

## Fiduciary Systems Assessment

1. This section is the Fiduciary Systems Assessment (FSA) of the World Bank-financed Education Reform Support Program-for-Results. The World Bank conducted the assessment through analysis of available documents and working sessions with the main stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, financial management and procurement systems, and governance systems
2. The FSA was conducted based on current knowledge of Jordan public procurement and financial management systems together with reviews of existing analytical and diagnostic work; published information and reports. As part of this assessment, the Bank fiduciary team met with representatives of the Ministry of Finance (MOF), the Ministry of Education (MOE), the Ministry of Public Works and Housing (MOPWH), the General Budget (GB), the Audit Bureau – Jordan's Supreme Audit Institution (SAI), and the Jordanian Anticorruption Commission (JACC).
3. This assessment concludes that the overall Program's fiduciary framework is adequate to provide reasonable assurance and the Program financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

### Background and Institutional Arrangements

#### *The Program*

4. The Program Development Objective (PDO) would be to support the Government of Jordan's Ministry of Education (MOE) is to expand access to early childhood education, and to improve student assessment and teaching and learning conditions for Jordanian and Syrian refugee children.
5. The Key Performance Indicators are:
  - Number of Jordanian and Syrian refugee children enrolled in KG2, disaggregated by gender and type of school
  - Percentage reduction in the number of Syrian refugee children dropping out of school, disaggregated by gender
  - Percentage of teachers evaluated against the new National Teacher Professional Standards (NTPS) who meet the minimum performance standards
  - First phase of *Tawjihi* reform completed

### PforR Program Scope

6. The PforR Program supports a sub-portion of the government program (NESP) across four key Results Areas. These Results Areas fall under the access and quality themes for ECE and basic and secondary education. The strategic objectives of the government program encompass access, quality, accountability and innovation in ECD and basic education. Of these, the PforR Program supports the strategic objectives within the access and quality themes for ECD and Basic education. The PforR Results Areas have been selected to leverage key MOE interventions that will be critical in achieving the goals of the HRDS. The PforR Program covers the entire scope of the access theme in ECE and parts of the quality theme for ECE and Basic education.

### *Institutional Framework*

7. The Program's implementation will be based on existing operational institutional arrangements with its key stakeholders comprising the MOE and the MOPWH.

- i. The **Ministry of Education (MOE)** is the Government's responsible entity for implementing the program, with the administrative support of the Development Coordination Unit (DCU). Under the leadership of the Minister, MOE directorates will be responsible to plan and implement activities related to their component. The MOE is ultimately accountable for meeting the program objectives, providing program oversight through the General Policy Steering Committee (GPSC), monitoring and evaluation, and technical support to the various MOE directorates involved in implementation, and coordinating activities among various stakeholders and donors.
- ii. The **Ministry of Public Works and Housing (MOPWH)**, which was mandated to manage the construction and extension of schools under ERfKE II, will continue to be responsible for the procurement processing and implementation of civil works under the proposed Program, as commissioned by MOE.

8. The expenditures to be incurred under the Program will form part of the national budget systems of the Government ministries. The Program will be subject to Government's Public Financial Management (PFM) arrangements, which have been assessed through various analytical pieces<sup>1</sup>.

### *Legal Framework*

9. The Constitution of Jordan sets out the foundation for PFM with several legislations establishing responsible institutions, their mandate and operational frameworks. The key financial matters covered include: the presentation of strategic objectives and financial estimates before Parliament; the approval of the budget; the comprehensiveness of the budget and the consolidation of all resources into the Treasury; the imposition of taxation; and the mandates of an Audit Office and the Anticorruption Commission. The below recapitulates the laws and regulations constituting the legal framework for PFM in Jordan:

- *The Organic Budget Law (2008)* presents the tasks and responsibilities for the MOF General Budget Department as well as few issues on the budget preparation process. Important aspects on budget execution are only regulated by the General Budget Law and the Budget Law for the Government Units approved for each fiscal year. The government is revising the current version of the law, with the revised legislation expected to be submitted to the Parliament by end of 2017.
- *The Financial By-law (1994) and its Amendment (2015)*. The basic principles related to revenues, expenditures and advances, cash and debt management, financial accounting basis and records, and financial control are outlined in this regulation and in the Instructions for Application of Financial Affairs (1995).
- *The Financial Control By-law (2011) and its Amendment (2015)* present the internal controls framework and illustrates the related financial revenue and expenditures ex-ante review/approval procedures, roles and responsibilities, and positions MOF to manage and overlook centrally the financial control functions established in line ministries and governmental units. Considered a

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<sup>1</sup> Public Expenditure and Financial Accountability (PEFA) 2017, Education Public Expenditure Review 2016.

milestone, the revised by-law (2015) distinguishes clearly the difference between the internal control and internal audit functions, which are commonly confused in the public sector.

- *Public Procurement- Mainly Procurement of Supplies By-law (No 32 of 1993 and supplements) and Public Works By-law (No 71 of 1986 and supplements).* As with the regulatory/normative body, there is currently no central oversight unit and no entity in charge of a common regulatory framework. Each one of the central procuring entities, i.e. General Tender Directorate (GTD) of the Ministry of Works and Housing for construction procurement, the General Supplies Department (GSD) of the Ministry of Finance for purchase of goods and the Joint Procurement Directorate (JPD) for purchase of medicine, are tasked with actual procurement activities, as well as with the maintenance and updating of their relevant regulations. Additionally, every independent agency or government entity (including local government units) engaging in procurement, have their own procurement by-law. This fragmentation leads to a situation where the totality of Jordan's procurement is covered by 56 separate by-laws. Even though the procedures for similar goods and services seem to be quite comparable, the differences that do exist, as well as the sheer number of separate by-laws impose a burden on business. This has also contributed to prevent establishment of a central e-procurement platform that could be used for other processes besides tendering, such as performance monitoring & measurement, dissemination of regulations, complaints platform, and so on towards an open government.
- *The Audit Bureau Laws of 1952 and 2007.* The Jordan Audit Bureau is governed by the underlying Laws of 1952 and later amendments, the latest in 2007. The laws do not provide the necessary financial and administrative independence for Audit Bureau, prerequisite immunity and security of tenor of its president, and still focuses on ex-ante control. A recent amendment to the Audit Bureau Law was drafted and approved by the cabinet in 2013 but has not been endorsed by the Jordanian Parliament to become effective. The proposed amendments would further strengthen the independence of the Audit Bureau by bringing it closer to international practices and standards promulgated by the International Organization of Supreme Audit Institutions.
- *Anticorruption legislation.* The Jordanian Anticorruption Commission is established under the Amended Anticorruption Commission law, most recently amended in 2014 to include protection of "...informers, witnesses, informants and experts in corruption cases and their relatives and closely related persons".

## **Assessment of Fiduciary Performance**

### *Planning and Budgeting*

10. ***The assessment confirms that Jordan's budget systems are adequate for the program.*** The budget is formulated using the OECD classification of the functions of government (COFOG) standards. The classification system is understood and implemented in line ministries. COFOG classification is also used in the chart of accounts (COA) of the GFMIS, which is a comprehensive integrated government financial management and accounting system that consolidates the financial and accounting information of all ministries, Departments and Agencies (MDAs), and regional financial centres to MOF. Budget execution reports are also presented using the same standard of classification. The GBD has developed a budget manual that provides comprehensive information to assist MDAs in preparing and executing their budgets in a streamlined manner and in compliance with Results-Oriented Budgeting (ROB). Budget staff of line ministries have been trained by the GBD to facilitate the preparation of budgets.

Budget classification systems allow tracking the program expenditures, per (a) administrative units (participating ministries (MOE and MOPWH); (b) economic categories (recurrent, capital spending, etc.); (c) functions (education, public works, etc.); and (d) government programs, subprograms, programs, and activities. The budget is comprehensive covering the activities of the central government and independent institutions. Budget is published at the GDB website, while final accounts and monthly General Government Finance Bulletin (includes budgetary Government finance statistics aggregated per the economic and functional classifications) are published on GDB website (<http://www.gbd.gov.jo>).

11. Jordan adopts an early budget preparation calendar (starts in January of each year) that allows more time for budget policy and strategy analysis and development. The calendar comprises four distinct phases covering: (i) initial strategic review and planning; (ii) medium-term budget preparation; (iii) draft budget finalization; and (iv) budget approval. This would include preparation and discussion of i) budget policy and priorities paper (BPPP) which contains an updated macro-fiscal outlook and sets out the underlying policy stance and spending priorities to be addressed in the preparation of the budget, and ii) Medium Term Expenditure Framework (MTEF).

12. Budget preparation is yet to be integrated into the GoJ's GFMIS. A separate software is used for budget preparation. There are challenges faced in moving the budget preparation to the GFMIS platform include the need for more technical support and training for end users.

The MOE classifies its spending along eight different programs: 1) administration and support services, 2) kindergarten education, 3) basic education, 4) secondary education, 5) vocational education, 6) special education, 7) social, sport, and educational activities, and 8) eradication of illiteracy and adult education. On the other hand, MOPWH classifies its spending along four different programs: 1) administration and support services, 2) roads maintenance, 3) roads construction, and 4) buildings.

13. The proposed Program will be included in the annual budget of the State under the MOE and MOPWH starting FY 2019 and up to 2022 (the program period), budgets of respective ministries should include budget line items to reflect the program proceeds.

14. Procurement planning is linked to the available budget and to the objective needs of end-users, and procurement of goods and works are consolidated, as appropriate, for economy of scale. Procurement planning cycle may not be aligned with the budget cycle. Schools fill needs assessment and submit it to the respective governorates. The ministry receives those needs assessments from the governorates as well as from the rest of the ministry departments. The procurement department prioritizes demands and accordingly defines the required budget for procurement and recurrent/operating cost. In March of each year, allocation of budget is effected and accordingly procurement activities are defined, prioritized and packaged for economy of scale. A procurement activity is launched only after appropriate budget is secured. Since procurement planning may cover activities over a period that is beyond the annual budget plan, reallocation of annual budget category amounts is done autonomously when justifiable. Per available budget, MOE Planning department prioritizes the procurement activities to the Tendering Committees (Goods and Works). As per activities estimated costs, procurement is processed through MOE departments or commissioned ad-hoc to GSD (MOF) or GTD (MOPWH). Annual Procurement plans are not published nor communicated to MOF and MOPWH.

### *Budget Execution*

15. To enhance transparency, accountability and achievement of results, the GBD has streamlined the process of budget preparation, execution and monitoring by introducing results-oriented budgeting (ROB). Key performance indicators (KPIs) have been introduced to evaluate performance in execution of the budget, and these are prominently included in all MDAs budget documents.

All line ministries annually publish - on the GBD website - their strategic objectives, key performance indicators, and outputs of the preceding two years and programs for the ensuing three years. This allows a sufficient basis of tracking and evaluating service delivery by ministries and public entities. The Table below, extracted from the GBD website, demonstrates the type of information published.

16. **The MOE budget represents the strategic objectives of the Ministry, with a total 2017 allocation of JOD 874.0 million (see Table 5).** Out of these, ECE was allocated JOD4.5 million, basic education JOD 687.8 million and secondary education JOD 97.1 million (Tables 4-7).

### 2017 MOE Budget – Distribution According to Program

( In JDs )

Prog.	Description	Current Expenditures	Capital Expenditures	Total Expenditures
4401	Administration and Support Services	52,146,500	1,025,000	53,171,500
4405	Vocational Education	24,498,000	700,000	25,198,000
4410	Social, Sports and Educational Activities	877,500	1,215,000	2,092,500
4415	Special Education	3,679,000	125,000	3,804,000
4420	Kindergarten Education	2,827,000	1,700,000	4,527,000
4425	Basic Education	656,931,500	30,910,000	687,841,500
4430	Secondary Education	89,800,500	7,282,643	97,083,143
4435	Eradication of Illiteracy and Adult Education	570,000	0	570,000
<b>Total</b>		<b>831,330,000</b>	<b>42,957,643</b>	<b>874,287,643</b>

### 2017 MOE Budget KG Education - 4420

Appropriations Of Kindergarten Education Program as Per Activities and Projects.							( In JDs )
Activities and Projects	Actual	Estimated	Re-estimated	Estimated	Indicative		
	2015	2016	2016	2017	2018	2019	
<b>Current Expenditures</b>	<b>2,374,363</b>	<b>2,757,000</b>	<b>2,692,000</b>	<b>2,827,000</b>	<b>2,987,000</b>	<b>3,137,000</b>	
601 Teaching the students of KG	2,374,363	2,757,000	2,692,000	2,827,000	2,987,000	3,137,000	
<b>Capital Expenditures</b>	<b>2,723,961</b>	<b>2,500,000</b>	<b>2,450,000</b>	<b>1,700,000</b>	<b>3,600,000</b>	<b>3,100,000</b>	
001 Kindergarten Education Program Administration Project	81,456	150,000	100,000	100,000	100,000	100,000	
002 Additions to kindergartens classrooms	2,642,505	2,350,000	2,350,000	1,600,000	3,500,000	3,000,000	
<b>Program / Treasury</b>	<b>2,723,961</b>	<b>2,500,000</b>	<b>2,450,000</b>	<b>1,700,000</b>	<b>3,600,000</b>	<b>3,100,000</b>	
<b>Total Program</b>	<b>5,098,324</b>	<b>5,257,000</b>	<b>5,142,000</b>	<b>4,527,000</b>	<b>6,587,000</b>	<b>6,237,000</b>	

### 2017 MOE Budget Basic Education - 4425

Appropriations Of Basic Education Program as Per Activities and Projects. ( In JDs )						
Activities and Projects	Actual	Estimated	Re-estimated	Estimated	Indicative	
	2015	2016	2016	2017	2018	2019
<b>Current Expenditures</b>	658,468,205	667,099,500	657,814,500	656,931,500	676,198,500	695,348,500
601 Teaching the students of basic education phase	644,551,983	653,359,500	644,074,500	640,176,500	653,243,500	667,393,500
602 Scientific scholarships and cultural relations	1,753,317	1,755,000	1,755,000	1,755,000	3,755,000	5,755,000
603 Printing school textbooks	6,164,615	6,985,000	6,985,000	10,000,000	14,200,000	17,200,000
604 Additional education	5,998,290	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Capital Expenditures</b>	51,216,267	44,053,000	41,753,000	30,910,000	37,330,000	39,330,000
001 Basic Education Program Administration Project	3,170,991	1,000,000	900,000	1,000,000	1,000,000	1,000,000
002 Constructions and additions to basic education classrooms	10,990,115	10,933,300	10,933,300	4,840,000	9,500,000	10,500,000
004 Maintaining and repairing the basic education buildings	3,441,266	2,000,000	2,000,000	1,000,000	3,000,000	4,000,000
005 School Nutrition	4,413,096	4,500,000	2,900,000	4,000,000	4,000,000	4,000,000
008 Equipping and furnishing school buildings	4,614,580	2,500,000	2,500,000	2,890,000	4,000,000	5,000,000
009 Education Reform for Knowledge Economy (The Second Stage).	8,882,907	4,530,000	4,530,000	2,000,000	3,000,000	0
010 Building 60 schools	9,278,773	5,759,700	5,759,700	2,000,000	6,000,000	8,000,000
011 Developing the Directorate and school	15,965	150,000	150,000	500,000	150,000	150,000
012 Accommodating Syrian students	6,408,574	6,500,000	5,900,000	6,000,000	0	0
013 Establishing schools buildings/ Cities and Villages Development Bank	0	4,180,000	4,180,000	4,180,000	4,180,000	4,180,000
014 National Program for Teaching School Students	0	2,000,000	2,000,000	2,500,000	2,500,000	2,500,000
Program / Treasury	51,216,267	44,053,000	41,753,000	30,910,000	37,330,000	39,330,000
<b>Total Program</b>	<b>709,684,472</b>	<b>711,152,500</b>	<b>699,567,500</b>	<b>687,841,500</b>	<b>713,528,500</b>	<b>734,678,500</b>

### 2017 MOE Budget Basic Education - 4430

Appropriations Of Secondary Education Program as Per Activities and Projects. ( In JDs )						
Activities and Projects	Actual	Estimated	Re-estimated	Estimated	Indicative	
	2015	2016	2016	2017	2018	2019
<b>Current Expenditures</b>	81,760,803	93,444,000	89,271,000	89,800,500	96,037,500	100,330,500
601 Teaching the students of secondary education phase	63,170,666	73,649,000	71,476,000	72,955,500	76,992,500	79,285,500
602 General Secondary Examination	15,676,038	16,795,000	14,795,000	13,845,000	16,045,000	18,045,000
603 Additional education	2,914,099	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Capital Expenditures</b>	14,561,656	18,400,000	18,250,000	7,282,643	10,250,000	14,750,000
001 Secondary Education Program Administration Project	485,068	350,000	300,000	300,000	250,000	250,000
002 Constructions and additions to secondary education classrooms	10,120,439	4,200,000	4,200,000	2,500,000	5,000,000	7,500,000
005 Queen Rania Award for Excellence for Distinguished Teacher	800,000	800,000	800,000	800,000	800,000	800,000
007 Maintaining and repairing the secondary education buildings	1,498,293	1,500,000	1,500,000	1,000,000	1,000,000	3,000,000
008 Developing schools e-linkage	857,923	750,000	750,000	500,000	500,000	500,000
009 Establishing school buildings for (Decent housing for decent life) project/ 1st phase.	799,933	800,000	700,000	800,000	800,000	800,000
010 Queen Rania Teacher Academy	0	10,000,000	10,000,000	0	0	0
011 Electronic protection system and communication devices	0	0	0	1,382,643	1,900,000	1,900,000
Program / Treasury	14,561,656	18,400,000	18,250,000	7,282,643	10,250,000	14,750,000
<b>Total Program</b>	<b>96,322,459</b>	<b>111,844,000</b>	<b>107,521,000</b>	<b>97,083,143</b>	<b>106,287,500</b>	<b>115,080,500</b>

17. *Treasury management and funds flow:* Program will follow Jordan treasury management where all Government Units, including the MOE and the MOPWH, are required in accordance with the Surplus Laws (2007 and 2015) to keep their bank balances in the Treasury Single Account (TSA), and to surrender any surpluses to MOF. In Jordan, the Public Treasury Directorate (PTD) of the MOF is responsible for managing the TSA through which all 54 Ministries channel all their expenditures and

revenues. The Central Bank of Jordan (CBJ) maintains all Treasury accounts, to which the MOF has real-time access. For each MDA the CBJ maintains expenditure and revenue sub-accounts, the balances on which are swept on a daily basis so that each sub-account has a balance of zero at the end of the day. A daily report by the CBJ allows the Treasury to know the source of all financial transactions.

18. The funds of the World Bank will be transferred to the Treasury current account at the CBJ. The MOPIC will be responsible of submitting withdrawal applications with the necessary supporting documents evidencing DLIs achievements.

#### *Accounting and financial reporting*

19. ***The assessment concludes that the accounting and financial reporting systems are found acceptable for purposes of the Program.*** The Government adopts the cash basis of accounting. The Government adopts a chart of accounts that is compatible with the Government Finance Statistics Manual 2001.

20. The GFMIS has facilitated the preparation of budget execution reports to GBD, on a monthly basis, and are sent to the GBD. These reports are generated through GFMIS and conform to classification in the COA, allowing for the comparison of actual performance to budget. There is a two-way flow of information between MOF and MOE and MOPWH. Spending of approved recurrent budgets can only take place after receipt by the ministries of a Public Financial Order issued by MOF. Similarly, a Special Financial Order is required for the spending of capital expenditures. The monthly General Government Finance Bulletin includes budgetary government finance statistics aggregated according to the economic and functional classifications (budget versus actual). The monthly financial positions sent by line ministries to the GBD/MOF present data in administrative, economic, program, funding, and geographical classifications.

21. Finalization of the annual accounts is required by law by June of the following year, and this has been complied with during the recent years. The final accounts are published on the MOF website. The annual financial statements are prepared by the Directorate of Accounts of MOF and submitted to the Audit Bureau usually in June of the following year. The financial statements are audited by the Audit Bureau on receipt and a report of the findings is sent to Parliament. The final accounts are published on the MOF website. According to IMF's Middle East Regional Technical Assistance Center (METAC, 2016), the financial statements are not prepared according to IPSAS. Rather, they are prepared on a modified cash basis of accounting and do not yet meet IPSAS standards. MOF has plans to conform to IPSAS standards by 2019 with technical assistance from development partners.

22. *Government Financial Management Information System (GFMIS).* The new implementation of the GFMIS gives Jordan a tremendous advantage; it is the correct time to review and modernize the important systems of government information. This approach improves transparency with respect to the purposes of resources and the efficiency of their use. It is also helpful in improving communications between the Government and its citizens. The GFMIS will easily provide information on how the annual Budget Law and its execution support the strategic priorities of the Government. The GFMIS has been fully rolled out to budget units (ministries, departments, and regional financial centers) encompassed in the Budget Law. There is a plan to change the GFMIS cash basis system of accounting to an accrual basis starting in 2019.

The current GFMIS implementation utilizes a subset of the functionalities of the underlying application software. The current core application software comprises: (a) Hyperion for budget preparation; (b) Oracle Financials for budget execution; and (c) software for interfacing to other software for debt management, payroll, bank reconciliation, and revenue management. The GFMIS is fully utilized for

budget execution; yet, for budget preparation, there are manual interventions with various ICT tools being used.

23. However, the GFMIS functionalities do not as yet fully meet the requirements of all budget actors during the budget preparation and execution. The GFMIS offers limited functionalities for: (a) presentation of an initial policy-focused budget submission; (b) entering of multiple quarter and multiyear commitments; and (c) capturing and populating the outstanding commitments and outstanding invoices for arrear monitoring. As a result, arrears have continued to be a problem. The Government has not been fully benefiting from the GFMIS to monitor the problem. Mechanisms designed to facilitate regular monitoring of arrears have recently been established at the MOF where a small team under the cash management division is assigned to track and monitor arrears.

#### *Payroll Management System*

24. ***This assessment confirms that an effective payroll management system is in place and functional.*** Payroll is centralized at MOE headquarters, administrated by the payroll department at the Directorate of Employees Affairs (HR). The payroll systems in place have a good degree of integration and reconciliation between the position controls, personnel records, and payroll registers. The payroll system in Jordan follows the Civil Service Bureau instructions and is in line with the national financial law and internal controls regulation, in addition to instructions issued by the MOF. The Directorate of Employees Affairs (HR) is responsible for receiving the information for the appointed employee for entry into the automated HR database system. The HR department ensures the completeness of information and the data entry of related salary entitlements through an automated system and record archival both in the system and in paper files. HR input in the system is subject to both automated and human checks. A payroll schedule is prepared on a monthly basis and subject to several layers of approvals (payroll officer, head of payroll unit, the department manager [budget holder], Internal Control Department, MOF financial controller, and the financial management manager). Salaries are transferred to employees and teachers' personal bank accounts. Monthly reconciliations are prepared in the system and shared with the internal control unit and MOF representative. At the headquarter, daily time attendance sheets based on an automated attendance register are maintained by the attendance supervisor, who reports absences to the HR and responsible departments. Supervisors confirmed that they strictly ensure all employees are in place and functional. While for teachers, monitoring of teachers' attendance and salary sheets are within the capacity of the school's principle. All payroll records are kept in a secure, centralized computerized payroll data base that is updated daily from paper-based reports from the various directorates. The data base is audited by an internal audit mission within the Directorate of employee affairs to ensure that all changes are supported by appropriate documentation. Additionally, there is a regular validation of the number of staff under the responsibility of each directorate and district by site visits by MOE internal audit unit that also checks the data quality. The Audit Bureau of Jordan audits also the data.

#### *Procurement Profile*

25. **This assessment confirms that existing procurement arrangements are adequate to support the low-risk procurement activities envisaged under the Program.** No exclusion of contracts will be observed since all individual contracts under this PFORR are deemed to be modest in relation to the overall Program and their estimated monetary value is equal to or less than 25 percent of the estimated total Program expenditures. The procurable expenditures under the program are expected to be mainly related to consultant services, works, furniture, and equipment related to 410 kindergarten classrooms (new construction, extensions and rehabilitations). The first three years of the program are foreseeing 42 classrooms per year, and the following two years 142 classrooms per year. The non-procurable expenditures are related to the recurrent cost (textbooks, salaries, operating cost, research and

development, per diem, etc.). The estimated unit rate of a classroom is of US\$57,600 (works US\$50,000, furniture US\$5,500 equipment US\$800, outdoor furniture US\$1,300).

26. Despite efforts to reform, public procurement remains fragmented in Jordan as reflected in the political-economy study on enabling the implementation of public procurement reform in Jordan (July 2014). The report identified specific issues hindering the prospects of reform, including those of appeal mechanism, regulatory body and performance measurement among others. At present the appeals function of the procurement system is very limited, and apart from the hierarchical administrative review of complaints by the responsible procuring entity, bidders can only have recourse to the court system as there is no independent form of appeal mechanism. In addition, the current absence of measurements of procurement performance further hinders the prospects of reform, since the lack of information about how the system is actually performing, makes it difficult for stakeholders to know if and where improvements are needed, and how those improvements might benefit them.

#### *Construction and Rehabilitation of KGs*

27. The works will consist of rehabilitation to Kindergartens' and constructions. The controls would follow the government procedures. Each invoice with percentage of work completion will be reviewed by the engineering department confirming the quality and bill of quantities. In addition to the technical review, each invoice will be financially reviewed and approved by the MOF representative (confirming availability of funds as per the budget), and the internal auditors. At the final stage, the invoice will be reviewed and paid by the finance department through checks or bank transfers.

#### *Procurement procedures and Processes*

28. ***MOE shall process works below JD250,000 and related services, a STC shall be established to process all procurement of goods and Consulting services other than those related to construction. GTD (MOPWH) will be commissioned to implement Civil Works above JD250,000 and related consulting services.*** For goods and services, above JD20,000 (US\$28,000 equivalent), activities are to be processed centrally by GSD (Bylaw No 32-1993 article 19); for works, above JD250,000 (US\$353,000 equivalent), activities are to be processed centrally by GTD (bylaw No 71-1986 article 11). However, by a decision from the prime minister, a Special Tender Committee may be formed at MOE, and will be tasked to process procurement regardless of the thresholds (Bylaw No 32-1993 article 20). For the Program, MOE Building and Program department shall process works below JD250,000 and related consulting services, and a STC shall be put in place to process all Goods and services regardless of amounts. GTD will be responsible for Civil Works above JD250,000 and related consulting services.

29. ***Procurement processing and procedures are clearly defined internally to the institution, but are not freely accessible to the public. More efforts are to be exerted to mitigate the non-publication of annual procurement plans and frequency of re-bidding instances.*** Though advertisement in newspapers is the usual practice, annual procurement plans publication is not mandated by law. Bidding and evaluation process are well known to the bidders, evaluation criteria are clearly defined in the bidding documents, standardization is mostly followed. A representative team of the Audit Bureau ensure a full-time presence at the ministry, and may help in revising bidding provisions to enhance the efficiency of the processing. Frequent re-bidding were observed in previous project implementations, and mitigations to that short coming may be enforced towards (i) enhancing technical specifications and bringing needed corrections prior to launching new bids, (ii) supplementing instructions to bidders to discourage possible collusions (e.g. declining bids with exact same prices), (iii) mitigate the risk of procurement not attracting competition (rethinking packaging, balancing contract risks equitably between parties, opening the "one bid", etc.).

30. **Automation and resources: Integration of the automation is needed at both MOE and MOPWH to enhance administrative procurement performance, contract management and reporting.** At MOE, the level of automation of procurement management is satisfactory at the Department of Supplies, and it has the following elements: (i) inventory- Oracle backbone, (ii) technical specifications, (iii) taxonomies (i.e. coding/classification of supplies) using United Nations Standard Products and Services Code (UNSPSC), (iv) procurement business management. However, at the Department of Building and Projects (MOE), automation is less developed. In parallel, MOPWH is conducting an effort of automation like the one initiated by GSD and covering e-procurement. Ultimately, MOE will need to be ready for using e-procurement in a couple of years, once it is tested by GSD. Meanwhile to enhance the current level of coordination and automation, and for greater preparedness for the future e-procurement deployment, MOE and MOPWH may explore respectively a consolidation of their different internal systems into an integrated platform covering the below:

**a- Procurement Basics:**

- The e-Registration system: to manage the users and the rights
- The Searching system: flexible search
- The e-Procurement Plan system: Publication of procurement plan and consolidation with budget allocation
- The e-Publishing/Notification system: Publication of contract awards and allowing a stand-still period for receiving complaints, if any.
- Non-functional aspects: compatibility, scalability, etc.

**b- Advanced Procurement:**

- Contract Management system: Acceptance, payments, variations, duration, penalties, etc.
- Vendor Management system: Registrations of the vendors; Past performance; Connection to e-Government if possible-taxes clearance, MOF, etc.
- Business Intelligence Reporting & Dashboard system: for auditing purposes, and monitoring/ reporting on procurement/contract management, producing indicators of performance, efficiency, etc.
- Inventory/ putting orders: escalate the current governorate warehouse level to the level of the school unit.

31. **Contract administration: MOE and GTD are expected to mitigate the frequently observed time overrun (and extensions) of contracts. Quality control is to be put in place for solid supervision and verification of deliverables.** With respect to cost overrun, MOE contract administration was found acceptable while MOPWH will need to consolidate its financial contract management in terms of anticipation of variations and execution of works. Both institutions observe frequent time overrun, needing contract extensions. Quality control prior to acceptance is to be enforced.

32. **Coordination of procurement and contract management between MOE and GTD is to be seriously tackled at all levels.** Close coordination should be at all stages: (i) planning of activities: MOE needs to send annual procurement plans and updates to GTD, (ii) execution of works: GTD needs to report on progress to enable MOE equipping and furnishing delivered schools timely, (iii) contract payments and variations: GTD reporting should include an accurate payment scheme to include potential variations.

33. **Settlement of disputes (Works contract)- No effective and independent arbitration is put in place:** Works contracts (Unified Conditions of Contract) are based on FIDIC 1999 red book. The “particular conditions” have amended the Arbitration Sub-Clause 20.6 making the arbitral procedures to be followed ad-hoc as per those stipulated/detailed in the Jordanian Law of Arbitration instead of the institutional ICC Rules of Arbitration as per the original FIDIC wording. The said amended clause does

not name an appointing authority for arbitrators, nor does it comprise or refer to lists of arbitrators to select from. ICC Rules for Arbitration stipulate that if any Party fails to appoint its arbitrator or the two appointed arbitrators fail to appoint the Chair arbitrator, then the ICC becomes the appointing authority for such arbitrator(s). Under the Jordanian Law of Arbitration, such authority is given to the Court of Appeal. It would be recommended to ‘institutionalize’ arbitration by reference in the contract to an institution which rules of arbitration shall be followed or simply to nominate arbitrators if the parties fail to do so, or even to limit choice of arbitrators to the arbitrators’ list issued by the institution. Such institution has certainly to be independent of the parties to contract. The Jordan Arbitrators Association is well placed to be such an institution as it is both specialized in arbitration and independent.

#### *Internal Controls and Internal Audits*

34. **The overall control environment is acceptable for purpose of Program implementation.** Budget execution controls are implemented and applied consistently throughout the ministries and IPUs in accordance with the applicable Financial By-law (1994) and its Amendment (2015) and the Financial Control By-law (2011) and its Amendment (2015). MOF regularly issues instructions detailing acceptable procedures communicated to and to be followed by all ministries, including the MOE and the MOPWH. The budget execution systems at MOE and MOPWH implement prescribed controls, which include: (i) technical approval by the beneficiary department; (ii) finance staff checking and approval; (iii) periodic, *ad hoc* reviews by resident Internal Auditors; and (iv) exercise of an expenditure controlling function by MOF’s Financial Controllers assigned to respective spending units.

35. MOF assigned Financial Controllers oversee transaction-based compliance controls over payments, recording of transactions, and production of periodic and final accounts by responsible entities. In practice, no payments can be authorized and processed before Financial Controllers’ verify and signoff on payment vouchers. In addition to resident Financial Controllers from MOF, MOE and MOPWH have Internal Auditors who mainly perform the job of internal/financial controllers. Internal Audit activities are primarily confined to ex-ante review of receipts, expenditure vouchers, and disbursements. Internal Audit activities are, in this case, not designed to comply with practices and standards promulgated by International standard setters.

36. The absence of an effective ex-post audit in accordance with recognized international standards weakens the effectiveness of the Internal Audit function and its suitability to effectively support Program implementation. To mitigate risks presented by this deficiency, this assessment recommends extending the scope of work proposed to be done by independent, financial statements’ auditors to include a review and assessment of the effectiveness of the internal control environment in beneficiary entities.

37. The annual budget laws prohibit over commitments or reallocations between budget lines. Financial controllers play a key role in making sure payments are within approved budget allocations.

#### *Program Auditing*

38. External auditing of the public sector is undertaken by the Audit Bureau (AB) established under Article 119 of the Constitution. The AB is charged with performing the external audit function applied to the general government public institutions. In recent years, it has been moving toward the application of international auditing standards, moving from a strictly financial audit role into administrative, performance, and environmental auditing techniques.

39. Public sector external auditing is carried out throughout the year and reported on annually in the AB report to Parliament. Audits cover income and expenditure in relation to Central Government, as well as financial assets and liabilities including debt. The financial results based on the Final Accounts, as

presented by the MOF, are reviewed on a consolidated basis. The time frame for submitting audit report on accounts to the Parliament has improved in comparison to recent years. AB has staff stationed in all major Ministries and Departments.

40. Until June 30, 2017, a third of AB's capacity was devoted to the ex-ante control of payments. In addition to performing external post audits of the public sector, AB used to position approximately 400 audit staff members within the institutions to perform ex-ante reviews. Realizing the disadvantages from this role that undermines the independent and objective conduct of AB staff, the AB and MOF have agreed on a three-year withdrawal plan ends on June 30, 2017. Withdrawing of AB staff occurs when MOF and AB have assessed the existing capacity in the targeted units have improved and internal control arrangements are assessed adequate. On June 30, 2017, the AB completed withdrawing from ex-ante control of payments which enhances AB independence allows it to focus on financial and performance audits. The AB Law of 2007 needs to be amended to further strengthen the financial and administrative independence of the Audit Bureau by bringing it closer to leading international practices and standards recommended by the International Standards of Supreme Audit Institutions (ISSAI).

#### *Governance and anticorruption*

41. **Transparency.** Key institutions involved in public financial accountability have established elaborate public information sharing arrangements on their websites.

- (a) The MOF publishes multi-year budget planning and execution reports, including key performance indicators covering all core ministries and departments. These were observed to be comprehensive and maintained up to date.
- (b) The AB publishes its annual report covering the outcome of audits of all ministries and departments subject to its audit.
- (c) The JACC has established a comprehensive mechanism for receiving, investigating, and reporting on all allegations received from the public.

42. **Access to information.** There were no consequences for government departments, if they failed to fulfill their obligations as stated in the law. Furthermore, the petitioner is required to cover the expenses associated with the production of information with no specific ceiling.

43. **Public complaints handling.** A Central Government Complaints Management System is maintained in the MOPSD<sup>2</sup> as a central entity for receiving and monitoring resolution of citizens' complaints directly with all concerned government agencies. The management and maintenance of the system are supervised by the Government Complaints Management Unit at the MOPSD's Government Services Improvement Directorate. The unit receives citizens' complaints on services provided by government departments, corporations, and municipalities and follows up with the National Contact Center. The system generates monthly reports that provide a basis for setting performance indicators and making appropriate decisions to reduce citizens' complaints and address negative trends in a practical and evidence-based approach, in line with the vision of His Majesty King Abdullah II for better government services achieved by listening to citizens, taking their suggestions into account, and considering them as key partners in developing government services. The Central Government Complaints Management System serves as a central outlet that guarantees the confidentiality of complaints and ensures that they

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<sup>2</sup> See website: <http://mopgd.gov.jo/en/Pages/Side%20Nav/Government-Complaints-Unit.aspx?MenuItem=4>

are handled in a professional and transparent manner upon verification of the complainant's identity through databases linked to the system.

44. **Code of ethics for public servants.** All MDAs follow the code of ethics for public servants. In general, the code of ethics sets rules of behavior for employees and aims to strengthen public confidence in the professionalism and conduct of employees. The code defines relationships with citizens, professional behavior, conflicts of interest, relations with colleagues, personal behavior, and so on.

45. **Asset disclosure.** The Financial Disclosure Department by-law increased the number of individuals from the public and private sectors who are required to submit financial disclosures. Nevertheless, the law is not as effective as an investigation tool because assets disclosed by public officials in financial statements are not verified by the Financial Disclosure Department unless there is a complaint against the public official.

46. **Conflict of interest.** In addition, bidding documents for public procurement contain ethics clauses, which regulate interactions between the employer and the bidders with regard to the process of bid examination, clarification, and evaluation; conflict of interests; unlawful agreement with competitors or influence on the evaluation committee; and so on. Also, the requirement of this part of the bidding document is that the contractors shall act professionally, impartially, and in accordance with the code of ethics of their profession.

#### *The Jordanian Anticorruption Commission*

47. The JACC, established in 2005, has over the years established elaborate arrangements to prevent, deter, and investigate fraud and corruption. It is headed by a board comprising a chair and five members—eminent persons nominated for a limited two-year period. The JACC has departments responsible for public outreach and awareness; information management and investigation; and quality assurance. It closely collaborates with various stakeholders responsible for fiduciary oversight and the Judiciary. The JACC continues to receive capacity building support, including ongoing twinning arrangements with the Finnish anticorruption agency and recent technical assistance from the World Bank Group for establishment of a comprehensive database.

48. Jordan's 2013–2017 National Anti-Corruption Strategy forms a coordination framework for all efforts of institutions and agencies involved in combating corruption, as it is considered the basic tool for entrenching the principles of good governance, integrity, transparency, and accountability. The strategy was developed through collaborative efforts of public institutions, the private sector, civil society organizations, and development partners. It is based on a comprehensive assessment of fraud and corruption risks across all sectors and includes a comprehensive action plan aimed at promoting a culture of integrity, professional conduct, and ethics in public service. The JACC consistently publishes annual reports that evidence its performance. Also available on its website are information and tools for public complaint handling and information sharing.

49. The World Bank discussed its obligations under the Program with the implementing institutions, which agreed to execute the activities in accordance with the World Bank's Guidelines on Preventing and Combating Fraud and Corruption<sup>3</sup> in Program-for-Results Financing. The MOL, MoITS, and IPUs will share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program, investigate all credible allegations received, report to the World Bank on actions taken, and cooperate in any inquiry that may be conducted by the World Bank into allegations or other

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<sup>3</sup> "Anti-Corruption Guidelines" are the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012, and revised July 10, 2015.

indications of fraud and corruption in connection with the Program. The Jordanian procurement entities will monitor and abide by the World Bank's list of debarred/suspended firms PLN.

*Program Arrangements for Managing Fraud and Corruption Risks*

50. As part of the fiduciary assessment, the degree to which the Program systems handle the risk of fraud and corruption, including complaint mechanisms, was assessed. The Program embeds several fraud and corruption prevention, deterrence, and detection mechanisms in existing arrangements, including:

- (a) publication of Program information by participating ministries and entities, including provision for handling stakeholder complaints;
- (b) comprehensive and clearly articulated procedures governing the use and accountability of funds, reflected in the PFM legislation, regulations, and operational guidelines;
- (c) a strong internal control and compliance monitoring mechanism, including: (i) internal control and internal audit; (ii) periodic program progress monitoring by the PMU; (iii) strong compliance monitoring by the MOF financial controllers and internal auditors; and (iv) effective auditing arrangements including an extended scope of audit focusing on systems strengthening applying a risk-based approach;
- (d) a strong track record of timely responsiveness in addressing and resolving audit findings; and
- (e) effective arrangements for segregation of accountability and reporting functions.

51. These mechanisms will be complemented by proposed PAP remedies that address identified gaps and strengthen overall governance and risk management arrangements.

*Application of the Anticorruption Guidelines*

52. The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following:

- (a) Sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program.
- (b) Procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms.

***Fiduciary Risks Assessment***

53. ***Jordan public procurement reform efforts.*** To improve the procurement system in the country, the following efforts are foreseen under Country Partnership Strategy of Jordan (i) Unification of the Legal and Policy Framework; (ii) Procurement Performance Monitoring; (iii) Institutional development by creation of a procurement policy and oversight function; (iv) Establishment of a Single Portal Procurement Website towards a unified e-procurement system; (v) Development of a robust procurement

Complaint & Appeal mechanism; (vi) Development of a capacity building strategy and sustainable training programs; and (vii) Integration of procurement planning with budgeting.

54. Efforts are underway by GSD to implement e-procurement based on South Korean platform (JONEPS). The platform currently includes four modules: e-Bidding; e-Contract; e-Catalogue; e-Shopping. The portal will have external linkages with other concerned administrations to simplify bidding procedures. A solid cooperation is observed between GSD and JPD, GTD, ministry of information and communication and technology (MoICT), the national information technology center (NITC), and the central bank of Jordan (CTB). The deployment of e-procurement is foreseen in 2018; GSD will need to increase its budget to cover more essential modules (such as inventory systems), internal networking, training of public sector, licensing starting year 2019.

### *Project procurement assessment*

55. The assessment concluded that the overall fiduciary framework for the Program is adequate to support its implementation and to achieve its desired results. The key institutions— MOE and MOPWH have acceptable financial management and procurement systems for the purpose of the Program.

56. From a procurement perspective the assessment identified the following risks: (i) challenged quality of technical specifications (Supplies and Construction); (ii) cumbersome procurement processing; (iii) weak capacity for contract management and administration; (iv) lack of independent complaint mechanisms, including clarity on how they are utilized; (v) lack of an integrated contract cycle from needs assessment to inventory up to the level of school unit; (vi) non-systematic coordination and integration of procurement of works implemented centrally by ministry of public works and housing (MOPWH).

57. Mitigations measures proposed are: (i) revisions of technical specifications of regularly supplied goods and schools construction based on observed quality and entailed maintenance/replacement cost; (ii) systematic integration of procurement processing and contract management; (iii) creation/nomination of an independent complaint unit (e.g. Ministry of Public Administration); (v) systematic coordination and updates on procurement processing and contract management and forecasting with MOPWH.

### *Procurement exclusions*

58. Any individual contract above OPRC High risk projects thresholds should be excluded from PforR program. It is foreseen that no exclusion will be observed since all individual contracts under this PFORR are deemed to be modest in relation to the overall Program and their estimated monetary value is equal to or less than 25 percent of the estimated total Program expenditures. Therefore, for ease of reference, the excluded contracts, if any, are of the following values: (i) works, estimated to cost US\$50,000,000 equivalent or more per contract; (ii) goods, estimated to cost US\$30,000,000 equivalent or more per contract; (iii) non-consulting services, estimated to cost US\$30,000,000 equivalent or more per contract; and (iv) consulting services, estimated to cost US\$15,000,000 equivalent or more per contract.

59. **The PFM cycle has four key stages: (a) Planning and Budgeting, (b) Budget Execution, (c) Internal Controls, and (d) Auditing.** The FSA focuses on assessing critical elements of the PFM cycle that are relevant to the PforR Program and implementing agencies. Key risks include the challenge of ensuring program proceeds reach the MOE and MOPWH. To address this starting the next fiscal year, budget line items will be included under MOE and MOPWH's annual budgets. Other challenges involve strengthening the skills of the internal audit staff at the MOE and the MOPWH so that staff can produce quality audits as well as the quality of the external audit conducted by the Jordan AB. An experienced

consultant with public sector financial audit will be hired to support AB in conducting the program's financial audit in accordance with leading international standards.