Department. A copy of the order shall be sent to the Ministry of Finance, Accounting Bureau, and relevant departments, while the General Budget Department keeps two copies.

3. Prime Ministry's Statement on Implementation of General Budget Department:

After passing of the General Budget Law, an official statement on the implementation of the General Budget Law is issued by the Prime Ministry to all ministries and government departments and independent public institutions. The statement shall include the criteria and instructions to be followed by ministries and government departments and institutions when implementing the General Budget Law, as well as requirements for reporting on key performance indicators.

4. Issue of Monthly Money Orders

The General Budget Law stipulates that disbursement shall be done under monthly money orders ratified by the General Budget Department. Ministries and government departments shall send the monthly money orders to the General Budget Department to be audited by the budget analyst and then ratified by the director general of the General Budget Department. A copy of the transfers shall be forwarded to the Ministry of Finance, the relevant department, and the Accounting Bureau. The budget analyst shall keep a copy of the orders and thereby send a copy to be filed in the Register Division of the General Budget Department.

In accordance with the provisions of the Budget Law, it is permissible to issue money orders with more-than-one-month funds allocated to current or capital expenditures if special reasons emerge and cause excesses in the allocation of the one-month funds.

5. Auditing and Ratifying Liability Documents After Ascertaining that Funds Allocated for the Specified Purpose

6. During the implementation of the general budget, relevant authorities ask questions to the General Budget Department about any problems they encounter, be they about specialized items or requests to address any form of deficits on funds for certain items, moving the funds from one item to another, or requesting for additional funds (Budget Appendix, etc.) Hence, the General Budget Department shall examine these questions or requests, reply to them or refer them to higher competent authorities.

7. Fund Movements:

Throughout the fiscal year and during the implementation of the budget, it might be warranted that ministries and government departments move funds from an item to another to cover actual needs in view of the actual spending of the year. In this case, the

ministry or department submits a request to move funds according to the model approved by the General Budget Department, which in turn double-checks the content of the request and examines its legality and needs, as well as the surplus in the items to be moved. The General Budget Department shall issue permits to move the funds, and then to be ratified by the finance minister. A copy of the permits is forwarded to the relevant department, the Ministry of Finance, and the Accounting Bureau, while two copies are kept in the General Budget Department.

The annual General Budget Law includes the regulation of these movements.

8. Requesting Additional Funds (Budget Appendix)

Additional funds mean the increase approved by the legislative power in funds stated in the General Budget Law. An additional fund takes the same steps mentioned earlier in the preparation of the General Budget, including preparation, presentation of funds to the legislative power for discussion, approval, and then endorsement. The Budget Law Appendix is considered part of the General Budget Law for the concerned fiscal year.

9. Competent apparatuses collect accrued diverse due revenues as estimated according to the general budget according to schedules set under laws, regulations, and instructions, and then these revenues are added to the account of the state public treasury/ Ministry of Finance.

2003 Budget Analyst Manual Description:

1. Preparing the public financial order for current expenditures after the endorsement of the Budget Law. Should the endorsement of the budget draft law be behind the constitutional schedule, Financial Order No. 1 would be issued with a ratio of 1/12 of the current budget funds for the previous year, provided that the budget funds are stated in the new budget plan.

2. Entering the figures of the financial order and key performance indicators in specified registers (computers).

3. Contacting relevant departments to estimate the special financial order of capital expenditures in a way that conforms to the allocated funds in the Budget Law.

4. Coordinating with relevant ministries and departments to provide the General Budget Department with cash flow statements for current and capital expenditures.

5. Money Orders:

Monthly-based money orders for current and capital expenditures shall be approved and signed by the director general and the commissioner upon the completion of the following conditions:

a. Examining the money order and the financial position to check the need for the required funds in light of the funds already cashed out for previous money orders, and making sure that no irregularities are committed while withdrawing the funds.

b. Informing the director general of these transfers.

c. Entering and registering the money order in due records (computers)

6. Financial Transfers:

The financial transfers required in exceptional cases shall be examined and approved in accordance with the General Budget Law and the budget implementation notice, taking the following into consideration: Submitting a detailed memo which explains reasons which called for the movement whenever necessary. Surplus in a certain item does not necessarily mean that the financial transfer shall be done; rather this should be regarded as a treasury surplus. A financial transfer should be considered for purposes of re-evaluation of the current year and the estimates of the next year. The surplus in the funds allocated to transfers can be reduced if all funds for money orders run out or if the remaining balance is insufficient. Coordinating with the relevant department upon the approval of the movement meant to provide the department with a money order. Entering and registering the movement (transaction) in the due records. (Computers)

7. Changes to money orders or financial transfers shall be made by using red pens and by adding signatures that indicate changes.

8. Granting permits to move funds from a trust to another in accordance with the provisions of the Budget Law after making sure that the money orders are issued for this purpose.

9. Examining and ratifying the liability documents after checking the availability of funds for the required purpose, provided that the document is filled in duly and in accordance with the provisions of the Budget Law.

10. Registering the liability document in records specified for this purpose after ratifying these documents.

11. When new expenditures are incurred, no new requests to move funds to ministries and government departments for capital enterprises or current expenditures may be approved unless the existing liabilities are covered. Upon directives and instructions to be issued then, no new liability documents may be permitted.

12. In accordance with uniform instructions from the General Budget Department to all ministries, departments, budget beneficiaries and state-owned enterprises, the budget analyst shall receive and analyze periodic reports on the implementation of results-oriented budgeting.

XII. Budget Process – Auditing and Evaluation

Budget audit and evaluation or monitoring occurs both during the budget execution stage and following completion of the budget year. External audits can serve various objectives. Basic financial audits attest to the accuracy and fairness of the government's year-end financial statements. Compliance audits verify, for example, that expenditures were properly authorized, and that rules and procedures were followed in carrying out expenditure. Performance audits (or evaluations), meanwhile, assess whether spending or program implementation is delivering “value-for-money.” (USAID Fiscal Reform II Project, June 2010)

This chapter explains the process steps for financial auditing and performance evaluation separately. Chapters II.3.e Auditing and Evaluation and VI.3 Evaluating Performance give information and guidance for budget analysts on the role of the auditing and evaluation stage in the budget process.

I. Financial Audit

This section is intended to update information about the process steps for financial auditing from the 2003 Jordan budget manuals. It will be completed at a later time. In the interim, the information from the 2003 manuals is provided here. In addition, since much of the financial audit process is governed by the requirements of the Audit Bureau, budget analysts are encouraged to reference the existing Audit Bureau manuals.

2003 Budget Cycle Manual Description:

Monitoring the implementation of the budget is the responsibility of legislative power because it controls the executive power to check its commitment to the permits of collection and disbursement. The legislative power relies on periodical reports presented to it by departments that are specialized in exercising financial control.

1. The draft general budget law, which is presented to the Parliament every year after being prepared by the General Budget Department, includes, in addition to revenues and expenditures estimated for the next year, actual expenditures and revaluation of expenditures for the past two years so that members of Parliament can be acquainted with the implemented enterprises stated in the budget laws of past years.

2. At the beginning of every regular Parliamentary session, the Accounting Bureau submits an annual report to the Parliament, which includes observations about the departments and institutions that audit their own accounts, and a statement of irregularities and their consequences.

3. The Ministry of Finance submits an annual report on the closing accounts of the fiscal year, including a comparison between allotted funds in the Budget Law with the actual spending. In addition, the Ministry of Finance submits an annual Performance Report that describes the progress by ministries, departments, budget beneficiaries and state-owned enterprises in achievement of targets for key performance indicators.

4. The various apparatuses of control play a key role in this regard to make sure that the implementation of the budget conforms to the estimated and allotted sums for various items. Moreover, control works to find out any deviations and address them in due time.

5. Ensuring that all ministries, departments, budget beneficiaries and state-owned enterprises implement a program of results-oriented budgeting in accordance with instructions prepared and issued by the General Budget Department.

Following are the specialized administrations that control the implementation of the budget:

First: General Budget Department

The General Budget Department exercises control over the implementation of the budget through:

1. Making sure that money orders, financial orders, transfers, and liabilities documents are signed by those in charge of spending and authorized to sign at relevant ministries and departments once these transactions are licensed.
2. Following up on ministries and departments to provide the General Budget Department with monthly financial positions during the first week of the previous month. Forms of these positions shall be duly filled in and ratified.
3. Auditing monthly financial positions and making sure they are written down in accordance with the laws and regulations, and direct ministries and departments not to exceed the funds stated in money orders, and inform the administration of any deficit in the financial position.
4. Paying visits to various enterprises to which funds are allocated in accordance with the General Budget Law in order to follow up and evaluate these enterprises.

Second: Ministry of Finance

1. The Ministry of Finance exercises control over the implementation of the budget pursuant to the financial system which authorized the ministry to form control units at each ministry or department, consisting of one employee or more of the Ministry of Finance, tasked with following up on the application of financial system and checking that expenditures are within the limits of funds allocated and that spending is devoted to the purposes for which these funds were allocated, and ensuring the measurement of all key performance indicators.

These tasks can be performed through the following:

- a. Issue of public financial order
- b. Issue of special financial order
- c. Issue of monthly money order related to relevant expenditure
- d. Providing cash flow (financial ceiling) that is sufficient to cover the value of expenditure.
- e. Availability of required funds to cover the value of expenditure from the accountability register.
- f. Making sure of the legality of the person authorized to disbursement and making sure that expenses are within his power.

2. The Public Accounts Directorate of the Ministry of Finance controls spending from the funds allocated under the General Budget Law through receiving monthly reports from ministries and departments, including one-month expenditure from these funds.

Moreover, the General Accounting Department keeps total registers of revenues and expenses, from which we can derive the annual closing accounts. These reports also include the revenues and expenses of the year, and the amount of actual surplus or deficit in that year.

Third: Accounting Bureau

The Accounting Bureau is considered as an independent audit and control department under the Accounting Bureau Act. The bureau exercises control on the budget implementation in accordance with Articles 8&9 of the Accounting Bureau Act No. 28 of 1953 as follows:

1. With respect to revenues, the Accounting Bureau shall be in charge of:

a. Auditing the tax and duty revenues and various returns to make sure that estimating and collecting them is carried out in accordance with enacted laws and regulations.

b. Auditing different types of collected revenues to make sure that the collecting process takes place at appropriate times and in accordance with relevant laws and regulations, that the State Money Collection Act has been applied to those in charge who failed to pay on time, and that the collected sums are paid to the treasury fund and registered in chapters and items specified in the general budget.

c. Auditing the transactions of writing off and exempting from revenues in order to make sure that no write-off or exemption is carried out in situations and under stipulations other than those stated in the enacted laws and regulations.

2. With respect to expenditures, the Accounting Bureau shall be in charge of:

a. Auditing the expenditures to make sure that they are disbursed for their specified purposes and that disbursement takes place in accordance with laws and regulations

b. Auditing the documents and papers presented to verify disbursements, to make sure they are sound and that their values match the values stated in registers.

c. Making sure that the issue of disbursement orders takes place in a duly manner and through competent authorities.

d. Making sure that expenditures are registered in their specified chapters and items of the general budget.

e. Making sure that the allocated funds in the budget are not exceeded unless licensed by competent authorities.

f. Examining the reasons for not disbursing some or all funds allocated to new enterprises.

g. Making sure that the provisions of the General Budget Law are implemented and that the financial orders and the transfers issued hereunder are legal.

3. Employees of the Accounting Bureau audit the financial transactions before and after disbursement. They also examine that these transactions are registered in their specified chapters and items of the general budget. In order for the employees to be able to perform their tasks, the Accounting Bureau Act authorized them to look into all documents and papers related to financial issues and supplies, in addition to any records, papers, or reports which an employee at the bureau believes that inspecting them would help him perform his duties. Furthermore, the law imposes penalties on whoever prevents any Accounting Bureau employee from auditing.

4. At the beginning of every Parliamentary period, the head of the Accounting Bureau shall submit to the Parliament an annual report that includes observations about the departments and institutions assigned with auditing their accounts, along with a statement of irregularities and their consequences. Moreover, the head may submit to the Parliament special reports to draw the Parliament's attention to serious and significant issues that need quick decisions.

2003 Budget Analyst Manual Description:

1. Making sure that the money orders, financial transfers, and liability documents have been signed by the employees in charge of expenditures and by commissioners who are authorized to sign permits at relevant ministries and departments.

2. Following up ministries and departments to provide the General Budget Department with the monthly financial positions during the first week of the next month. The financial positions shall be duly written down and ratified.

3. Examining the monthly financial positions and making sure that they are written down in accordance with the laws and regulations, directing ministries and departments not to exceed the appropriation limits as stated in money orders, and informing the administration in case there is a deficit in the financial position.

4. Preparing a monthly report, which includes revenues, current and capital expenditures for ministries and government departments and institutions; making any observations deemed necessary; and providing the Studies Directorate with a copy of the report. The report should include a section on results-oriented budgeting providing information relative to performance on items of national policy or priorities.

5. Increasing the number of various enterprises and submitting reports on these enterprises to indicate any difficulties in their implementation.

6. Following up on the implementation of the recommendations stated in the budgets of independent public institutions and the measures of performance compared to target levels stated in the Budget and informing the administration of the institutions which do not abide by these recommendations or do not fulfill their targets.

***Tasks and Other Works:**

1. Devising answers to the letters issued by the Prime Ministry and other ministries and departments as soon as possible as follows:

a. Checking the accuracy of information before using them in the replies because certain decisions will be taken based on these information

b. Coordinating with colleague analysts to obtain and examine information if this information concerns more than one entity.

c. Writing a memorandum to the minister or director provided that it includes the analyst's recommendations or suggestions if the letter to which a reply is required needs an endorsement by the minister or the director general.

d. Presenting the letter to the competent head of directorate before and after printing.

2. Performing the other following tasks and works:

a. Joining committees and preparing financial, performance and administrative reports.

- b. Reviewing the laws, regulations, organizational and program structures, and performance indicators of the ministries, departments, budget beneficiaries and state-owned enterprises.
- c. Coordinating with ministries and departments to work out appropriate solutions to any difficulties in implementing the budget.
- d. Reviewing revenues of ministries and government departments, and suggesting means to improve these revenues.
- e. Paying frequent visits to ministries and government departments to check and report on their financial and administrative records, formation agendas, and enterprises.

2. Performance Audit and Evaluation

The Government of Jordan is developing formal processes for performance auditing and performance evaluation. This section will be completed as those processes are established. In the interim, Chapters II.3.e Auditing and Evaluation and VI.3 Evaluating Performance give information and guidance for budget analysts on the role of the auditing and evaluation stage in the budget process. Also, since many performance audit functions will be performed by the Audit Bureau, the Audit Bureau is developing a performance audit manual, which should be referenced by budget analysts when it is completed. In addition, the International Organization of Supreme Audit Institutions (INTOSAI) has developed excellent materials on performance auditing in Arabic ([http://www.issai.org/media\(606,1033\)/ISSAI_3000_A.pdf](http://www.issai.org/media(606,1033)/ISSAI_3000_A.pdf)) and English (<http://intosai.connexcc-hosting.net/blueline/upload/1implgperfaude.pdf>). Performance evaluation is conducted as part of the Planning and Preparation stages of the budget process. See Chapters VIII Budget Process – Planning and IX Budget Process – Preparation for information on the performance evaluation process steps conducted during those stages.

XIII. Capital Budgeting

Jordan's budget process has some separation in its treatment of current and capital expenditures, with separate budget ceilings for each, and separate processes for negotiating those ceilings. In developing recommendations for current and capital expenditures, budget analysts should keep in mind the tradeoffs between current and capital expenditures, as well as analyzing current expenditures separately from capital expenditures (see Chapter II.3.a Planning and II.3.b Preparation). For the most part, this manual provides techniques that apply equally to integrated and separated treatment of current and capital expenditures, in essence considering all government expenditures as investments that must be justified by adequate returns on investment, or else not be taken from citizens (in the form of taxes). In a few parts of the manual, especially in Chapters VIII Budget Process – Planning and IX Budget Process – Preparation, there is information and guidance specific to capital budgeting.

This chapter is intended to provide additional information about the techniques specific to capital budgeting. It will be completed at a later time. In the interim, budget analysts can refer to a publication by the United Kingdom Treasury, which provides excellent guidance on budgeting in general, and capital budgeting in particular: The Green Book – Appraisal and Evaluation in Central Government. The Green Book is available at:

http://www.hm-treasury.gov.uk/data_greenbook_index.htm.

XIV. Personnel Budgeting (Formations)

Personnel costs are an extremely important part of Jordan's budget. The Government of Jordan has specific rules for determining salaries, wages, and other personnel costs. Much of the personnel budgeting work is conducted through Manpower Tables, which set the framework for how many and what types of employees government departments and units are allowed to hire and how much they will cost. For the most part, this manual does not distinguish personnel from the other resources that must be budgeted for, in essence considering all government expenditures as investments that must be justified by adequate returns on investment, or else not be taken from citizens (in the form of taxes). The manual's guidance targets how best to plan government expenditures, and the guidance applies equally to personnel and other resources. In a few parts of the manual, including Chapters VIII Budget Process – Planning and IX Budget Process – Preparation, there is information and guidance specific to Manpower Tables. Chapter IX.2 Manpower Tables provides a summary description of the process for developing the Manpower Tables, with a focus on the information needed for budgeting purposes.

This chapter is intended to update information about the techniques specific to personnel budgeting from the 2003 Jordan budget manuals. It will be completed at a later time. In the interim, the information from the 2003 manuals is provided here.

2003 Budget Analyst Manual Description:

The system of formation at ministries and departments goes through two main phases:

- a. Preparation
- b. Implementation, follow-up, and control

• a) Preparation Phase:

The tasks and duties of the budget analyst are determined as follows:

1. Contacting ministries and departments to ascertain the following:
 - a. Preparing the formations agenda in accordance with the instructions issued in the budget preparation notice.
 - b. Forwarding the formations agendas to the General Budget Department, stating vacancies and necessary changes, and providing reasons for requesting these changes.
 - c. Forwarding the agenda formations of administrative and technical occupations on the accounts of capital enterprises or any other accounts apart from the budget on specified forms.
2. Filling in forms about the net vacancies and changes made for this purpose.
3. Abiding by the provisions of the Civil Service Regulation or any other regulations that might be issued in due time concerning:

- a. The personnel promotions, classifications, and annual raises, in addition coordination with relevant ministries and government departments so that the deserving employees are not forgotten.
 - b. Transfers among ministries and government departments provided that the surplus of funds at the department to which an employee is moving is taken into consideration for fear of the emergence of deficit in the categories of wages, salaries, and premiums.
4. Adopting the organizational structure of ministries and departments for the purpose of changing job descriptions.
 5. Introducing new occupations in view of the previous approvals by the relevant authorities when the General Budget Law is prepared and discussed, and checking the availability of the funds required for this purpose.
 6. Referring back to files in order to check any issued appendices and taking them into consideration in the preparation of job formations for the next year.
 7. Preparing drafts of formations, entering them into computers, and examining them before and after being entered in their final form.
 8. Preparing an explanatory memo to each ministry or department, in which all adjustments to formations shall be stated.

{Actions of Job Formations}

* Promotion:

1. Automatic promotion is applied in accordance with the provisions of Article 79 of the Civil Service Regulation, with the exception of the private grade.
2. Promotion is not allowed to happen from a category to another of the same grade in accordance with the provisions of Article 77 of the Civil Service Regulation. This is because promotion in this case depends on the availability of vacancies, in accordance with the provisions of Article 75 of the Civil Service Regulation. Hence, no movements in the job formations are made in this regard.

3. Promotion according to special regulations (from a grade to another)

* Status Adjustment:

1. The status of the employee whose salary during 2004 exceeds the maximum level of his current grade shall be adjusted so that his basic salary matches the grade he deserves. The case of special grade shall be excluded from this adjustment.
2. Both category and grade shall change in the case of whoever obtains a new Educational level, in accordance with Article 40 of the Civil Service Regulation.
3. Only the grade can be adjusted (when the job status changes to the original grade), in accordance with Article 54 (Paragraphs C&E).
4. The job status can be changed from contract job to a permanent or unclassified, or vice versa.
5. The salary of the comprehensive contract can be changed to exceed the annual rate of raise.

* Movements:

1. Moving from a program to another within the same chapter.
2. Moving from a chapter to another within the same grade, category, and funds.
3. Moving from a program or and changing the job description.
4. Moving from a program or from a chapter and changing the job status (category, grade).
5. Moving from a ministry to an institution or vice versa, or from an institution to another.
6. The sender considers moving from a ministry to an institution, or vice versa, as movement, while the receiver considers it as a new job that is filled through movement.

* Changing the Job Description:

Changing from a job to another is considered as a “change in job description” to match the description and classification of jobs.

*Introduction:

1. Introducing an occupation (new appointment)
2. A new vacancy can be filled through:
 - a. Trading account
 - b. Account of capital enterprises at the Ministry of public Works and Housing
 - c. Saving account
 - d. Per diem account
 - e. Farmers Association
 - f. Account of Article 305 (Non-personnel premiums)

Note: Action No. 2 can only be carried out with an advance approval by the Cabinet).

* Cancellation:

In case a certain job is cancelled, the action is termed (Vacancy cancelled)

*Substitution:

1. A number of jobs can be replaced by other jobs within the same program or chapter.
2. A number of jobs can be replaced by other jobs, in addition to moving from a program to another within the same chapter.

*Annual Raise:

The value of the annual raise according to the adopted system (comprehensive contracts)

Second: Phase of Implementation, Follow-up, and Control:

Tasks and duties of the budget analyst are determined after endorsing the system of job formations at ministries and government departments and for the purposes of implementing, following up, and controlling the formations agenda as follows:

1. Contacting ministries and departments to do the following:

- a. Preparing and refilling the statements of job formations in their specified forms, including details of job descriptions; names of job occupants; dates of obtaining current grades due dates of annual raises, salaries, and premiums which occupants deserve, on the condition that these statements are presented to the General Budget Department within one month from the date the job formations system was endorsed.
- b. Sending a copy of the letters of appointment, promotion, resignation, or retirement, and other decisions related to the employee in order to keep up with the formations system and to make necessary adjustments to the formations tables so that information is ready on demand.
- c. Presenting monthly positions of the department's personnel according to the model of occupied and vacant jobs, which is devised for this purpose, and within a deadline not exceeding the first week of each month.
- d. Preparing the tables of job formations on the account of capital enterprises or any other account aside from the Budget Law during one month of endorsing the job formations system to implement these enterprises. The system shall be ratified by the General Budget Department, the Civil Service Bureau, and the Control and Inspection Department, and then referred to the prime minister by the General Budget Department and in accordance with the notice issued then.

2. Following up on issues and checking the following:

- a. An employee may only appointed in a vacant job listed in the formations table of the department based on the letters of appointment received by the Civil Service Bureau or by any department, an in accordance with the approved criteria and rules of appointment.
- b. Personnel automatic job promotions may take place in occupations introduced to promote employees under the promotion decisions issued by the Civil Service Bureau or by departments.
- c. No employee may be optionally promoted in the occupations that are introduced into the job formations table for the purposes of appointment.
- d. No employee may be appointed in the fourth-category unclassified jobs, while he/she fulfills only conditions of appointment within the first, second, or third category.
- e. No employee may be appointed on the account of the funds of the workers' wages allocated under Article 104 and as stated in any of the current expenditure chapters of the General Budget Law.
- f. Contract employees may be appointed in accordance with the approved criteria and rules of appointment and under a hire contract specified under the provisions of the Civil Service Regulation through the letters of appointment received from ministries or the Civil Service Bureau.
- g. Disbursing annual raises for employees after the passage of one year of his appointment, or the last annual raise received, provided that no delay in the due date of the annual raised results from paying the annual bonus.
- h. More than one employee, who are temporarily hired when necessary, may occupy no part-time job, under a contract during a period of hire provided that funds for the occupation are not exceeded.

i. The job formations at ministries and government departments, the Prime Minister's official notice, or any other notices or instructions that might be issued, must be fully complied with.

XV. Appendices

I. Analysis Templates

a. Analysis of Program Function and Funding Priority

The following is a summary description of the information to be entered into the “Analysis of Program Function and Funding Priority” template. The template is provided after the explanation. A more detailed explanation of these concepts is provided in Chapter VI.I Justifying Action.

The template should provide information that answers the following questions:

1. What are the **objectives** of the program? Consider objectives from the following documents:

- National Agenda
- National Executive Development Program
- Government Implementation Plan,
- General Budget Speech from the previous year,
- Government action program submitted by the Prime Minister to Parliament
- Royal initiatives
- Annual budget law
- Government department or unit strategic plan
- Speeches and statements made by senior officials
- Other planning documents

2. What is the **reason** for the Government Action?

- Market failure: The market has not and cannot be expected to deliver an efficient outcome.
- Equity: Society has determined that certain groups deserve more resources than they would receive without government intervention.

3. To what group of people, and on the basis of what criteria, are the program benefits **distributed**?

Better:

- To everyone who meets certain requirements (all qualified).
- To individuals or groups selected according to a prioritized list.
- To people who don't participate directly in the program.

Worse:

- To arbitrarily selected groups of people who receive a communal benefit (i.e., the people in the groups might not otherwise work together to achieve the benefit).

Worst:

- To arbitrarily selected individuals who receive an individual benefit.

4. Are there better ways to achieve the program objective (**alternatives**)?
5. What is the proper **role of government** versus the private sector in providing the service?
 - Continue government implementation of the program.
 - Continue to fund the program, but contract the private sector to implement it.
 - Reduce, phase out, or eliminate the program.
 - Fund the program through fees.

Guidelines for Selecting Policy Change

		Is There Appropriate Supply and Demand in the Market?	
		Yes	No
Is It Produced More Efficiently in the Market Than by Government?	Yes	Reduce or stop, e.g., Telecommunications	Continue to fund, but contract private sector to implement; e.g., Water
	No	Fund through fees, e.g., Customs	Continue government implementation; e.g. Education

6. Are there better uses for these resources (**funding priority**)?
7. What **actions** should GBD and the government department or unit take based on the analysis?

This analysis of program function is one way to assess funding priority, but should be combined with other analytic techniques. In particular, program performance is a critical factor for analyzing funding allocations. See Chapter VI.2 Setting Objectives and Chapter VI.3 Evaluating Performance for tools to evaluate program performance. See also Chapter VI.5 Setting Funding Levels for a synthesis of these techniques.

The template for this analysis is provided on the next page.

Template: Analysis of Program Function and Funding Priority

Program Name	Objectives	Reason	Distribution of Benefits	Alternatives	Role of Government	Funding Priority	GBD/Dept./ Unit Actions

b. Analysis of Strategic Objectives Through Logic Models

Chapter VI.2.a Strategic Objectives describes how to use logic models to analyze strategic objectives.

The template for this analysis is provided on the next page.

Template: Analysis of Strategic Objectives Through Logic Models

Government Department or Unit Name:

Mission:

Problems and Needs	Policies	Objectives

c. Development of Performance Indicators Through Logic Models

Chapter VI.2.b Program Objectives describes how to use logic models to develop performance indicators.

The template for this analysis is provided on the next page.

Template: Development of Performance Indicators Through Logic Models

Program Name:

Program Objective:

Subprogram, Directorate, Division/Unit, or Section	Inputs	Action/Processes	Outputs	Outcomes

d. Annual Evaluation of Performance Indicators

Chapter VI.3 Evaluating Performance describes how to perform an annual evaluation of performance indicators.

The template for this analysis is provided on the next page.

Template: Annual Evaluation of Performance Indicators

Program Name:

Program Objective:

Year:	Target Perf. Level	Actual Perf. Level	Planned Funding Level (1,000 dinar)	Actual Funding Level (1,000 dinar)
Performance Indicator (name and units):				
Analysis of Performance Difference:				
Future Management or Policy Changes:				
Performance Indicator (name and units):				
Explanation of Performance Difference:				
Future Management or Policy Changes:				
Performance Indicator (name and units):				
Explanation of Performance Difference:				
Future Management or Policy Changes:				

e. Analysis of Budget Proposal and Performance Target Levels

The following is a summary description of the information to be entered into the “Analysis of Budget Proposal and Performance Target Levels” template. The template is provided after the explanation. A more detailed explanation of these concepts is provided in Chapter VI.2 Setting Objectives and Chapter VI.5 Setting Funding Levels.

The template is based on the following five steps to analyzing budget requests on the basis of proposed performance target levels for key performance indicators (KPIs):

1. Identify whether the program proposes to increase or decrease funding for work that supports an indicator, and whether the related KPI target level is proposed to improve or worsen.
 - In the simplest analysis, funding changes should correlate with performance changes.
 - Requires complete and accessible information. Summary data are very helpful.
 - It can be hard to identify which funding supports which KPI, but it is essential for ROB.
 - Which KPIs got the biggest funding increase and why?
2. Validate the performance data and learn about the program by finding out how the target level was generated. For example, was it based on an expert opinion, a calculation, or data from another government department or unit?
 - Provide or obtain the calculation, assumptions, or reference for the target level. This information can help guide funding allocations.
3. Determine whether the program is proposing to do anything differently to improve performance.
 - Improved performance may be a good justification for increased funding, but only if there is a good reason to believe that performance will actually improve and that increased funding is needed to achieve the improvement.
 - Saying, “we’ll work harder” is not an acceptable plan for improved performance.
 - For example, does the program have new procedures, better equipment, or does the program just expect more funding?
4. Compare target and actual performance levels from the last year with actual performance data.
 - Identify lessons learned to improve management, target level estimation.
 - Determine how well the program can predict performance.
5. Assess whether the proposed performance change for the budget year is reasonably related to the proposed funding change for the budget year, based on the information from the previous four steps. If not, either the performance targets or the funding levels should be changed.
 - If funding were less or more, would the performance level change?
 - Could funding be reallocated to improve performance?
 - Is there work that doesn’t support performance indicators?

These steps are most appropriate for analyzing programs that are already performing at least reasonably well. See Chapter VI.1 Justifying Action and Chapter VI.4 Comparing Alternatives for techniques to analyze some more fundamental issues, such as:

- What should the government be doing? I.e., do the current policies make sense or do they need to be changed and, if so, how?
- How well are the government and its programs solving problems?
- What can be done to improve what government should be doing? E.g., alternatives.
- What should the government stop doing?
- If it should stop doing something, how should it make the transition?

The template for this analysis is provided on the next page.

Template: Analysis of Budget Proposal and Performance Target Levels

Program Name:

Program Objective:

	Target and Actual Performance Levels, by Year							
Performance Indicators	2 Years Ago Target	2 Years Ago Actual	Last Year Target	Last Year Actual	Current Year	Budget Year	First Indicative	Second Indicative
1.								
2.								
3.								
4.								
5.								
Funding for Program (thousand JD)								
Current Expenditures								
Capital Expenditures								
Total Current and Capital Expenditures								
Other Sources of Funding								
Total Funding Supporting the Objective								

2. Example Performance Indicators

The following are examples of how GBD and a variety of government departments have developed high quality performance indicators. For each indicator, the example shows the old indicator, the problems with the old indicator, the new or additional indicator, and an analysis of the new or additional indicator. Note that each program has other indicators in addition to the ones that are focused on here.

Ministry of Social Development – Social Defense Program

Old Indicator:

- Number of juveniles benefiting from social defense services.

Problems with the Old Indicator:

- The indicator does not explain what specifically is meant by “benefiting”. We can assume that it is counting juveniles participating in the program.
- It is not clear whether there will be an independent judge of whether a juvenile is benefiting from the services. Thus, the indicator assumes that anyone participating in the program benefits from it, but that is not necessarily true.
- The indicator – counting participants – is more of an action, process, or intermediate output indicator than a true output or outcome indicator.

New Indicator:

- Percent of juveniles released from detention centers who have no conflict with the law for one year after release.

Analysis of the New Indicator:

- Specific: Defines “benefiting” as “no conflict with the law”.
- Measurable: Yes, and hard to manipulate because police are doing the evaluation, not the Ministry of Social Development. Uses a source of data outside the ministry.
- Relevant: Yes, conflict with the law during the first year after release is probably representative of overall rehabilitation of juvenile delinquents. However, it also depends on the level of police work.
- Time sensitive: By setting a one-year window, it gives feedback to the ministry quickly enough to adapt depending on how the program is working
- Useful: Very outcome oriented. Gives lots of flexibility and incentive to try different methods. Ministry management is empowered. Gives feedback on how quickly to release juveniles. High rate of conflict might indicate insufficient funding or poor performance. Can see which centers have best performance.
- Unintended consequences: Might lead to keeping juveniles in centers.
- Quality: Shows quality because it is an outcome. Shows how well the work is being done.

Ministry of Social Development – Social Development and Combating Poverty Program

Old Indicator:

- Number of families benefiting from productive families projects.

Problems with the Old Indicator:

- The indicator does not explain what specifically is meant by “benefiting”. We can assume that it is counting families participating in the program.

- It is not clear whether there will be an independent judge of whether a family is benefiting from the services. Thus, the indicator assumes that anyone participating in the program benefits from it, but that is not necessarily true.
- The indicator – counting participants – is more of an action, process, or intermediate output indicator than a true output or outcome indicator.

New Indicator:

- Number of families leaving the National Aid Fund (NAF) rolls as a result of productive families assistance.

Analysis of the New Indicator:

- Specific: Defines “benefitting” as improved income.
- Measurable: Requires sophisticated analysis. Hard to manipulate because NAF is doing the evaluation, not the program. Uses a source of data outside the program. Would need to compare overall rate of people leaving NAF rolls with rate of people who are participating in the program. The comparison may require an analysis to see whether it is the most ambitious people who participate in the program, and thus it is their ambition rather than the program that leads them to leave the NAF rolls.
- Relevant: Yes, in that the work is to improve income. Ultimate success is that they no longer need assistance, but that depends in part on the economy.
- Time sensitive: It is an annual goal.
- Useful: Very outcome oriented. Gives lots of flexibility and incentive to try different methods. Ministry management is empowered. Allows budget analyst to compare cost of program with benefit to the Government of Jordan in terms of reduced NAF expenditure.
- Unintended consequences: Gives incentive to work with the easiest cases, though maybe that is a good thing.

Ministry of Education – Administration and Support Services Program

Old Indicator (keep with revisions):

- Number of annually trained educational leaders

Problems with the Old Indicator:

- More training may not be the only way to solve the problem, which is how to get more effective production from ministry employees.

Additional Indicator:

- Increase level of Ministry of Education employee morale as measured by an annual employee survey

Analysis of the Additional Indicator:

- Specific: Morale is less specific than number trained.
- Measurable: Can be usefully measured if the survey is designed correctly.
- Relevant: Extremely relevant given the recent teacher strikes. Need to understand why they are unhappy, whether giving more money will make them happy or if there are other factors affecting job satisfaction. Assumes happy staff equals effective staff.
- Time sensitive: It is an annual measurement.
- Useful: The old measure just looked at one way to improve ministry staff morale. A survey allows the Administration and Support Services program to look at other ways of improving morale. Gives management flexibility to consider options such as

spending more on materials, salaries, or reducing class size. Will require a lot of analysis to use the indicator to determine how much money to spend on the Administration and Support Services program, since morale is dependent on other factors outside Administration budget.

- Unintended consequences: Survey will need to separate out effect of salary versus Administration services. Strong incentive to increase pay.
- Quality: Would measure how much training helps staff do their job, not just whether they attended the training.

Ministry of Education – Vocational Secondary Education Program

Old Indicator:

- Number of students enrolled in vocational education

Problems with the Old Indicator:

- More vocational education may not be the only way to solve the problem, which is how to improve employment opportunities for young people.
- The indicator – counting participants – is more of an action, process, or intermediate output indicator than a true output or outcome indicator.

New Indicator:

- Increase employment rate of vocational secondary graduates that enter the labor market after graduation

Analysis of the New Indicator:

- Specific: “employment rate” is a specific way of measuring the benefit.
- Measurable: Yes. Depends on good reporting of data. Measured by ministry, but at least it is a relatively objective measure.
- Relevant: Yes, the goal of the vocational education is not to put students in school, but to give them an education that will get them a job. Depends in part on the economy, so will require some analysis to sort out external factors.
- Time sensitive: It is an annual goal.
- Useful: Gives incentive for better performance by schools, and especially to train students in relevant skills. Would more money be better spent on training more people or training them better? Although the number of students enrolled may not be a key indicator, it will be essential to make decisions about funding levels. Competing programs providing services to address unemployment include: handicapped vocational education, Ministry of Social Development “productive families projects”, and regular education programs. Useful information for difficult analysis on funding allocation between competing programs. Could compare with unemployment rate of dropouts, but there is a problem of different levels of motivation in the two groups.
- Unintended consequences: Doesn’t measure the quality of the job they get. There is a second indicator for how many go on to higher education.
- Quality: Good measure of how well they’re trained, if they get a job.

Ministry of Agriculture – Animal Resources, Veterinary, and Laboratories Program

Old Indicator:

- Quantities of white meat, red meat, egg, and milk production.

Problems with the Old Indicator:

- Provides the wrong incentive, encouraging greater quantity of production rather than great profitability of production.
- Doesn't tie to the National Agenda.

New Indicators:

- Value of livestock production.
- Value of losses in the livestock sector.

Analysis of the New Indicators:

- Specific: Monetary value of financial transactions is a specific way of measuring the benefit.
- Measurable: Yes. Agricultural contribution to the GDP, based on the value of production and the cost of production, is regularly estimated by the Department of Statistics. Losses are measured because the Prime Minister must approve any subsidies to compensate for losses.
- Relevant: Yes, the goal in the National Agenda is to increase production and decrease subsidies. And the Ministry provides animal health services, genetic improvements through breeding, and training, all of which are designed to increase income. But lots of external factors affect value, like price of feed and meat, so performance evaluation will need analysis to control for that. Value of losses is more directly connected to ability to reach lots of farmers. There is a program indicator for vaccination coverage.
- Time sensitive: It is an annual goal.
- Useful: Encourages helping farmers switch to the most profitable livestock.
- Quality: Income depends on quality and quantity.
- Unintended Consequences: May give an incentive to work with bigger farmers, not small farmers. Increasing the value of production is closer to the desired outcome than increasing the amount of production, but it would be still better to measure the profit – or contribution to the GDP – of the livestock sector.

Ministry of Agriculture – Reclaiming and Developing Lands Program

Old Indicator (keep):

- Increase in capacity of the water harvest

Problems with the Old Indicator:

- Increasing water collection may not be the only way to solve the problem, which is how to get more agriculture production given that Jordan is one of the countries with the least water in the world.

Additional Indicator:

- Total reduction in water losses from well water, due to maintenance projects

Analysis of the Additional Indicator:

- Specific: Amount of water is specific.
- Measurable: Difficult, but possible. Will require estimates based on average water availability, engineering estimates of project benefits. Depends on self-estimation. Could do sample studies to see whether engineering estimates are correct.

- Relevant: Yes, the goal in the National Agenda is to increase productivity of the agricultural sector with respect to water. And the ministry has programs to improve irrigation canals and water reservoirs.
- Time sensitive: It is an annual goal.
- Useful: Encourages making the best use of existing water, not just pumping more water. Provides an incentive for sustainability. Helps with project selection. But since we don't know how much money is spent on water projects, can't tell cost-effectiveness. Would be better to know annual m³ of water saved per JD spent.
- Quality: Total water saved, rather than total number of projects or length of projects makes sure the ministry selects projects with the greatest benefit.
- Unintended Consequences: Might fund projects that private sector would do on its own because those are the most beneficial.

3. Budget Forms

Budget forms are available for download on the GBD website:

www.gbd.gov.jo

This appendix will be completed at a later time.

4. Organic Budget Law

Law No. (58) for the year 2008

The Organic Budget Law (also called the “Budget Organic Law”)

Article (1)

This Law shall be named (the Organic Budget Law No. (58) for the year 2008) and shall be effective from the date of its publication in the Official Gazette.

Article (2)

The following words mentioned in this law shall have the specified meanings hereunder unless the context indicates otherwise:

Ministry: Ministry of Finance

Minister: Minister of Finance

Department: General Budget Department

Director: Director of General Budget Department

Governmental Department: any ministry, department, authority or public body, which their budgets are included in the general budget of the country.

Governmental Unit: Includes any public body, institution, authority or financial/administrative independent establishment, which their budgets are included in the government units’ budgets.

General Budget: The government’s plan for the next fiscal year to achieve the national goals within the medium term financial framework.

Fiscal year: the year which starts from the first of January and ends on December 31 of the same year.

General Revenues: All taxes, fees, incomings, profits, surpluses, grants and any other funds received by the public treasury.

Public Expenditure: all amounts allocated for governmental departments (ceilings) to finance their current and capital expenditure items according to the annual general budget law.

Expected results: The benefits expected to be achieved from the public expenditures.

Medium-term financial framework: the government fiscal plan and policy in the medium term based on the expectations of the national economy and based on number of foundations, assumptions and the key economic indicators’ expectations.

Medium-term expenditure framework: The detailed public expenditure plan expected for the governmental departments within the medium term.

Job Formations: the tables that contain the number/ title/ categories/ levels of the jobs and/or salaries for the governmental departments and units in accordance with the provisions of the effective legislations.

Article (3)

A. A department shall be established and called (The General Budget Department) and attached to the minister.

B. Director shall be appointed by the decision of the Council of Ministers upon the recommendation of the Minister.

Article (4)

The department shall take over the following tasks and responsibilities:

A. Preparing the country's general budget.

B. Preparing the government units' budgets.

C. Preparing manpower tables for the governmental departments and units with coordination with the Civil Service Bureau and the competent authorities in accordance with the effective laws and regulations.

D. Allocating the financial appropriations to execute the country's public policy according to the priorities to achieve the distribution of the development's benefits and gains on all the Kingdom's governorates.

E. Prepare a detailed statement of the important operations to approve the general budget and the government units' budgets provided that a specified time is determined to each operation where the final approval of the general budget and the government units' budgets will be obtained before the first day of January of each year.

F. Follow-up the performance evaluation of the departments and government units programs, projects and activities to ensure its achievement of the expected results efficiently and effectively to reach their goals

G. Provide an opinion about the draft legislations that have financial implications through the stages of approval.

H. Provide financial consultation to the departments and government units in the financial matters and any other issues related to the department's tasks.

I. Provide recommendations on the final financial statements related to all governmental units to the Council of Ministers before its approval

Article (5)

The department carry out the following in order to accomplish its tasks:

A. Revises the financial allocations requests, which all governmental departments and units submit, by reducing, increasing, collecting, interview or reviewing it to assure that the allocations' requests meet the Kingdom's public policy.

B. Requests the necessary information and data from all the governmental departments and units related to the objectives, programs, projects and activities and financing them.

C. Delete the unnecessary duplications in the programs and financing between the governmental departments and units.

D. Audit all programs, projects and activities that require allocations in order to ascertain their priorities, benefits and its relation with each other.

E. Review all the financial documents, correspondences and records of any governmental department or unit.

F. Control over the process of executing the general budget and the governmental units' budgets and issue periodical reports regarding the follow-up, analysis and evaluation.

G. Review the public universities & municipalities budgets and any other governmental institutions and provide an opinion regarding it.

Article (6)

A consultative assembly shall be formed and comprises from the ministers of Finance, Industry & Trade, Planning and International Collaboration and the Central Bank Governor, Head of Audit Bureau and the Director to give opinion about the dimensions of the General Budget and governmental units' budgets and its compliance with the national priorities.

Article (7)

The ministry with the cooperation of the department shall prepare the medium-term financial framework, which the general budget preparation process requires.

Article (8)

The annual general budget law shall include the following:

A. The General budget speech, which includes a brief description of the medium-term financial framework and a brief explanation of the proposed government programs, objectives and their expected results and their consistency with the national objectives and priorities.

B. Provisions that guarantee executing the annual general budget law in the optimal way

C. A summary of each chapter in the budget which includes the vision, message and the strategic objectives which the governmental department is seeking to achieve within the medium term, in addition to the programs, projects and activities that achieve these objectives and the performance measurement indications for the follow-up and evaluation purposes.

D. A table for the general budget summary, which includes the public revenues, public expenditure and the financing budget of budget's year.

E. A table shows the total estimated public revenue allocated for the governmental departments in the budget's year distributed according to the various chapters of the public revenue.

F. A table shows the total of the appropriations for the governmental departments in the budget's year according to the chapters.

G. Tables show that the public revenues estimations are according to the functional and economic classifications and any other classifications for the budget's year, and actual data and the re-estimation of previous years and the current year and indicative data for the following years.

H. Tables show the current and capital expenditure estimations according to the groups, chapters and articles of the budget's year, in addition to the actual data and re-estimation of the previous years and the current year and indicative data for the following years.

I. A general table clarifies briefly the general budget of the expired fiscal year, which precedes the current year, and the general budget estimations and re-estimations of the current fiscal year and the general budget estimations for the previous years and the following years.

J. Tables clarify the credits and debits of the government (including short-term or long-term debts either domestic or foreign).

K. Any other tables or data.

Article (9)

A. (The General Budget Organizing Law No. (39) for the year 1962) and its amendments shall be canceled, provided that the regulations and instructions issued pursuant thereto shall continue to be effective until its amended, canceled or replaced by others in accordance with the provisions of this law.

B. Any provision in any other legislation shall not be taken into account if it contradicts with provisions of this law.

Article (10)

The council of ministers shall issue the requisite regulations for implementing the provisions this law.

Article (11)

The Prime Minister and the Ministers shall be tasked with implementing the provisions of this law

5. Sample Issue Paper

2012 Budget

Issue Paper -- Family Cost of Living Allowances

Issue

What, if anything, should be done to harmonize the family cost of living allowance compensation practices with the National Agenda?

Background and Discussion

Currently, family cost of living allowances are paid to all married male public service employees of up to 20 JD a month (240 JD a year) for those employees who have a wife (15 JD a month) and at least one minor child (5 JD a month).

The 2006 - 2015 National Agenda addresses two policy aspects that bear on this practice and warrant its reconsideration. The Agenda's public health care key performance indicators include a reduction in fertility from the current level of 3.3 in to 2.5 by 2017:

Key Performance Indicators	Current	Target (2012)	Target (2017)
*	*	*	*
Fertility Rate	3.3	2.9	2.5
*	*	*	*

It is very unlikely that male public employees decide to have children based on the opportunity of increasing their income by 60 JD a year. Nevertheless, the practice of paying an additional subsidy for children may be perceived as inconsistent with the objective of slowing population growth.

A more obvious inconsistency is the different treatment of male and female public employees who are married with minor children. The National Agenda addresses gender neutrality and states, in part:

“To empower women to become active players in the development process, the National Agenda includes the following main principles:

1. Ensure equality and remove all forms of discrimination against women in Jordanian laws and legislation.
2. Eliminate all wrongful social practices against women and correct negative stereotyping that undermine their rights.

[3-5 omitted]

6. Reconfirm the principle of equal opportunity regardless of gender.”

The following options and arguments for and against each option have been developed as alternative ways in which the 2012 Budget Law could make the National Agenda and family cost of living allowance practices congruent.

Options and Arguments for and Against the Options

Option I: Make no changes in current practices.

Arguments for:

- the 240 JD a year is a relatively small amount in terms of overall employee compensation.
- eliminating a benefit to which employees have become accustomed will harm morale and will be resisted by employee associations.
- public employee compensation is already too low. An elimination of family cost of living allowances will only make the situation worse.
- in Jordan, most women are presumed to be dependent on the incomes of their husbands, not the other way around.

Arguments against:

- if the amount is relatively small from the individual's point of view, its elimination should not "hurt."
- failure to take action will continue a practice inconsistent with the National Agenda objectives of reducing the fertility rate and achieving gender equality, e.g., "equal pay for equal work."
- the amounts per individual are small, but the total of 18 million JDs is a significant amount.—larger than the current expenditure budgets of some ministries.
- The presumption that women are dependent on a man's income is no longer considered a valid assumption for payment of fringe benefits.

Option 2: Eliminate all family cost of living allowances in the 2012 Budget Law (savings: 18.3 million JD in 2012).

Arguments for:

- same as the arguments against Option 1.

Arguments against:

- same as the arguments for Option 1. In addition,
- announcing the elimination of an employee benefit at the end of October to take effect January 1 is too short notice and does not give employees sufficient time to adjust expectations.

Option 3: Reduce family cost of living allowances by 5 JD a year, eliminating them altogether over a 4-year period (savings: 4.6 million JD in 2012, rising to 20.1 million JD in 2014).

Arguments for:

- same as the arguments against Option 1. In addition,
- this will result in significant budget savings over time and conform practice to the National Agenda objectives of reducing the fertility rate and achieving gender equality by 2016.
- the 5 JD is a small amount compared to likely annual salary adjustments.

Arguments against:

- same as the arguments for Option 1. In addition,
- 4 years is too long for perpetuating the inequitable treatment of women public employees.

- even if it is reduced gradually, it is still a reduction in benefits.

Option 4: Eliminate family cost of living allowances for all new employees, effective with the 2012 Budget Law (savings: 500,000 JD in 2012, rising to 1.5 million JD by 2014).

Arguments for:

- same as the arguments against Option 1. In addition,
- this will achieve congruency with the National Agenda without adverse effects on the morale of current male public employees.

Arguments against:

- same as the arguments for Option 1. In addition, while this will eventually bring the practice in line with the National Agenda objectives, it will take a very long time.
- no savings will be realized for a long time.
- new employees will feel unfairly treated for relatively small amounts of money in the near term.

Option 5: Eliminate only the monthly 5 JD family cost of living allowances for minor children and provide the monthly spousal amount of 15 JD for married women whose husbands are not public employees in the 2012 Budget Law (net savings: 1.8 million JD in 2012).

- same as the arguments for and against Option 2. In addition,
- this will benefit an estimated married 21,000 women public employees. This relatively small budget reduction is possible because 3.3 million JD in 2012 savings will be realized from eliminating the minor child subsidy for married male public employees.

Option 6: Do not change current practice, but provide the current all family cost of living allowances for married women with children whose husbands are not public employees (costs: 1.7 million JD over Option 1).

- same as the arguments for and against Option 5. In addition,
- this will provide an additional benefit to 4,100 women public employees for a relatively small amount.

Attachment A is a table that estimates the number of public service employees that would be affected by the various options and the costs or savings from each of the options. The assumptions used to calculate the estimates at the bottom of the table.

Recommendation

Option 5. Both Option 5 and Option 6 would achieve equity in public employment. Option 5 is recommended because it would also eliminate the small subsidy for minor children that appears to be inconsistent with the National Agenda. It is also slightly less expensive than Option 6.

Decision

- | | | | |
|--------------------------|----------|--------------------------|----------|
| <input type="checkbox"/> | Option 1 | <input type="checkbox"/> | Option 4 |
| <input type="checkbox"/> | Option 2 | <input type="checkbox"/> | Option 5 |
| <input type="checkbox"/> | Option 3 | <input type="checkbox"/> | Option 6 |
| | | <input type="checkbox"/> | See Me |

(signed)

(date)

Illustrative Table -- Family Cost of Living Allowances**

7/11/11 11:18

Options	Expenditures (JDs in 000s)											
	2010 Actual		2011 Budget		2011 Current Estimate		2012 Budget		2013 Indicative		2014 Indicative	
	Number of Public Employees Affected	Estimated Expenditures	Number of Public Employees Affected	Estimated Expenditures	Number of Public Employees Affected	Estimated Expenditures	Number of Public Employees Affected	Estimated Expenditures (Savings)	Number of Public Employees Affected	Estimated Expenditures (Savings)	Number of Public Employees Affected	Estimated Expenditures (Savings)
Option 1: Make no change in current practices (Base)	82,031	16,098	82,031	17,459	82,031	17,459	82,031	18,296	82,031	19,174	82,031	20,095
								Expenditure amounts are changes to the Base				
Option 2: Eliminate all family cost of living allowances in the 2012 Budget Law	---	---	---	---	---	---	82,031	(18,296)	82,031	(19,174)	82,031	(20,095)
Option 3: Reduce family cost of living allowances, by 5 JD a year, eliminating them over a 4-year period starting with the 2012 Budget Law.	---	---	---	---	---	---	82,031	(4,574)	82,031	(9,587)	82,031	(15,071)
Option 4: Eliminate family cost of living allowances for all new employees, effective with the 2012 Budget Law	---	---	---	---	---	---	8,203	(1,830)	16,406	(3,835)	24,609	(6,028)
Option 5: Eliminate only the 5 JD family cost of living allowance for minor children of male public employees in the 2012 Budget Law and provide the spousal amount of 15 JD for married women not married to public employees	---	---	---	---	---	---	49,219	(984)	49,219	(1,013)	49,219	(1,044)
Male married public employees with children							41,016	(2,461)	41,016	(2,535)	41,016	(2,611)
Female married public employees not married to public employees							8,203	1,477	8,203	1,521	8,203	1,567
Option 6: Do not change current practice for male public employees, but provide both the spousal and minor child family cost of living allowances for married women with children (additional costs over Option 5).	---	---	---	---	---	---	8,203	1,723	8,203	1,775	8,203	1,828
Public employee women receiving the minor child benefit							4,102	246	4,102	253	4,102	261
** assumptions used in preparing this illustrative table:												
-- the table assumes that the ratios of male and female public employees does not change over the period.												
-- 2013 and 2014 costs for Option 1 increase by the same amount as 2011 indicative to 2012 indicative in the 2010 Budget Law.												
-- of the estimated 205,100 public employees, 80 % are male and 20 % are female. The calculations assume 50 % of the male public employees are married and 20 % of the female employees are married, but not to husbands who are also public employees. Of those married, 50% have a minor child.												
-- the table also assumes that the total number of employees does not change over the period of the table.												
-- new employee growth is assumed to be 10%.												
-- no effort was made to adjust assumptions for minor children reaching the age of majority during the period or for new, first-time babies born to female public employees.												

6. Training Program

The material in this manual is intended to be used for training budget analysts throughout the Government of Jordan. A recent Capacity Assessment recommended a series of courses in budgeting. The following table suggests parts of the manual that could be used in each of those courses, but each instructor will adjust the curriculum to meet their needs.

In addition, Chapters VII-XIV can be used by all budget analysts as a reference while working on each step of the budget process. These chapters then reference chapters in the rest of manual that provide additional information on the techniques that are useful for each step.

Suggested Budget Manual Materials for Budget Training Courses

Course Topic	Target Audience	Chapters
Overview of Jordan's Budget System	DGs/SGs, other officials outside GBD	II.2, II.3
Performance Monitoring/Reporting	GBD & government department and unit budget/planning staffs	II.3.e, VI.3, XII.2
Budget Preparation Calendar, Forms, and Instructions	Government department and unit budget staff & less experienced GBD staff	VII, VIII, IX, X
Analyzing Government Department and Unit Budget Proposals	GBD budget staff	VI
Preparing Issue Papers	GBD budget and analysis staff	VI
Introduction to Budget Planning & Preparation	Less experienced GBD & government department and unit budget staff	I, II, III, IV, V
Program and Policy Analysis	GBD budget and analysis staff	VI
Budget Execution	GBD and government department and unit budget staff	XI
Planning, preparing, analyzing capital budget requests	GBD, government department and unit budget and planning staff	XIII
Expenditure forecasting	GBD budget and analysis staff	II.3.a, VI.2, VI.5, VIII

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