

11-112F-789

AIRGRAM

DEPARTMENT OF STATE

TECH (8) PA 57
FUE PS ABE-789

LIMITED OFFICIAL USE

For each address check one ACTION INFO

JO
350.0009
J82

- Washington TOAID A- 987 X

DATE RECD.	FILE NO.
DATE SENT	
June 9, 1964	

DISTRIBUTION

ACTION

Ustec

INFO.

...

...

...

...

FROM - Amman

SUBJECT - End-of-Tour Report of Gordon V. Potter, Chief, Public Services Division, and Public Administration Advisor (Budget)

REFERENCE - CONTRO No. U-513

Attached for AID/W information and appropriate action is the End-of-Tour Report of Gordon V. Potter covering the period June 12, 1962 to June 4, 1964.

The report was reviewed by Joseph B. Robinson, Acting Deputy Director, who was designated reviewing officer by the Acting Director, USAID/Jordan.

The following are Mr. Robinson's comments:

"This End-of-Tour report reflects accurately the activities of Mr. Potter and the overall situation with respect to the total program in public administration. The USAID Mission is in full accord with the recommendations contained in the report, and is happy that Mr. Potter will be returning to follow through in the work already begun."

SW

OTHER AGENCY

State

...

...

...

BARNES

Attachment:
End-of-Tour Report (LIMITED OFFICIAL USE)

This airgram is UNCLASSIFIED when separated from attachment.

PAGE	PAGES
1	OF 8

DRAFTED BY GVPotter/br	OFFICE Chief, PubServ Division	PHONE NO. x-31	DATE 6/4/64	APPROVED BY: John K. Ayers, Executive Officer
---------------------------	-----------------------------------	-------------------	----------------	--

AID AND OTHER CLEARANCES

JRobinson/ActDepDir

CFRuppert/ActDir

LIMITED OFFICIAL USE

CLASSIFICATION

June 4, 1964

END OF TOUR REPORT

Gordon V. Potter

Chief, Public Services Division, and Budget Advisor, USAID/J

1. Introduction

This report covers my activities (a) as Budget Advisor and (b) as Chief, Public Services Division and Budget Advisor. I arrived in Jordan on June 12, 1962, in an assignment as Public Administration Advisor (Budget). On August 28, 1963, I was made Acting Chief, Public Services Division and on February 14, 1964, was formally transferred to Position No. 157 as Chief, Public Services Division. Since the former date, August 28, 1963, I have continued and will continue in the future performing duties as Budget Advisor, as well as the duties of Chief, Public Services Division.

2. Objectives and Goals(a) Budget Advisor

The objectives and goals of my responsibilities and activities as Budget Advisor are based on one of the two overall activity targets of the USAID/Jordan Public Administration Projects; viz, "...to promote efficiency and economy in selected activities of Government through use of technical advisors and through training of personnel...." Technical assistance in budget administration was selected as a means for concentrating emphasis on an important phase of GOJ financial administration which pervades all government activities. More specifically budget technical assistance is aimed at persuading the GOJ to adopt modern budget concepts and to improve budget practices and procedures.

(b) Chief, Public Services Division

As Chief of the Public Services Division, I am responsible for insuring that efforts of the Public Services Division staff are aimed at achieving, to the maximum extent possible, the twin activity targets of (1) promoting efficiency and economy in GOJ financial administration, and (2) increasing government revenues by improving tax policies and procedures. In addition, I am responsible for general supervision of the phasing out of the Public Health Nursing Project by the end of FY 1965. The Public Services Division is also responsible for assisting the GOJ Statistics Department to improve its wholesale and retail price statistics collection and analysis system and generally improve its operating capabilities and administration. Finally, as Chief of the Division, I provide leadership, guidance,

Decontrolled following June 4, 1965

LIMITED OFFICIAL USE

and coordination for preparation of training programs for a limited number of GOJ personnel in the United States in various public administration fields other than financial management.

3. Activities

(a) Budget Advisor

Within a week after my arrival in Jordan, I was provided office space in the Jordan Development Board (JDB) to work with Dr. Philip Taylor, Ford Foundation consultant, in the joint drafting of a new Budget Law for the GOJ. After passage of the GOJ Budget Law in October 1962, I was provided office space within the new Budget Department office complex in the Ministry of Finance. I have worked daily thereafter on a close, cooperative basis with the Budget Department Director and his staff in organizing the new Department, formulating Budget Instructions for format and presentation guidance to all GOJ agencies for preparation of budgets under the new system, providing guidance to the Budget Department Director on budget policy, coordinating activities and responsibilities of the two principal planning agencies of the GOJ, the JDB and the Budget Department, and providing a modicum of special in-service training in budgeting to Budget Department staff members.

(b) Chief, Public Services Division

My activities, first as Acting and later as Chief, have consisted principally of providing guidance and leadership to the Division's four technical advisors; viz, an Accounting and Auditing Advisor, a Tax Advisor, a Central Banking Advisor, and a Public Health Nursing Advisor, coordination of their activities, and forward planning both in the GOJ and with other USAID/Jordan programs as the need arose from time to time.

4. Favorable and Unfavorable Factors

Both the favorable and unfavorable factors discussed in the following paragraphs apply with equal strength to my duties as Budget Advisor and Public Services Division Chief.

(a) Favorable Factors

(1) The Royal Fiscal Commission Report, published in 1960, constituted the first official Jordanian recognition of the need for general improvement in all aspects of GOJ financial policy and management. On the U. S. side, the perceptive realization early in 1962 by the Country Team that sound financial management is one of the most important requisites for vigorous economic development resulted in strong support by Ambassador Macomber, USAID Director McClure, and Public Administration Division Chief Robinson for early activation of the Fiscal Commission's recommendations. Thus, the fortuitous juxtaposition of these two factors was responsible for the GOJ requesting, and the USAID providing, the present staff of four technical advisors in the fields of tax policy and administration, budgeting, accounting and auditing, and central banking.

(2) When I arrived in June 1962, an energetic and progressive government under the leadership of His Excellency Wasfi Tell was in power. This fortunate situation, coupled with the activities of the dynamic Dr. Kamal Sha'er, then Vice President of the JDB and Chairman of the Fiscal Program Committee--an organization recommended by the Royal Fiscal Commission to review and initiate financial management measures, assured rapid but sound consideration and action on proposals for improvement.

(3) Provision by the GOJ of four well qualified staff members--all with U. S. college degrees--and an energetic, experienced administrator as Director, for the original staff of the new Budget Department. Although none of these staff members, or the Director, had any actual experience in budget administration, their academic backgrounds rendered them understandingly receptive to learning modern budget concepts and practices.

(4) The essentially uniform excellent quality of the JDB staff, including the exceptionally able Secretary General, and the recognition of frequent and close coordination of both planning and operating functions of the GOJ's two principal planning agencies, the JDB and the Budget Department.

(5) The understanding and knowledgeable Directors of the Income Tax Department and of the Property Tax Division of the Ministry of Finance.

(6) The support of the President of the Audit Bureau, which reports directly to the Parliament for financial reform.

(7) The sound accounting background and personal energy and drive of the Chief of the General Ledger Section of the Ministry of Finance.

(b) Unfavorable Factors (in the order of importance)

(1) The almost overwhelming lack of fiscal responsibility and comprehension on the part of most Ministers and Department Heads--and frequently in addition, Under Secretaries and Deputy Department Heads, both in their executive capacities as chief or assistant chief managers of large government organizations, but more frequently when they assume their semi-legislative roles in the deliberations of the Council of Ministers. To a great extent, this situation has vitiated progress made in effecting a wide variety of policy and procedural financial management improvements in GOJ agencies at levels below the Ministerial or Department Head levels. Unless new policies, improved operating practices, and better procedures have both the comprehension and therefore full and understanding support of GOJ agency heads, the financial improvement program will collapse.

(2) The extraordinary lack, and often complete absence, of administrative discipline in GOJ financial management operations. By "administrative discipline" I mean the rigid adherence to (i) both the substance and format of regular and special instructions and reports and (ii) time limitations provided in such instructions and reports. There have been instances of GOJ agencies, concerned with

financial matters, issuing sound and well planned instructions, and then never following up to insure faithful and prompt compliance with such instructions.

(3) A paucity of trained public administration personnel, particularly in the fields of accounting and budgeting at the journeyman level, and to a somewhat lesser degree in the fields of auditing, tax administration, banking, and general office management.

(4) Outside of the Budget Department and the JDB, few government officials have adequate knowledge or understanding of modern budget concepts and practices.

(5) Only a few GOJ officials understand the concept of accounting as a useful tool for management. Accounting in the GOJ is predominantly concerned with accountability and is overly obsessed with minute accuracy to the end that many accounting officials and auditors spend most of their time on petty matters to the detriment of larger and more important issues.

(6) Again, except for a relatively few officials in the JDB and the Budget Department, most GOJ financial employees are not aware of the change in revenue sources available to the government that must take place over the next decade as the Seven-Year Development Plan is implemented. There appears to be considerable opposition from many GOJ officials at relatively high levels to removing the present exemption from income tax on income derived from agricultural activities.

5. Evaluation of Results

(a) Budgeting

The new Budget Law approved in October 1962 was a great step forward in achieving improvement of GOJ financial management policy and procedures. The 1963/64 budget and the 1964/65 budget (now almost complete) were the first two budgets prepared under the new system and in themselves represent major achievements in progress. The Budget Department issued the first Budget Instructions containing the method and format of budget presentation under the new Budget Law and later issued new Budget Instructions in December 1963, revised in the light of the first year's experience.

As Budget Adviser, I provided to Budget Director Dajani on August 1, 1963, a complete "Critique of the GOJ 1963/64 Budget" discussing in detail various aspects of the first GOJ Budget Document formulated under the new system. The topics covered by this report are as follows:

Implications of the Estimated 1963/64 Budget Deficit

The 1963/64 Budget Document

Improvements

Defects

RECEIVED
LIMITED OFFICIAL USE

Recommendations for the 1964/65 Budget

Budget Message
 Consolidated Budget Summaries
 Overall Financial Results and Reserves
 Consolidated Cash Position
 Historical Budget Tables
 Statement of External Debt
 Narrative Explanations of Revenue and Expenditure Estimates
 Miscellaneous Items

The GOJ Budget Process for 1963/64

Future Prospects

The joint economic and fiscal study, analyses, and recommendations prepared by a special JDB Budget Department committee entitled "The 1964/65 Budget Situation", issued on November 6, 1963, represents another improvement in GOJ financial management comparable in significance with the passage of the Budget Law and preparation of the first two budgets under the new system.

(b) Auditing and Accounting

The value of the USAID/J Auditing and Accounting Advisor's special study and report on the GOJ Audit Bureau is indicated by the wide distribution of this report (in Arabic) by the Director of the Audit Bureau. The Audit Bureau is moving, albeit somewhat slowly, away from pre-audit practices and toward selected post-audits and audits of systems.

In October 1963, the Minister of Finance officially directed all GOJ agencies to install an obligation accounting system as prescribed by the USAID/J Accounting Advisor. An improved General Ledger accounting system is now being installed in the Ministry of Finance Accounting and Treasury Division which ultimately will provide (1) timely and accurate fiscal reports of cash balances, (2) a means for reconciling cash balance in government accounts with bank deposit balances, and (3) a means for officially closing the government's accounts within a month after the close of the Jordan fiscal year.

(c) Tax Administration

The draft of the new Income Tax Law, originally prepared over a year ago with considerable assistance of Dr. Philip Taylor, and since then changed in some respects on the advice of the USAID/J Tax Advisor, was approved and forwarded by the Council of Ministers to the Parliament in January 1964. As of May 29, 1964, the new law had not yet been approved by the Parliament although it appears probable that it will be passed during the present extraordinary session. The USAID/J Tax Advisor is now in the midst of working out, with the full support of the GOJ Income Tax Department Director, an eight-point improvement program as follows:

- (1) Creation of a special tax court

- (2) Drafting a new Tax Collection Law
- (3) Establishment of a Tax Research and Information Unit
- (4) Improvement of Tax Collections in Arrears
- (5) Use of office machines in Tax Collection Procedures
- (6) Spot Checking Income Tax Returns
- (7) Improving caliber of Income Tax Department Personnel
- (8) Monthly Receipts and Revenues Forecasts

(d) Central Banking

The USAID Central Banking Advisor arrived in Amman in February 1964 and has been working closely with two U. K. Bank Advisors in developing organizational plans for the establishment of the Central Bank, and in drawing rules and procedures for the organization and operation of the Bank's various departments. He is also providing other technical assistance to the present skeleton organization of the Central Bank, which now consists of the Governor, Deputy Governor and the Board of Directors. Present plans envisage the Central Bank beginning actual operations October 1, 1964, with assumption of such functions as: currency issuance, investment of the sterling reserves backing the currency in circulation, the administration of the Foreign Exchange Control Law, and the establishment of central bank functions which will deal with economic research and the supervision of banks. It is expected that full banking operations will be taken over by the Central Bank within a period of two years at which time the Central Bank is expected to move to its own building and should then have the necessary personnel, as well as physical facilities available, for proper performance of such banking services. In addition to providing technical assistance in the various phases of the Central Bank's functions and operations, the USAID Bank Advisor will be working on the establishment and organization of the Research and Statistics Department, as well as the training of its personnel both on the job and abroad in economic research and in bank supervision.

6. Recommendations for the Future

My recommendations for future activities of the public administration financial improvement program are set forth below in the order of importance:

- (a) Develop, with full participation of appropriate GOJ officials, a means for educating Ministers, Department Heads, Under Secretaries, and Deputy Department Heads in theories and practices of sound financial management in such a manner as would be most useful to these senior GOJ officials.
- (b) Press for Council of Ministers^o and Parliamentary approval of a revision of the Budget Law to provide re-location of the Department of the Budget to the Office of the Prime Minister.
- (c) Assist GOJ officials in developing means for achieving marked improvement in government-wide administrative discipline.
- (d) Concentrate more effort in developing and conducting in-service training

programs for all levels of GOJ employees engaged in all types of financial operations.

(e) Conduct education programs for imparting understanding, both to GOJ officials and to all Jordanian citizens, of the shifting emphasis of public tax resources over the next decade with special attention to the reasons why agriculture income should be subject to income tax, and to the principle of progressive taxation.

(f) Exert influence to the extent possible toward the goal of changing the Central Bank Law to provide (i) that the Board of Governors be representative of all Jordanian business rather than being dominated--as it is now--by bankers, and (ii) strengthen provisions for control of private banks.

(g) Provide technical assistance in the field of actuarial management to assist the GOJ in re-casting its pension system.

(h) Continue pure technical assistance activities for further improvement of budget techniques and practices, of obligation accounting for better budget implementation, of general ledger accounting for producing timely and accurate fiscal reports and improved management of cash, of tax assessment and collections, of tax research and information, of audit procedures, and of Central Bank operations.

Finally, efforts should be continued to provide coordination in public administration activities other than financial management, and technical assistance for, if requested by the GOJ, statistics operations and general GOJ organization and management.