

Jordan

Technical Assistance in Fiscal Year 2018

Banking Supervision (July 16-20, November 19-30)

As part of its support to the Central Bank of Jordan (CBJ), METAC assisted the CBJ supervisors on the use of the Next Generation Liquidity (NGL) 's model, and helped identify and set up the data for some sections of the model, which had remained unused. The mission also provided training on the interaction between liquidity and solvency in a single bank and multi bank scenarios, as well as on stress testing interest rate risk in the banking book (IRRBB) and on stress testing Domestic Systemically Important Banks (DSIBs). Last, the mission explained how to incorporate the stress test results of DSIBs in the solvency and liquidity stress-test of the banking sector.

In preparation of the upcoming transfer of the insurance supervision from the Ministry of Industry (Mol)) to the Central Bank of Jordan (CBJ), METAC also delivered a course on insurance regulation and supervision to staff from CBJ and Mol. The mission also reviewed the draft insurance law, and accordingly the draft law is expected to be revised before being endorsed by Parliament.

Public Financial Management Public Financial Management (September 25 – October 3, February 20 – March 5)

In the context of the ongoing program supported by the EFF, Jordan continues to implement structural fiscal reforms to reduce public debt and strengthen the fiscal policy framework. Measures to strengthen PFM aim at improving the management of fiscal risks and the monitoring of government's underlying fiscal position, including through a substantial reform of public sector accounting practices. Since November 2014, an "IPSAS Implementation Roadmap", which aims at publishing the 2019 government financial statements in compliance with the requirement of the IPSAS., is being implemented. Following the publication of the 2015 cash-flow statement in accordance with Cash Basis IPSAS, the authorities have initiated the development of accounting and reporting of all assets and liabilities. A METAC expert supported the authorities to (i) review the consistency of the IPSAS action plan with capacities and (ii) analyze the organization and process required to produce timely and reliable financial and fiscal reports.

For several years, Jordan has faced challenges to prevent the growth of government's payment arrears related to the health sector. In this context, a METAC expert joined an FAD mission on expenditure rationalization to propose a package of measures to prevent the occurrence of such arrears. He identified weaknesses of the public financial management arrangements at the level of the Civil Health Insurance Fund (CHIF), which are contributing to the accumulation of arrears and proposed a set of actions to address them. He also stressed the need to improve budget execution and cash management, and establish a proper framework for in-year monitoring and reporting of arrears, at the central government level. An action plan to support the objective of zero accumulation of new health arrears starting in FY 2019 has been proposed and could benefit from further METAC's support, if requested.

Revenue Administration (August 6-17, January 7-18, April 15-26)

METAC supported the Income and Sales Tax Department (ISTD) in developing and introducing a public and advanced rulings process. A TADAT assessment of the ISTD was conducted jointly by USAID and METAC in March 2016. It identified a range of weaknesses in current tax administration practices. A key weakness identified was the ISTD's lack of a system of formalized binding rulings. A formal binding ruling system will provide taxpayers with certainty as

to how ISTD will apply tax law to transactions that are being contemplated or are already in place. Accordingly, METAC organized two missions in FY18:

- The first mission developed a time-bound action plan for the introduction of public and private rulings systems, which was agreed by the authorities: ISTD will introduce binding rulings in phases and will prioritize the preparation of a program for binding public rulings. This will take precedence over implementing a private rulings regime, where more detailed design work remains to be done and which will be implemented possibly in two years. Rulings will be produced by a new Rulings Unit within ISTD's Legal Affairs Unit that is free from operational influence.
- The second mission reviewed progress against the existing action plan. It advised ISTD on ways to (i) overcome some obstacles they faced during implementation and (ii) strengthen governance arrangements. The mission conducted an analysis across various jurisdictions to provide a basis for establishing suitable service standards for rulings. It agreed with the authorities on key milestones, and provided recommendations on establishing project-based arrangements for effective implementation. The mission also held discussions with representatives of professional associations on and ISTD on issues to be addressed through public rulings, and advised maximizing consultation opportunities while developing a forward program of Public rulings. Consideration was given to emerging opportunities to leverage planned law changes to establish a legal framework for private rulings. Furthermore, the mission held a workshop for ISTD staff to assist them with the development of an internal and external communication strategy.

In FY18, METAC also helped the ISTD to develop a compliance risk management function. Assistance was provided on how to identify, assess, and rank compliance and institutional risks; and how to develop a compliance improvement program to mitigate indentured risks. The mission reviewed the current structure and governance arrangements for sound risk management, and advised for further development. The mission presented international good practices in compliance risk management processes, i.e., that they need to be fully integrated, cross cutting management functions of management, and directly linked with the strategic and annual planning cycles.

Statistics (July 23-27, November 19-30)

METAC continued to assist the Department of Statistics (DOS) of Jordan on the compilation of the 2013 supply and use table (SUT), and integration of the results into the regular national accounts compilation system. In this context, two missions were organized in FY18:

The first mission covered the compilation of the SUT, focusing on source data and procedures for the valuation of the resources of goods and services at purchaser prices, and their proper allocation to user categories. Hands-on training was provided to the staff on the allocation of output, associated fees, and incidental market sales of non-market producers in the frame of SUTs. Further technical assistance is scheduled in the following months to before the end of 2017.

The second mission supported the authorities in completing the 2013 SUT and integrating the SUT framework into the national accounts compilation system. The mission worked with the national account compilers to obtain the correct valuation of the flows of goods and services, analyze the reasons of the existing imbalances between resources and uses of goods and services, and assist the staff in balancing the SUT. It is expected that the SUT will be completed by the end of the first quarter of 2018, thereby improving the quality of GDP and other national accounts estimates. Recommendations were also provided for reconciling of quarterly GDP series in consistency with the annual estimates rebased to 2010. The reconciled annual and quarterly GDP series will be disseminated at the end of April 2018.