

## **Jordan**

### **Capacity Development Activities in Fiscal Year 2024**

#### **Financial Supervision and Regulation (July 16-20; November 1-3)**

METAC assisted the Central Bank of Jordan (CBJ) in implementing the first step of the multi-step roadmap devised in November 2022 for the implementation of the Supervisory Review and Evaluation Process (SRP) framework. The mission involved Q&A sessions and discussions of CBJ's ongoing projects on the risk rating framework's various blocks, global SRP architecture, and its related processes. The mission provided advice on the first versions of the associated quantitative (Key Risk Indicators) and qualitative (questionnaires framing expert judgment) aspects of the framework. It recommended to streamline the CBJ initial proposals and refocus the analysis to fully cover the main risks faced by the Jordanian banking system. The mission recommended that additional risks should be added in the SRP (e.g., IRRBB) at a later stage, stress testing results and ICAAP analysis should be also incorporated to reinforce the forward-looking aspect of the framework in addition to establishing a matrix linking between the main SRP scoring and a range of capital and liquidity add-ons (Pillar two Requirement P2R).

Upon the request of the Central Bank of Jordan (CBJ), METAC conducted a desk review of the draft regulation on loan classification and loan loss provisioning prepared by the CBJ's team, which amended the old regulation no. 24/2009. The regulation was revised based on the last FSAP recommendations to close important gaps in the existing regulation. The mission provided a list of recommendations to further enhance the amended regulation, address the gaps and align with international best practices, notably in the areas of loan restructuring, loan provisioning, write-off, and assets acquired in settlement of debts.

#### **Public Financial Management (May 15-18; September 25-28; March 10-14)**

METAC supported the Fiscal Commitment Unit (FCU) of the Ministry of Finance (MoF) to strengthen PPP fiscal risk management practices. The mission developed recommendations for the short-and medium term based on meetings with technical staff of line ministries, the PPP Unit, and Public Investment Management (PIM) Unit. It provided a workshop attended by 35 participants (seven from MoF; 28 from line ministries of Energy and Mineral Resources, Investment, Planning and International Cooperation, Water Authority, Water and Irrigation, Transport, and the Greater Amman Municipality/GAM). The event concluded that three years after the enactment of the 2020 PPP Law, fiscal risk management, reporting, and mitigation measures are still at the initial stages. While MoF has the powers to stop PPP projects at three critical stages (pre-feasibility, feasibility, contract award), adequate fiscal risk management tools (among others, P-FRAM) would still need to be applied, their use more focused, and embedded in the institutional framework.

In support to the Fiscal Commitment Unit (FCU) of the Ministry of Finance (MoF), METAC conducted a three-day training workshop on the PPP Fiscal Risk Assessment Model (PFRAM), including a total of 19 participants from MoF and seven line ministries. An application of the tool on the largest PPP projects in execution would facilitate monitoring and addressing fiscal risk. The mission also reviewed a draft of the PPP chapter of Jordan's first Fiscal Risks Statement (FRS) which has been finalized by now.

The mission on expenditure arrears management assisted the Ministry of Finance (MoF) of Jordan to identify the key drivers of expenditure arrears and craft an approach to prevent further buildup. This included a workshop with Senior MoF officials to validate findings. Building on the institutional strengths, improved budget execution and comprehensive monitoring can mitigate risks of arrears.

#### **Real Sector Statistics (May 28-June 8; October 2-12; December 3-14)**

A METAC mission assisted the Jordanian Department of Statistics (DOS) in assessing the use of administrative records to compile national accounts for financial corporations. Using administrative data to replace or complement field surveys could result in higher quality data with less response burden and cost, thereby increasing the accuracy of national accounts compilation and increasing efficiency in producing them. The mission developed templates to acquire administrative data on banks, insurers, and money exchangers from the Central Bank of Jordan and developed a method to compile GDP estimates from the source data.

In early October, a mission consisting of Rosen Bachvarov, resident tax advisor at METAC, and Peter Holloway, external FAD expert, visited Jordan to assist the ISTD in establishing a dedicated analytical unit. The experts advised also on the core competencies and tools needed for big data analytics and the implementation of several models aimed at predicting taxpayer behavior. The Jordanian Income and Sales Tax Department (ISTD) has made significant progress in digitalization and compliance management in recent years. Major digitization projects have been successfully implemented, along with the integration of key elements of the Compliance Risk Management (CRM) framework. The ISTD is moving towards better data exchange, improved risk analysis and structural reorganization to support effective tax administration. As more data sources become available, the importance of risk differentiation and case selection for audit and non-audit compliance programs increases.

In response to a request from the Jordan Department of Statistics, the mission assisted the authorities in the assessment of the data sources and developing methods for the compilation of the non-observed economy in Jordan national accounts. Key outcomes included: i) training on concepts, definitions, and estimation methods; ii) review of source data for the non-observed economy; and iii) identification of improvements required to enhance GDP exhaustiveness and accuracy.

## **Revenue Administration (February 4-10; February 20-29)**

The mission analyzed the progress made by ISTD in three areas: (i) transfer pricing (TP) tactical implementation plan, (ii) TP risk assessment and (iii) progress on TP audit cases. The mission team worked with ISTD staff to help them understand how to build an appropriate TP risk assessment process and how to correctly identify the challenging issues. The mission provided training and coaching on how to audit specific categories of identified transfer pricing risks so that the audit work could start and be carried out effectively. In addition, a series of coordination meetings were held with the Ministry of Finance and USAID to align the CD provided by the IMF and other donors operating in Jordan. A joint FY25 METAC-USAID TP event was discussed during the mission.

The mission advised the Income and Sales Tax Department (ISTD) on how to strengthen tax compliance in the digital economy. Discussions were held to better understand Jordan's current practices and challenges in the digital economy. A workshop was held to introduce ISTD staff to the basic concepts of the digital economy and the associated compliance risks. The mission also discussed the international context of the digital economy and platform typologies; compliance risk management principles and their application to the compliance risks posed by platforms and platform providers. Extensive discussions were held on common international practices for the tax treatment of the digital economy and the organizational arrangements needed for effective risk management. The mission presented a draft roadmap for the development of the Digital Economy Compliance Strategy and a Compliance Improvement Plan (CIP).