

Jordan

Capacity Development Activities in Fiscal Year 2023

Banking Supervision (July 24-26; November 1-3)

The mission built the capacity of the Central Bank of Jordan (CBJ) on Risk-Based Supervision through a three-day virtual workshop to a large group of bank supervisors. The mission provided CBJ supervisors with a clear and comprehensive understanding of the best practices for developing a risk-based supervision framework and presented in detail the European SREP (Supervisory Review and Evaluation Process), its objectives, overall architecture, and risk-by-risk analysis, as an illustration for a sound risk-based methodology. The workshop concluded with a discussion session on the takeaways and the key identified areas to enhance CBJ's supervisory framework. Following the mission, the CBJ requested METAC assistance to design a progressive multi-step project towards implementing a proportionate and robust SREP framework for analyzing and scoring banks.

The mission's purpose was to devise a multi-step plan for the Central Bank of Jordan (CBJ) for the full implementation of the Supervisory Review and Evaluation Process (SRP) framework. The mission thoroughly discussed with the CBJ's supervisors the SRP methodology and its processes. It highlighted the importance to use SRP results to determine additional capital and liquidity requirements, as well as to devise the Supervisor Examination Program (SEP) to allocate the supervisory work on a risk basis. The mission also formed an understanding of the CBJ's existing approaches and tools, its current assessment methodology, the adequacy of its regulatory and supervisory frameworks for the implementation of SRP, and the availability of the data needed for the assessment. The mission concluded by devising a roadmap for the development of an SRP risk rating system and defined the main milestones towards full implementation of SRP.

Public Financial Management (September 20-November 7; September 26; September 20-November 9)

METAC supported the Macro-Fiscal Unit and the Fiscal and Contingent Liability Unit of the Ministry of Finance to elaborate a first Fiscal Risks Statement (FRS) for Jordan, one of the key recommendations of the 2021 Fiscal Transparency Evaluation (FTE). This will provide greater transparency about key risks affecting public finances, including macroeconomic risks and those related to public-private partnerships (PPP). The latter are particularly relevant, as the country has one of the highest PPP/GDP stocks in the world. The initial FRS should be expanded over time to provide further detail and cover additional risk areas.

Based on a partnership with the United Nations Economic and Social Commission for Western Asia (UNESCWA), a discussion forum on the role of budgeting for efficient social expenditures was conducted with stakeholders from Jordan. Highlighting the results of UNESCWA's social expenditure monitor (SEM) and efficiency analysis, the event concluded that Jordan could achieve more in terms of educational attainments or public health indicators with given resources. Building on advances to strengthen budget procedures (medium-term budgeting, gender-responsive budgeting), key drivers

for efficiency are more robust costing; a strengthened result approach; more rigorous ex-post evaluations; and budgetary transparency that traces the flow of funds to service delivery units.

As a follow-up to the Jordan Fiscal Transparency Evaluation from October 2021, a mission supported the new Macro-Fiscal Unit (MFU) and the Fiscal Commitment Unit (FCU) of the Ministry of Finance (MoF) to strengthen disclosure of fiscal risks and contingent liabilities by preparing a first draft Fiscal Risk Statement (FRS). While overall highlighting the need for a well-focused approach on key risks, the mission provided feedback and hands-on advice on several drafts of the macroeconomic and PPP sections. The FRS should be expanded in annual cycles: a second FRS (2024 budget documentation) could expand on legal risks, natural disaster risks, and long-term sustainability risks (pensions), while a third FRS (2025) and later editions could expand on risks for which the framework for analysis remains to be established, among others related to long-term sustainability analyses on climate change and exhaustion of natural resources.

Revenue Administration (February 6-16; February 12-21)

METAC arranged an expert visit to Jordan to assist the Income and Sales Tax Department (ISTD) in developing a tax audit program for transfer pricing (TP) for the large taxpayer department. The mission helped the ISTD staff to understand how to build an appropriate TP risk assessment process and from this how to correctly identify the most challenging issues. The expert provided training and coaching in how to audit specific categories of identified transfer pricing risk so that audit work could begin and be conducted effectively.

Following a METAC workshop in connection with the implementation of the Customs Valuation Agreement, the Jordanian Customs Department (JCD) requested assistance to develop the use of new technologies for the analysis of data collected by Customs, in particular those related to customs valuation. The mission's objectives were to describe the new technologies and their use in the customs context, train customs officers on the concepts of big data analysis, and to provide training in programming related to artificial intelligence. The mission also guided the newly trained officials in their first data analysis, with very encouraging results.

Statistics (September 18-29; November 28-December 7; January 15-26; February 12-23)

A TA mission assisted the Department of Statistics in compiling constrained 2017 and 2018 supply and use tables (SUTs) and input-output tables (IOTs). The IMF's automated SUT balancing tool was used to generate balanced SUTs that are aligned with the annual GDP estimates and a sustainable compilation system was developed to produce annual IOTs using a top-down approach.

METAC participated in a mission to assess the state of play of national accounts compilation at the Department of Statistics (DOS) of Jordan. The Data Quality Assessment Framework (DQAF), which comprehensively covers the various quality aspects of data collection, processing, and dissemination was used to assess data quality prerequisites and the five dimensions of data quality: assurances of integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility. The mission also reviewed the scope, objectives, and timeline of the four-year national accounts improvement project to advance national accounts statistics in Jordan.

In the second METAC mission to assist the Jordanian Department of Statistics (DOS) with the update of the producer price index (PPI), the current methodology was thoroughly reviewed and areas for improvement were identified. In addition, the mission outlined the steps required to complete an interim update of the PPI using 2018 data from the Annual Economic Surveys and proposed a roadmap for a full update using 2022 data once available.

A METAC mission coached and assisted staff at the Jordanian Department of Statistics (DOS) in validating and imputing data to compile the 2019 Annual National Accounts (ANA) and to improve procedures for future ANA compilation. The mission also reviewed DOS's methods for compiling the Industrial Production Index (IPI). The key outcomes were a set of Excel tools for data validation and recommendations for future improvements.