

Jordan

Technical Assistance in Fiscal Year 2017

Banking Regulation and Supervision (August 14-18)

The Central Bank of Jordan (CBJ) has undertaken significant reforms to enhance and its capacity to monitor the banking system in Jordan, including the development of an early warning system, the establishment of the Financial Stability Department, and the adoption of the Next Generation Balance Sheet to test the vulnerability of the banking sector. As part of METAC's support to these reforms, a mission provided training the CBJ supervisors on stress-testing as an essential tool to assess the resilience of banks to adverse economic and financial shocks. The mission discussed how to analyze and report on multi-period sensitivity and scenario solvency testing and how to integrate them in banking supervision. It also covered liquidity stress-testing and its interaction with solvency stress-testing and interest rate risk, and how to design stress test scenarios. These will help supervisors identify vulnerable banks at an early stage and contribute to enhancing financial stability.

PFM (September 25-29, October 23-27, December 5-14, March 7-8, April 25-May 9)

In November 2014, the Jordanian cabinet endorsed the adoption and implementation of IPSAS to improve the quality of financial reports and transparency in the government's financial practices, which was followed by the approval of a "*Roadmap for the Implementation of IPSAS*" by the IPSAS SC. Since then METAC has been supporting the Jordanian government's efforts to adopt accounting standards compliant with the cash basis of IPSAS. Following last year's METAC mission that undertook a gap analysis and identified deviations from IPSAS, two consecutive missions assisted the authorities with the implementation of the mid-November 2016 structural benchmark on IPSAS that was included in the IMF's EFF. The first mission provided hands-on training and recommendations in preparing cash-basis IPSAS financial statements, which include a cash flow statement, a statement of comparison of budget and actual amounts, and notes. The second mission assessed the process and provided guidance on how to solve pending issues. Following the second mission, the authorities formally submitted the financial statements to the Audit Bureau, which issued an audit report enclosing an opinion on the fair presentation of the cash flow statement and the comparison between budget and actual amounts for the FY15 in accordance with the Cash-basis IPSAS.

To promote greater fiscal transparency, the Jordanian authorities have also been taking steps towards effective monitoring, controlling, and managing the trust accounts maintained by government units covered by the TSA. In this context, last year, METAC assisted the authorities in reviewing the use of trust accounts and classifying them per their purpose and use. Since then, the authorities have started integrating part of the trust accounts into the TSA. This year, a follow up mission advised on the appropriate accounting treatment of the trust accounts and assisted with the implementation of the February 2017 structural benchmark on Trust Accounts ("Record the trust accounts entries as revenue and expenditure and classify them by purpose

and use and consolidate them into fiscal tables and publish in the government finance bulletin”.¹ The mission also recommended to (i) create a separate organizational unit for fiscal reporting; (ii) transform available accounting data for all budget and trust Accounts of general government units into GFS categories; and (iii) aggregate and consolidate the budget accounts with the corresponding trust accounts.

A brief follow-up visit took place early March 2017 to assess progress made with the implementation of previous advice and provide further technical guidance, particularly to eliminate the discrepancies between the fiscal balance and the financing data in the fiscal table compiled for the EFF.

Using the IMF’s new Public Investment Management Assessment (PIMA) framework, a joint FAD-METAC mission evaluated the strength of the Jordan’s public investment management (PIM) practices. The mission assessed the efficiency of Jordan’s public investment, outlined its relative institutional strengths and weaknesses, and provided practical recommendations to enhance the efficiency and impact of public investment.

Revenue Administration (August 28-September 8, December 12-15, April 23-May 4)

Following a TADAT assessment in March 2016, two METAC experts visited Jordan’s Income and Sales Tax Department (ISTD) to review the assessment results and develop a framework for METAC TA support over the next two years. The priority areas that were identified and agreed with the authorities are: risk management, arrears management, creating a formalized rulings system, cooperative compliance initiatives for large taxpayers, and ensuring that the ISTD monitors and learns from tax dispute outcomes.

METAC’s new resident advisor visited Amman to confirm with the authorities the focus and scope of future METAC TA in selected priority areas and to discuss the regional workshop on RA that METAC will organize in Amman during March 20-23, 2017. He met with senior directors of the Jordanian ISTD to discuss a roadmap for further TA, and with representatives from the United States Agency for International Development (USAID) and the European Delegation to coordinate the assistance provided by the respective institutions.

In April, a METAC mission assisted the authorities in developing a structure, governance arrangements, and key functions for sound risk management, as a basis for compliance improvement, effective resource deployment and institutional security. Together with the authorities, the mission also prepared an action plan for the introduction of risk management in ISTD.

¹ This structural benchmark has been delayed.

Statistics (July 17-28, October 28-November 3)

Two METAC missions assisted DOS of Jordan in improving National Accounts. These were a continuation of METAC's assistance to replace the 1994 base year in the national account statistics.

The first mission reviewed and assessed the sources and procedures for the rebased GDP series to 2010, and provided recommendations for finalizing and disseminating the updated annual and quarterly GDP data sets. The mission also assisted DOS in updating the questionnaires needed for developing further the national account statistics, particularly for enhancing the compilation of quarterly GDP by final expenditure components; and for collecting information needed for implementation of the 2008 SNA methodological standards.

The second mission helped to DOS finalize the annual GDP estimates by activity at current and constant 2010 prices for 2008-2014. As a result, the first set of annually compiled GDP data in line with the latest version of the International Standard Industrial Classification (ISIC Rev. 4) are now available. The mission discussed and agreed with the DOS that 2017 shall be the next base year. The mission also assisted the DOS in compiling SUT for 2013, which is expected by end-2016.

METAC will continue to support the national accounts compilers in reconciling the old quarterly series to the rebased annual estimates, to upgrade the benchmarking system, and update the underlying indicators. It will also provide further assistance to assess the results of the SUT and to integrate its structures as a benchmark for the regular national accounts estimates.