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GOVERNMENT BUDGETARY PROCESS

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JORDAN

By

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## PREFACE

Government budgeting has evolved into an integral part of the entire government process that touches upon all national aspects. Indeed, it is a principal key to effective national developmental planning. This paper deals with government budget administration in the developing country of Jordan. An attempt is made to combine historical development with an analytical and critical approach as far as possible.

Despite the successive improvements introduced to the budget system in Jordan, the writer believes that it still suffers from a series of serious defects throughout all budgetary phases. An effort is made in this paper to analyse these deficiencies and propose possible corrective measures.



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## CHAPTER 1

### INTRODUCTION

#### 1. Expanding Role of the Government

In the past <sup>the</sup> government was primarily concerned with peace, order and justice. Emerging challenges and circumstances, however, led to channelling of public services and law enforcement activities in many fields and to the gradual expansion of the role of the government. The most drastic expansion came with the twentieth century. The last half-century saw successive international crises which produced tremendous effects, almost everywhere. Many countries still suffer from the effects of the First World War, great depression of the 1930s and the Second World War. Of no less significance is the breakdown of the competitive market as a result of "technological and organizational developments..."<sup>1</sup>.

Under the impact of these serious crises, the government found itself engaged in an increasingly extensive role. The government was compelled to intervene more and more in private economic activities, expand its old functions, assume new but far more extensive ones, and

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<sup>1</sup>Gunnar Myrdal, Beyond the Welfare State (London: Gerald Duckworth & Co. Ltd., 1960), p. 31.

thus penetrating into every national sphere. The government which was once merely occupied with order; restraint and justice has emerged as the major instrument of social welfare and economic betterment. "The province of government is now held to embrace all forms of activities which contribute in any way to the promotion of public welfare. There is hardly a field of activity into which our governments have not entered."<sup>2</sup>

However, the expanded role of the government was not viewed favourably by many people, among whom were the laissez-faire theorists and Social Darwinists. The former saw the best government as one that governs least. The latter called for free competition among individuals so that only the fittest may survive. Not to mention Capitalism, under which most economic organizations and operations rest in the hands of the private enterprise.

By the early forties, controversy among public administration practitioners and students reached its climax, and the issue of maximum or minimum government came to the front.

Of the most ardent supporters for big government, were Paul Appleby, Herman Finer, and Morstein Marx. Appleby in his two well known books, Big Democracy and Policy

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<sup>2</sup>W.F. Willoughby, Principles of Public Administration (Baltimore: The Johns Hopkins Press, 1927), p. viii.

and Administration strongly defends big government, arguing that it is indispensable for the government to step into socio-economic activities into the emergent pattern of society. "To sum up" he wrote, "it seems plain that both within government and outside government, and probably for the same reason that the trend is toward bigness.... Responsible citizens, including those who like bigness least, have, therefore, the duty of helping to give it form and content. It is not sufficient even for those who hate bigness to resist and cry out against it."<sup>3</sup>

Appleby's point of view has been severely criticized by Frederik Hayek, and others. Hayek's Road to Serfdom at one time sounds an alarm and shows concern at the German and Italian planned economics. To Hayek, planning and freedom are incompatible, a notion upon which his main arguments rest.

Herman Finer, on the other hand, argues for big government. His book Road to Reaction is an aggressive repudiation of Hayek's Road to Serfdom. Finer severely criticizes Hayek's point of view concerning incompatibility of planning and freedom. He remarked -- "There are great economic works still which can be undertaken by the state, whose parliamentarians and officers are so selected,

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<sup>3</sup>Paul Appleby, Big Democracy (New York: Alfred Knopf, 1945), p. 27.

educated, and motivated, and have such aptitudes, that they may add much to the wealth of the whole community, by their progressive ideas and enterprise."<sup>4</sup>

Fritz Morstein Marx views the expanding role of the government as a natural corollary to the industrial revolution~~s~~ society. In his book The Administrative State, Marx stated that, "One of the conspicuous characteristics of modern government is the large and still increasing number of its functions. The performance of those functions requires elaborate administrative machinery. As a result, the bulk of what government does today is of an administrative nature."<sup>5</sup>

Similarly, Lutz indicated... "The modern tendency is toward the satisfaction of a greater number and a large variety of wants through governmental agency rather than by individual effort or through some other form of organization."<sup>6</sup>

It is clear that ours is an age of transformation and complexities that are continuously increasing at an accelerated rate. In any society, the functions of individuals, their interrelationships, needs, hopes, and aspirations are steadily increasing and getting more

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<sup>4</sup>Herman Finer, Road to Reaction (Boston: Little Brown and Company, 1946), p. 222.

<sup>5</sup>Fritz Morstein Marx, The Administrative State (Chicago: The University of Chicago Press, 1954), pp. 1-2.

<sup>6</sup>Harley Leist Lutz, Public Finance (New York & London: D Appleton-Century Inc., 1936), p. 5.

complex. Governments have to respond to these demands, otherwise serious tensions and frustrations may rise. Nowadays the Government, everywhere, has committed itself to broad goals of economic development, full-employment, equality of opportunity for the young, social security, protected minimum standards as regards income, housing, education, nutrition, etc. There could hardly exist a country that is not concerned with national development. As a result, it is becoming increasingly apparent that government will play even more and more an extensive role.

In developing countries, the government has to play a leading role in the development process. These countries face appalling challenges and circumstances - most of which have never been faced by the now advanced countries. Developing countries are characterized by shortage of human resources, non-utilization of available resources, inefficient administration, ineffective political systems, incapable private sectors, disintegrated society, and instability.<sup>7</sup> These countries are trying to catch up with the advanced countries within the shortest

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<sup>7</sup>Prof. Yusuf Sayegh, unpublished lecture delivered at A.U.B. Seminar in "Non-Economic Determinants of Economic Development," Fall, 1966.

possible time. Therefore, the role of government in a developing country differs from that in a developed one, and it is more extensive in the first case.

A natural corollary of the expanding role of the government is the importance of government budgeting. With the steadily increasing economic role of the government, public budgeting becomes increasingly significant.

## 2. Budgeting in the Modern State.

There is common agreement among authorities in the field that "the word budget is derived from the old French bougette, meaning a small bag or pouch. It was first used in England to describe the white leather bag or pouch that held the seal of the medieval Court of Exchequer."<sup>8</sup>

Britain was the first country to adopt a budget system. Parliament had struggled for centuries to impose certain restraints on taxation and exercise control over expenditures. As a result of this very long and hard struggle, "early in the nineteenth century, ministers began to present all their proposals for revenue and expenditure in a single annual statement to Parliament. After 1861, all taxation measures for the year were

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<sup>8</sup>Royal Institute of Public Administration, Budgeting in Public Authorities (London: George Allen and Unwin Ltd., 1959), p. 13.



authorized in a single Finance Act, while the greater part of government expenditure was approved, for a year at a time, in one Appropriation Act." <sup>9</sup>

France was the second country which adopted budgeting but after introducing certain reforms.

From Britain and France the budget practice spread to almost all Western European countries. In the United States of America, the budget was first adopted by local governments, and from there it spread to the state and to the Federal governments.

In the Near East, the Ottoman Empire, which ruled the area for nearly four hundred years extending to the First World War, adopted the first unified and comprehensive budget after the Young Turk Revolt in 1909.<sup>10</sup>

Budgeting, as well as other fields, did not remain static but evolved rather rapidly. Government budgeting has undergone many reforms and improvements, mostly in response to the rapidly growing democratic institutions ~~on one hand~~, and to the steadily expanding role of the government. As one writer has put it, "The modern budget system has accompanied the growth of representative

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<sup>9</sup>Ibid, p. 14.

<sup>10</sup>W. Hardy Wickwar, The Modernization of Administration in the Near East (Beirut: Khayats, 1963), p. 154.

government, and growth in the economic importance of governmental activities."<sup>11</sup>

### 3. Meaning of "Budgeting".

The word 'budget' is used in many contexts. It seems, that writers have no agreement on one definition. Leroy Beaulieu defines the budget as "a statement of estimated expenses during a fixed period, it is a comparative table giving the amounts of receipts to be realized and the expenses to be incurred, it is furthermore, an authorization or a command given by the proper authorities to incur the expenses and collect the revenues."<sup>12</sup> Similarly, G. Jeze describes a budget as "a forecast and an estimate of all the public receipts and expenses and, for certain expenses and receipts, an authorization to incur them and collect them"<sup>13</sup> On the other hand, F.E. Cleveland has defined the budget as "a plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive to a representative body (or other duly constituted agent) whose approval and authorization are necessary before the plan may be executed."<sup>14</sup> Likewise, Frank Sherwood has

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<sup>11</sup>Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 2.

<sup>12</sup>Willoughby, op. cit., pp. 436-37.

<sup>13</sup>Ibid, p. 434.

<sup>14</sup>A.E. Buck, Public Budgeting (New York: Harper and Bros., 1929), p. 3.

described the budget as "a comprehensive plan, expressed in financial terms, by which a total operating program is effected for a given period. It includes an estimate of services, activities, and projects, expenditure requirements, and the resources necessary for their support."<sup>15</sup>

However, according to Wickwar both the British and the French budget systems have in common the following features:

Preparation of expenditure and revenue estimates by the Executive, authorization (adoption) by the legislature of revenue and expenditure, centralization of receipts and expenditure in one governmental agency assisted by a central bank, control of government transactions divided between various governmental agencies and the agency in which receipts and expenditures are centralized, and independent legislature's audit to provide public assurance of the adequacy of administrative controls over expenditure.<sup>16</sup>

#### 4. Significance of Budgeting.

With the government steadily expanding and emerging as the major sector of the whole economy, particularly in developing countries, government budgeting has come to the front and acquired higher significance. It is not an exaggeration to say that some consider budgeting as the

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<sup>15</sup>Frank Sherwood, The Management Approach to Budgeting (Brussels: I.I.A.S., 1954), p. 9.

<sup>16</sup>Wickwar, op. cit., p. 149.

most significant of governmental processes. In Willoughby's own words, --- "of the several factors entering into the problem of efficient government, none is of greater importance than that of financial administration."<sup>17</sup> Needless to say, as more and more funds are made available to meet the increasing activities of the government, expenditure should be allocated in the most optimal manner. The spending process must be controlled and effective accounting system and practices must be established. Finally, governmental transactions and payment orders ought to be audited. These features are the focal points of financial administration, and, at the same time, are the main thrust of sound government budgeting.

Budget practice was adopted at its initial stage primarily to serve as a tool for control of expenditure, by the legislature. A budget was thought of as a preliminary proposal focusing on figures and calculations. Through the past few decades, budgeting has developed into a process which has far-reaching administrative, economic, political and social implications. Thus it touches upon all national aspects.

In addition to the control function, budgeting has two other major, but more important, functions. These functions are: management and planning. "Every budget

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<sup>17</sup>Willoughby, op. cit., p. 427.

system, even rudimentary ones, includes planning, management, and control purposes."<sup>18</sup> Similarly, in Budgetary Structure and Classification of Government Accounts, a report prepared by the United Nations Department of Economic Affairs, it has been noted that "a central government budget has two purposes: one is to serve as the major tool of executive management and legislative control and the other is to reveal information significant to economic analysis and at the same time provide the framework for a policy of stability and development."<sup>19</sup>

In short, budgeting is considered, on one hand, a major management tool, and, on the other hand, a key to national developmental planning. Though these two functions might be considered as indivisible, for the purpose of clear and understandable analysis it is desirable to consider each separately.

a) Management Considerations.

The present age is characterized by a high degree of specialization and complexity. Organization today is no longer on the simple small-scale that used to be. Instead, it is much larger and far more complex, and the

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<sup>18</sup>Allen Schick, "The Road to PPB: The Stages of Budget Reform" Public Administration Review vol. XXVI, No. 4, p. 244.

<sup>19</sup>United Nations --- etc., Budgetary Structure and Classification of Government Accounts (New York: U.N., 1952), pp. 3-4.

trend is toward growth in size and complexity. These features make it very cumbersome to direct and control. In government, these features are far more complicated than in any single organization and thereby direction and control over governmental activities become an extremely difficult task.

The budget process provides the main instrument through which direction and control can be effectively exercised. During budget preparation and execution, the executive of an organization should be able to direct and control the organization. In the same way, the chief executive should be able to direct and control governmental activities. "Where the executive can influence the amount of money any unit may receive and/or the way in which those funds can be spent, his capacity to direct and control that organization will have been increased immeasurably."<sup>20</sup>

Where adequate control over public expenditure and receipts is lacking, detrimental effects may result. "In some instances, fiscal procedures are inadequate to assure that accountability is maintained; the failure to control unlawful expenditures by public officials undermines the morale of the public service, limits the effectiveness of governmental programs, and impairs the confidence of citi-

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<sup>20</sup>Sherwood, op. cit., p. 8.

zens in their government."<sup>21</sup> Therefore, the government, everywhere, has developed specific institutional arrangements within the budget system to assure accountability of public expenditure and funds namely, that public monies are used for public purpose. For every governmental transaction and procedure a certain body is held responsible. Such control is exercised at many stages through the budgetary process. Schick said:

Control is predominant during the execution and audit stages, although the form of budget estimates and appropriations often is determined by control considerations. The assorted controls and reporting procedures that are associated with budget execution - position controls, restrictions on transfers, requisition procedures and travel regulations, to mention the more prominent ones - have the purposes of securing compliance with policies made by central authorities.<sup>22</sup>

Of no less significance is the legislature's control over public expenditure. Through budget review, inquiry, hearings, and reporting, the legislature should be able to keep an eye on administration. To what extent the legislature is able to exercise effective control depends on many factors. It depends on the executive-legislature relation-

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<sup>21</sup>United Nations, Department of Economic Affairs, Government Accounting and Budget Execution (New York: U.N., 1952), p. 1.

<sup>22</sup>Allen Schick, op. cit., p. 244.

ship. Here, domination of either by the other will impede exercising effective control. Mutual cooperation is the key point. Effective action by the legislature depends, also, on its internal organization. Furthermore, it depends on how successfully the budget proposals have been prepared, how sympathetically they are reviewed (by the central budget office), and how persuasively they are presented.

Control is not the sole, nor is it even the most significant function of budgeting. In any organization, as well as in government, budgeting is essential for efficient administration. It assists management at various stages and, therefore, is considered a major management tool. A budget provides the most necessary data for policy formulation and decision-making. It helps key officials to focus on major issues and problems. A budget shows the costs of each program and activity along with the expected results and the actual ones and thereby it indicates, to a great extent, the level of performance. Furthermore, during execution of the budget, programs and activities are constantly reviewed in the light of emerging changes and circumstances. In addition, a certain body is held responsible for a transaction or procedure and, in so doing, budgeting develops responsibility. In Budgeting in Public Authorities, it has been noted:

In all organizations, however, budgeting can assist management at every level in several



ways. In the first place, it helps in making and reviewing policy, by encouraging comprehensiveness, forward-looking planning and decision-making, and providing both the information and the occasions for regular reviews of plans and prospects for the future. Secondly, it supplies yard-sticks against which the actual results can be judged, thus helping to assist their significance and decide action may be called for in consequence. --- The budget can also be the means of defining the responsibilities of subordinates in broad terms while still enabling their superiors to keep in touch with the main developments ---. The actual results can then be compared to the budget and any unexpectedly good or bad performance traced back to the persons or circumstances immediately responsible.<sup>23</sup>

In short, a budget system is a means rather than an end. It is designed, and adapted as circumstances may require, to enhance the efficiency of the organization or government adopting it. Its success will depend on "how far it makes those who work within it constantly aware of the financial implications of their actions and decisions, and alive to the need to maximize efficiency in all that they do."<sup>24</sup>

b) Economic Development Considerations.

A budget is not only a major management tool. In addition, it reflects and shapes national economic life and the distribution of economic power. Budget administration can effectively promote national development.

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<sup>23</sup>Royal Institute of Public Administration, op. cit., pp. 255-56.

<sup>24</sup>Ibid, p. 271.

It has been mentioned earlier in this paper that everywhere and particularly in developing regions, the government's main concern is to achieve sustained substantial development. All governments are concerned with achieving full-employment, higher standards of living, increasing real per capita income, providing equality of opportunity for the young, social security, redistribution of wealth and providing minimum standards as regards income, housing, education, and nutrition. These, in one way or other, are closely related to governmental process of acquiring and spending money, which are the cornerstones of budgeting. Thus budgeting has its impact on these objectives. "The task of modern budget administration is to provide facilities and mechanisms that can contribute to timely, effective, and prudent decision-making in the governmental process of acquiring and spending money. In this way a country's budget administration can be an effective tool for the promotion of economic growth and responsible social progress."<sup>25</sup> In achieving the above-mentioned national objectives, most governments, if not all, have resorted to fiscal policy tools and national planning. Budgeting plays a significant role in both.

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<sup>25</sup>Public Administration Service, Modernizing Government Budget Administration (Washington, D.C.: AID, 1962), p. 13.

The great depression of the nineteen-thirties brought fiscal policy to the front in the United States of America. Monetary policies failed to bring the economies of Western European Countries out of the deep slumps of depression. As a result, efforts were directed to fiscal policy and, since then, a considerable literature has been accumulated in the field.

"The term "fiscal policy" in relation to economic development has come to mean the utilization by a government of coordinated revenue, expenditure, and debt programs to stimulate or control that development; it follows that the size and content of the national budget affects and is affected by fiscal policy, and that there is a desire to make the budget more effective as an instrument for the management of national economy."<sup>26</sup>

Broadly speaking, fiscal policy aims at achieving full-employment in the absence of a threatening inflationary or deflationary gap, and at stabilization of prices. To achieve either or both, a government can use taxation policy, public expenditure and/or borrowing. The first two are widely used. Therefore, since these are the hard heart of budgeting, the latter is considered as a major instrument of fiscal policy.

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<sup>26</sup>Ibid, p. 17.

The significance of budgeting with respect to fiscal policy is reflected in the controversy among economists concerning budget balancing. Some call for a balanced budget, others for budget surplus and still a third group call for budget deficit. Whether to have a balanced or unbalanced budget, depends on economic and financial conditions and objectives of the country. Again, such a surplus or deficit is brought about through taxation, public expenditure and/or borrowing. In short, fiscal policy can be realized through budgetary processes.

National developmental planning came to the front after the First World War. Under the impact of the successive international crises mentioned earlier, in the last half-century few countries have been able to do without some sort of planning. Russian experience with planning has popularized it, particularly in developing countries. Today, there is no economy entirely free from planning. In developing countries, planning is viewed as a precondition for development because these countries are trying to catch up with the more developed nations within the shortest possible time. Unfortunately, however, they face immense challenges never faced by the more advanced countries. Development means a positive change in the economic, political, administrative and social structures. But in addition, it also means a change in attitudes, values, and ways of thinking and doing things. Not all of these come by themselves without an aggressive government

policy. Thus development planning becomes very imperative and a prerequisite for development.

Development planning is a continuous as well as an extremely complex process. It is far more than just formulating an economic plan. It involves an appraisal of developmental potentialities, fixing national objectives, establishing priorities, examining individual proposals and programs all into a single whole that is complementary in scope yet avoids overlapping and duplication. At the same time it must ensure that the government as a whole complements without competing with the private sector. Development planning also involves evaluation, appraisal and comparison of the components of these complementaries. It involves defining the portion of the country's production to be allocated to investment and to consumption. These focus primarily on compromises, comparison and coordination among various objectives and thus bring us to planning-programming-budgeting system (PPBS) which has attracted many supporters, particularly in the United States of America. "The whole PPBS idea is to facilitate drawing together, the summation of all agency efforts to meet particular objectives, so that the validity of each program may be assessed in terms of overall approach, dimensions and costs and may be compared with other competing programs, potential or existing."<sup>27</sup> Similarly, David Novick remarked

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<sup>27</sup>Samuel M. Greenhouse, "The Planning-Programming System: Rational, Language, and Idea-Relationships" Public Administration Review Vol. XXVI, No. 4, p. 273.

that planning, programming and budgeting system focuses on comparison and coordination and involves: (1) appraisals and comparisons of various government activities in terms of their contributions to national objectives, (2) determination of how given objectives can be attained with minimum expenditure of resources, (3) projection of government activities over an adequate time horizon, (4) comparison of relative contributions of private and public activities to national objectives, and (5) revisions of objectives, programs, and budgets in the light of experience and changing circumstances.<sup>28</sup>

The planner once his goals are fixed, faces the real challenge - to devise a program of action to reach his goals. It is this phase of the planning process which is of primary importance for "as far as administration is concerned there is no plan until there is a proposed course of action."<sup>29</sup> A course of action may be framed in terms of alternatives - determining the alternatives available; selecting of the best with as careful an estimate of probable consequences under each alternative as the planner can forecast. The extent to which programming

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<sup>28</sup>David Novick (ed.), Program Budgeting-Program Analysis (Cambridge, Mass.: Harvard University Press, 1965), p. 4.

<sup>29</sup>John D. Millet, The Process and Organization of Government Planning (New York: Columbia University Press, 1947), p. 36.

techniques can in practice be applied in individual countries depends on several factors. These factors include, in varying degrees, (a) the stage of development planning that has been already reached, (b) the availability of requisite data, and (c) the techniques themselves. However, individual programs and projects formulated must be continuously scrutinized and evaluated and they must be reformulated as changing circumstances require.

The final step in planning is budgeting. The latter must relate individual projects within a program to each other and must appraise the total effort in terms of expenditures and benefits and the extent to which the government can carry out the plan.

"The budget is a key element in converting a development plan into a program of action."<sup>30</sup> Program budgeting is more concerned with shorter term goals as opposed to the long run goals of a plan. Budgeting must be concerned with deciding on the allocation of scarce and reasonably well-defined factors of production to attain objectives that may be either well defined or ill-defined, like higher standards of living, better education, or more employment opportunities. Frederick Mosher has

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<sup>30</sup>Everette E. Hagen, Planning Economic Development (Homewood: Richard D. Irwin, Inc., 1963), pp. 342-43.

described the budget as the only device which does, or can do, the following things:

1. Bring about a regular, periodic reconsideration and reevaluation of government purposes and objectives.
2. Facilitate a comparative evaluation of different purposes and programs in relation to each other and in relation to their costs.
3. Provide a basis for examining the total role of the government and its cost, in relation to the private sector of the economy, and thus for tailoring the governmental program to the society and the economy as a whole.
4. Provide a periodic link among the administrative organization, the executive, the congress, and segments of the public, and thus an important basis for democratic information and discussion of democratic control of governmental activities.<sup>31</sup>

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<sup>31</sup>Frederick Mosher, Program Budgeting: Theory and Practice (Chicago: Public Administration Service, 1954), pp. 5-6.



## CHAPTER II

### BUDGETING IN JORDAN

#### 1. Historical Background

'The Hashemite Kingdom of Jordan' has existed in its present form since December 1948, when Transjordan (area east of the Jordan River) and Central Palestine (part of Palestine that remained in the hands of the Arabs after 1948) were unified. This unification was constitutionally confirmed in April, 1950. The Kingdom is a constitutional hereditary monarchy.

##### a) The Ottoman Rule

The area presently under Jordanian sovereignty was ruled by the Ottoman Turks for nearly four hundred years, extending to First World War. During this long period, the region experienced economic collapse and social breakdown. It was only after 1850 that the Turks began introducing certain reforms and improvements. Before that, they were mainly concerned with tax collection and punishing restless tribes. As one writer has described it, "the Ottoman Empire did not try to establish an effective governmental machinery and administration, neither could it impose its authority over the entire area for several factors, including its unwillingness and

undesire to introduce reforms, improve education and construct the area, its adoption of the corrupted autocratic systems existing everywhere in the region, and its lack for communication media and facilities invented later, such as automobiles and telegraphs."<sup>1</sup>

Budget administration received least attention. While budget practices spread to almost all Western European Countries, such practices were not known to the Ottomans until late in the first-half of nineteenth century. According to Wickwar "the introduction of Western European budget practices took about fifty years in the Ottoman Empire (1859-1909), and about thirty years in Egypt (1876-1904). It resulted, in the Ottoman Empire, in the voluntary adoption of what was basically the French system of budgetary administration, and in Egypt the enforced adoption of what was basically the British system."<sup>2</sup> However, the Turks could not formulate a unified comprehensive budget until late in 1909, after the Young Turk revolt, though constitutional provision for it was made earlier. This was attributed to many factors; including (a) the long constitutional struggle between the Sublime Porte (the

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<sup>1</sup>Munib Al-Madi and Suleiman Mousa, Jordan History in the Twentieth Century (in Arabic) (place of publication not mentioned, 1959), p. 4.

<sup>2</sup>Wickwar, op. cit., p. 149.

ministers) and the Palace (the Sultan and his household), (b) the fact that many ministries developed an income of their own which they did not pay into the general treasury and which amounted to a quarter of the total estimated revenue, (c) that in each vilayet revenue collected locally was used to meet expenses incurred locally, (d) the nature of the role of the christian banking houses, and (e) finally, the large and different forms of floating debt.<sup>3</sup>

After the Young Turk revolt, 1909, an annual comprehensive budget was, for the first time, approved by the Turkish Parliament. Later, the Ministry of Finance was strengthened and an employee of this ministry was placed in each ministry to ensure accountability of receipts and expenditure. Foreign budget advisers were utilized. These reforms and improvements were limited, however, to the Central Government.

The area east of Jordan River was divided, then, into four provincial governments as follows: 'Ajlun (Sunjak), Balqa (Qada), Karak (Mutasarrifiyeh), and 'Aqaba.<sup>4</sup> Each had its own administrative machinery which included a financial division. "In Karak, the financial

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<sup>3</sup>Ibid, pp. 150-52.

<sup>4</sup>Madi and Mousa, op. cit., pp. 7-9.

division consisted of Chief Accountant and eight subordinate employees. In the other provincial governments it consisted of the Director of Finance and five subordinate employees."<sup>5</sup> These financial divisions were mainly concerned with collecting local taxes to meet the local expenses. Budgetary practices were not yet known to them. So in the entire area, not a single budget was formulated during the Ottoman rule.

b) The British Mandates.

After the defeat of the Turks in the First World War, the Arab provinces were eventually divided between Britain and France. In 1920 the area east of the Jordan River was included in Palestine which in turn was mandated to Britain. In 1921 the "Transjordan Amirate" was established. Unlike Palestine, the British were reluctant to introduce a comprehensive administrative program for several reasons. Thus, things remained unchanged during the first few years after the establishment of the Amirate. "During the first several years after the establishment of the Amirate, not a single budget, for its revenue and expenditure, was formulated, and the result of this was financial chaos."<sup>6</sup> In an effort to overcome the increasingly serious financial situation, the British in 1925/26 undertook the

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<sup>5</sup>Ibid, p. 17.

<sup>6</sup>Ibid, p. 311.

preparation of a budget. In addition "the British imposed certain financial controls and assigned a financial consultant to guide the initial attempt to create some degree of order out of "financial chaos".<sup>7</sup>

The first budget amounted to PL 275,397, of which PL 101,358 was a British contribution. The British Resident used the financial controls as a tool to control overall government machinery and administration to such an extent that the Prime Minister could neither increase the salary of an employee nor appoint a messenger without securing approval of the Resident.<sup>8</sup> The introduction of modern budgetary tools, techniques and methods were seldom discussed and almost never adopted. Only very minor changes were made in the presentation of the budget which, at the outset consisted of only a few pages, showed only aggregate costs by organizational units, and total receipts by source of revenue. Responsibility for formulating the budget was initially entrusted to the treasury, but since 1939 has been the responsibility of the Ministry of Finance. Thus, during the British mandatory rule, budgeting was identified mainly with financial control.

c) Since Independence till 1962.

The 1947 Constitution gave more attention to budgeting than the 1928 Organic Law. The former provided that

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid., p. 364.

"The annual budget be submitted first to the House of Representatives and, after approval, to the Senate after which it is to be signed by the King --- that the vote on the budget be made chapter by chapter -- that during budget debate, Parliament cannot increase expenditure, but it can, after debate is over, suggest new laws for additional expenses ---- and that during debate tax laws are not to be changed."<sup>9</sup>

With the unification of Transjordan and Central Palestine in 1947, Jordan's government machinery grew both in size and in complexity. A natural corollary to this growth was the expansion of the budget. As a result, more extensive attention was given to budget administration. But primary attention was given <sup>to</sup> budget presentation at the expense of other budgetary considerations. According to "Palestine Refugees Quarterly Bulletin", "The expenditure side of the budget was divided into two parts: (1) expenditures covering (a) salaries and (b) others and (2) governmental projects. The revenue side was, also, divided into two parts (1) domestic revenue and (2) foreign loans and contributions."<sup>10</sup>

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<sup>9</sup>H.K. of Jordan, Constitution (1947), Art. 48.

<sup>10</sup>UNRWA, Palestine Refugees Quarterly Bulletin, 1956, No. 13, p. 144.

Again, in 1953 new changes were made in the budget structure while other budgetary considerations received no attention whatsoever. The new changes incorporated the idea that "the budget format was divided into three parts, that segregate expenditures according to the source of revenue and purpose of expenditure. Part (1) covering Regular Ministries, financed entirely from internal resources. Part (2) covering the Military budget financed by U.K. and the Arab League. Part (3) covering the Development Board, financed by the British loans. The expenditure side of the Regular Ministries was divided into two headings: (a) the ordinary expenses, consisting of recurrent expenses that had been met every year such as salaries, wages, etc., and (b) the extraordinary expenses consisting of non-recurring expenses that are directly but not entirely capital items."<sup>11</sup>

Thus Jordan's budgetary process remained very rudimentary. The improvements were limited to budget presentation. Once more no attention was given to modern budgetary techniques and methods.

On May 31, 1960, a Royal Fiscal Commission, composed of distinguished citizens and officials, was appointed by His Excellency the Prime Minister to study and make recommendations with respect to the fiscal system

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<sup>11</sup>Ibid, p. 165.

of the Kingdom. The Ford Foundation of the USA provided the services of three noted American professors - C. Ward May, Philip E. Taylor and Walter W. Hollar - to guide the Commission in its study. The commission reviewed thoroughly the revenue structure and examined in broadlines the budget and accounting practices. In connection with the latter, the Commission discovered four major weaknesses. These weaknesses were:

1. Unnecessary delay in closing accounts.
2. Seriously unrealistic budget estimates.
3. Imprecise and often improper classification of receipts and expenditure.
4. Routine conception of the budget process in general."<sup>12</sup>

Late in the fifties, American contributions to support the budget started to replace those hitherto made by the British, but in steadily increasing amounts. Both the government of Jordan and the United States Aid Mission to Jordan early recognized the critical need for an improved budgetary system; one that would provide, among other improvements, a more rational allocation of funds among government agencies. They collaborated on a thorough review of the budgetary process with the result that, the "General Budget Organization Law (No. 39) for the year 1962" was approved and put into effect on October 16 of the same year.

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<sup>12</sup>H.K. of Jordan, The Report of the Royal Fiscal Commission (Amman, 1960).



d) From 1962 till 1967.

To a considerable extent the 1962 Law put an end to the admittedly rudimentary budget process of the past and brought generally satisfactory and much more modern budgeting to the front. For the first time a central budget agency was established. A "Budget Advisory Board" was created to advise the Director of the Budget Department on matters pertaining to general budget policy. The Law, also, provided that each Government agency assigns an official of class one (senior official) called "Budget and Planning Officer" to be the link between agency and the Budget Department and the Development Board in all matters pertinent to the agency's budget. It has provided, also, for the creation of a Central Systems Development Organization to work in cooperation with the Civil Service Commission. Unfortunately, the last two provisions have never been implemented.

Immediately upon the adoption of the 1962 law steps were undertaken by a joint effort on the part of the Government and US Aid Mission to select competent, high promising university graduates with a sound background in public administration, business administration or economics for staffing the Budget Department. The US Aid Mission further assisted by assigning a "Budget Advisor" to collaborate in implementing the law and bringing further improvements in budget administration. The first budget formulated under

the new arrangements was the 1963/64 budget. It was the result of an exhaustive serious joint effort of the Budget Department Staff and the then "Budget Adviser" - Mr. Gordon Potter. "This budget contained three improvements compared to previous budget documents. The first and most important of these improvements was the presentation of the budgets of the various ministries and departments in terms of their functional programs. The second was the use of the same objects of expenditure throughout all chapters and their programs in the budget document. The third improvement was a comparison of actual expenditures of the past year with the new estimate of expenditures for the budget year."<sup>13</sup>

Apart from the improvements made in the budget structure, very little effort has been directed to introducing improvements in budgetary methods, tools, and techniques. Only minor and insignificant changes have been made in budget analysis and review, in the legislative action on the budget and in the execution of the budget. It is now time to update Jordan's traditional and still somewhat rudimentary methods and techniques that apply to these important phases of the government budgetary process.

## 2. The Budgets.

Following are a number of tables showing the growth of the budget during the period 1925/26-1967. The first

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<sup>13</sup>Sa'id Dajani, first Director of the Budget Department, unpublished lecture delivered at A.U.B. Seminar in "Planning, Budgeting and Control", September, 1966.

budget formulated in 1925/26 amounted to PL 274,565. Since Jordan is economically a poor country it has been, for a long time, dependent on foreign aid and loans. The British contributions to support the 1925/26 budget were PL 103,957, and thus constituting a high portion (over 37%) of the total budget.

It is evident from table 1 that the budget was expanding slightly in the twenties. A substantial expansion was brought about in 1930/31 budget which is accounted for by larger disbursements on what may be termed productive items such as Health, Education, Agriculture, Public Works, Posts and Telegraphs. Whilst in 1925/26 nearly 11.5% of the budget went for these purposes, in 1930/31 the figure rose to 29%<sup>14</sup>. On the other hand, domestic revenue, also, was increasing slightly and British contributions were rather fluctuating.

Instead of expanding at the same rate of 1930/31, the budget was expanding slightly in the thirties. In 1938/39 a significant expansion was brought about, in both ordinary and extraordinary (included, but not entirely, productive items) expenditures. Much further expansion occurred in 1944/45 and 1945/46 budgets -

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<sup>14</sup>Kurt Grunwald, "The Government Finances of the Mandated Territories in the Near East" Bulletin of Palestine Economic Society, Vol. 1, No. 1, 1932, p. 62.

TABLE 1

EXPENDITURE AND REVENUE FOR THE GOVERNMENT OF TRANSJORDAN  
DURING THE PERIOD 1925/26-1930-31 (in PL)

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	1925/26	1926/27	1927/28	1928/29	1929/30	1930/31
1. Local Revenue	178,502	236,520	237,073	239,911	239,172	260,301
2. Grants-in-aid	103,957	66,000	45,000	57,644	71,475	108,695
3. Total Revenue	282,459	302,520	282,073	307,555	316,147	368,996
4. Total Expenditure	274,565	274,910	318,260	318,950	338,350	360,350

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Source: Kurt Grunwald, The Government Finances of  
the Mandated Territories in the Near East,  
p. 65.

Table 2. Both revenue and expenditure rose substantially. British contributions in 1945/46 consisted nearly 60% of the total revenue. But, in the next year the budget shrank down and still further decrease came in 1947/48 when British contributions were cut off - Table 3. The 1950/51 budget, however, expanded drastically. This can be partially attributed to the influx of thousands of Palestinian Refugees to East Jordan. Domestic revenue and British contributions rose drastically. So, also, both ordinary and extraordinary expenditures increased substantially. Much further expansion was brought about in 1952/53 budget. A high portion of this increase went to national defense. Expenditure on both military items and on general administration continued its steady expansion, while capital developmental expenditure was rather fluctuating. Domestic revenue was growing at an accelerated rate. American contributions, which replaced the British late in the fifties, also, continued to increase.

In the sixties, expenditures on administration and national defense have continued expanding very slightly, while developmental expenditures were increasing at a higher rate. On the other hand, whereas domestic revenue was increasing slightly, foreign aid and loans were nearly constant - Table 4. In 1967 the budget expanded drastically. Both domestic revenue and foreign contributions, especially

TABLE 2

EXPENDITURE AND REVENUE FOR THE GOVERNMENT OF TRANSJORDAN  
DURING THE PERIOD 1932/33-1945/46 (In PL 1,000)

	1932/ 33	1933/ 34	1934/ 35	1935/ 36	1936/ 37	1937/ 38	1938/ 39	1939/ 40	1940/ 41	1941/ 42	1942/ 43	1944/ 45	1945/ 46
Local Revenue	241	263	331	272	290	332	339	379	483	433	443	707	903
Grants-in-aid	106	99	41	104	131	159	397	309	621	621	35	2,410	2,285
Total Revenue	347	362	372	376	421	491	736	688	1,104	1,054	478	3,117	3,185
Ordinary Exp.	338	343	343	359	423	421	470	470	504	839	860	2,687	2,800
Extraordinary Exp.	11	20	43	43	47	91	260	363	571	274	206	407	449
Total Exp.	349	363	386	401	470	512	730	833	1,075	1,113	1,066	3,094	3,249

Source: Transjordan, The official Gazettes: 1932-1945

TABLE 3

EXPENDITURE AND REVENUE FOR THE GOVERNMENT OF JORDAN  
DURING THE PERIOD 1946/47-1957/58 In (PL 1000) AND  
In (JD 1000) STARTING WITH 1953/54

	1946/ 47	1947/ 48	1948/ 49	1949/ 50	1950/ 51	1951/ 52	1952/ 53	1953/ 54	1954/ 55	1955/ 56	1956/ 57	1957/ 58
Local Revenue	1,126	1,325	1,594	2,344	4,450	5,365	5,000	5,633	7,495	7,954	9,712	8,040
Grants-in-aid	295	-	-	-	1,000	-	9,000	8,095	8,951	8,975	8,760	19,640
Total Revenue	1,421	1,325	1,594	2,344	5,450	5,365	14,000	14,328	16,446	16,929	18,472	27,680
Ordinary Exp.	1,489	1,188	1,381	1,813	3,817	5,036	12,000	-	15,340	16,018	18,602	24,699
Extraordinary Exp.	68	138	213	532	3,726	2,400	3,000	-	1,220	1,590	1,560	1,870
Total Exp.	1,557	1,326	1,594	2,345	7,543	7,436	15,000	14,895	16,560	17,608	20,162	26,590

Source: H.K. of Jordan, The official Gazettes: 1946-1952 and

General Budget Laws: 1953/54-1957/58

TABLE 4

EXPENDITURE AND REVENUE FOR THE GOVERNMENT OF JORDAN  
 DURING THE PERIOD 1958/59-1967 in (JD 1,000)

	1958/59 (Actual)	1959/60 (Actual)	1960/61 (Actual)	1961/62 (Actual)	1962/63 (Actual)	1963/64 (Actual)	1964/65 (Actual)	1965/66 (Actual)	1966 (Re-estimate) (9 months)	1967 (Estimate)
Local Revenue	10,883	13,353	13,840	14,678	21,105	19,379	23,828	26,772	23,470	37,262
Foreign Contributions	16,390	15,430	16,436	16,419	14,689	14,003	13,682	12,836	8,618	10,742
Foreign Grants-in-aid	2,194	475	1,123	1,979	1,016	1,682	1,725	2,436	2,640	8,828
Foreign Loans	1,130	2,500	500	560	2,043	1,301	6,976	2,587	2,164	10,212
Total Revenue	30,597	31,758	31,899	33,576	38,853	36,365	44,211	44,591	36,832	67,044
Recurring Exp.	6,788	7,848	8,443	9,339	10,817	12,176	13,430	14,116	12,096	17,653
Armed Forces Exp.	14,663	15,817	16,150	16,415	16,800	18,565	18,565	18,765	14,374	20,165
Public Security Exp.	29,073	2,239	2,270	2,291	2,309	2,452	2,462	2,843	2,062	2,880
Developmental Exp.	5,819	4,797	5,979	4,938	7,599	6,164	9,166	11,261	10,984	28,332
Total Exp.	29,343	30,701	32,842	32,983	37,525	39,347	43,623	46,993	39,516	69,030



the former increased substantially. So, too, expenditure on administration, national defense and on developmental projects in particular rose substantially.

It is appropriate to note here that Jordan is predominantly an agricultural country that depends heavily on natural rainfall. Thus, essentially, the agricultural product will fluctuate accordingly. Unfortunately, Jordan experienced successive droughts in the sixties and, as a result, domestic revenue has been expanding at a discouragingly slow rate compared with earlier experience and expected achievement.

### 3. The Budget Document.

Most of governmental transactions are included in the 'General Budget'. There are, however, several semi-autonomous budgets. These include Agricultural Credit, Aqaba Port, Central Bank, Hijaz Railway, Housing, Industrial Development Bank, Youth Welfare and the Municipalities. When a surplus develops in any of these budgets it is added to the 'General Budget', and in case there is a deficit it is financed from the 'General Budget'.

The "General Budget" structure saw successive improvements and changes\* of which those introduced in 1967 were the most radical and beneficial.

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\*Discussed earlier under "Historical Background".

The present budget now contains a comprehensive listing of annual expenditures and revenues. It begins with a complete transcription of the traditional budget speech delivered before Parliament by the Minister of Finance/Budget. The speech outlines the general fiscal and financial policies of the country and the major projects included in the budget. Following the speech is the "General Budget Law" including several articles but stressing mainly on transfer of appropriations. Then follows a number of tables; one summarizing recurring and capital (both the ordinary and the Seven Year Economic Plan) expenditures by organizational units. Another table summarizes revenue by source. A third table summarizes domestic revenue, foreign grants, contributions and loans, recurring expenditure and capital development expenditure. Finally, a fourth table comparing recurring and developmental expenditures in 1965/66, 1966 and 1967.

Following is the revenue side in detail. It is classified by source into 9 chapters: Customs and Tariffs, Taxes, Licences, Excises, Telegraphs, Posts and Telephones, Government Enterprises, Interests and Profits, Miscellaneous, and Assistance and Loans. Each chapter is further divided into a number of items and the latter might be further divided into sub-items, by source of revenue. For each item and sub-item the actual collection of last year, a re-estimate

of the current year and the estimate of the coming fiscal year's collection are all given.

An example:

CHAPTER: 9 - ASSISTANCE & LOANS

ITEM NO. TITLE	ACTUAL REVENUE (1965/66)	RE-ESTIMATED REVENUE 1966 (9 months)	ESTIMATED REVENUE (1967)	REMARKS
<b>1. <u>FINANCIAL ASSISTANCE</u></b>				
a. U.S.				
b. British				
<b>2. <u>ECONOMIC &amp; TECHNICAL ASSISTANCE</u></b>				
a. U.S.				
b. German				
c. Arab League				
<b>3. <u>DEVELOPMENT LOANS</u></b>				
a. British loan				
b. German loans				
c. Kuwaiti loans				
d. IDA loans				
e. USAID loan				
f. Development loan from sales proceeds of U.S. Grains				
g. Local loans				
h. Saudi loan				
TOTAL OF CHAPTER				

Source: H.K. of Jordan, Budget Law for 1967, (English translation), p. 5.

As for the expenditure, it is listed in much greater detail. It is divided into three parts: part (1) covering recurring expenditure; part (2) covers ordinary capital developmental expenditure; and part (3) covering capital developmental expenditure included in the "Seven Year Economic Plan".

Part (1), recurring expenditure, includes 39 appropriation chapters, by organizational units. Within each chapter there are several functional programs. The recurring expenses of each chapter and program are divided into 4 groups, by objects of expenditure. These groups are: Personal Services (group 10), Services and Supplies (group 20), Capital Outlays (group 30), and Grants, Interests, and Refunds (group 40). The 4 groups are further divided into objects of expenditure, called items. Frequently, items are further divided into sub-items, by objects of expenditure, which are printed on separate pages in the budget document. Again, for each item and sub-item the actual expenditure of last year, a re-estimate of the current year's expenditure and the estimate of the coming fiscal year's expenditure are given.

An Example:

RECURRING EXPENDITURE

CHAPTER: 20/1 - MINISTRY OF EDUCATION  
PROGRAM: d - VOCATIONAL EDUCATION

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ITEM NO. TITLE	ACTUAL EXPENDITURE 1965/66	RE-ESTIMATED EXPENDITURE 1966 (9 months)	ESTIMATED EXPENDITURE 1967	REMARKS
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10. PERSONNEL SERVICES  
& BENEFITS

11. Salaries of classified employees

12. Salaries of unclassified employees

13. Contract employees

14. Compensation of daily wage employees

15. High cost of living allowance

16. Technical & other allowances

17. Overtime payments

18. Pensions & compensations

Total

ITEM NO. TITLE	ACTUAL EXPENDITURE 1965/66	RE-ESTIMATED EXPENDITURE 1966 (9 months)	ESTIMATED EXPENDITURE 1967	REMARKS
<u>20. SERVICES &amp; SUPPLIES</u>				
21. Transportation fares & travel & field allowances				
22. Rents				
23. Utilities				
24. Other services				
25. Materials & supplies				
Total				See page 31/e
<u>30. CAPITAL OUTLAYS</u>				
31. Machinery, equipment & furniture				
32. Lands & Structures				
33. Investments				
34. Loans				
Total				See page 31/e
<u>40. GRANTS, INTEREST &amp; REFUNDS</u>				
41. Grants, subsidies & awards				
42. Compensations (for properties)				

ITEM NO. TITLE	ACTUAL EXPENDITURE 1965/66	RE-ESTIMATED EXPENDITURE 1966 (9 months)	ESTIMATED EXPENDITURE 1967	REMARKS
43. Contributions				
44. Scholarships				
45. Interest				
46. Refunds of prior years' collections				
47. Previous obligations				
Total				
TOTAL OF PROGRAM				

Source: H.K. of Jordan, Budget Law for (1967), (english translation), p. 31.



CHAPTER: 20/1 - MINISTRY OF EDUCATION

PROGRAM: d - VOCATIONAL EDUCATION

DETAILS OF ITEMS

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ITEM NO. TITLE	ACTUAL EXPENDITURE 1965/66	RE-ESTIMATED EXPENDITURE 1966 ( 9 months )	ESTIMATED EXPENDITURE 1967	REMARKS
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25. MATERIALS & SUPPLIES

1. Clothes & shoes
2. Stationery & office supplies
3. Fuel & oil
4. Tires
5. Kitchen utensils
6. Laboratory supplies
7. Food stuffs
8. Basic & industrial materials

31. MACHINERY, EQUIPMENT &

FURNITURE

1. Furniture
2. Tools & equipment

ITEM	ACTUAL EXPENDITURE	RE-ESTIMATED EXPENDITURE	ESTIMATED EXPENDITURE	REMARKS
NO. TITLE	1965/66	1966 (9 months)	1967	
3. Library books				
4. Civil defense equipment				

Source: H.K. of Jordan, Budget Law for (1967) (english translation), p. 31/a.

A government agency or program may have, in addition to the recurring expenses, expenditures of a productive nature called capital developmental expenditures. The latter is ordinary or/and developmental expenditure that is included in the "Seven Year Economic Plan". Therefore, the same organizational units and programs used in part (1) are also used in parts (2) and (3), namely in the capital budget. Moreover, the 4 groups of expenditure mentioned under part (1) are, also, used and each may be further divided into objects of expenditure called items. Also, some of the items in part (1) are used and are, sometimes, divided into sub-items, by objects of expenditure. Again, for each item and sub-item, where possible, the actual expenditure of the last year, a re-estimate of the current year's expenditure and an estimate of the next fiscal year's expenditure are given.

An example of classification of ordinary development expenditure is the following:

DEVELOPMENT EXPENDITURE  
(ORDINARY)

CHAPTER: 22/2 - MINISTRY OF SOCIAL AFFAIRS & LABOR

PROJECT: 2 - LABOR TRAINING & EDUCATIONAL INSTITUTE

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ITEM	ACTUAL EXPENDITURE	RE-ESTIMATED EXPENDITURE	ESTIMATED EXPENDITURE	REMARKS
NO. TITLE	1965/66	1966 (9 months)	1967	

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- 10. PERSONNEL SERVICES & BENEFITS
  - 13. Contract employees
  - 20. SERVICES & SUPPLIES
  - 21. Transportation fares & travel & field allowances
  - 22. Rents
  - 23. Utilities
  - 24. Other services
  - 25. Materials & supplies
  - 30. CAPITAL OUTLAYS
  - 31. Machinery, equipment & furniture
- TOTAL OF PROJECT
-

DEVELOPMENT EXPENDITURE  
(ORDINARY)

CHAPTER: 22/2 - MINISTRY OF SOCIAL AFFAIRS & LABOR

PROJECT: 2 - LABOR TRAINING & EDUCATIONAL INSTITUTE

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ITEM	ACTUAL EXPENDITURE	RE-ESTIMATED EXPENDITURE	ESTIMATED EXPENDITURE	REMARKS
NO. TITLE	1965/66	1966 (9 months)	1967	

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10. PERSONNEL SERVICES & BENEFITS

13. Contract employees

20. SERVICES & SUPPLIES

21. Transportation fares  
& travel & field allowances

22. Rents

23. Utilities

24. Other services

25. Materials & supplies

30. CAPITAL OUTLAYS

31. Machinery, equipment  
& furniture

TOTAL OF PROJECT

Source: H.K. of Jordan, Budget Law for (1967) (English translation), p. 127.

The third and last part of expenditure in the budget is development expenditure which is included in the 'Seven Year Economic Plan'. It is presented in a manner which is very similar to that of recurring expenditure and ordinary development expenditure.

An example:

DEVELOPMENT EXPENDITURE  
(SEVEN YEAR PLAN)

CHAPTER: 26/3 - MINISTRY OF AGRICULTURE

PROGRAM: c - AGRICULTURAL EXTENSION & SERVICES

PROJECT: 1 - SOIL CONSERVATION & OLIVE PLANTING PROJECT

ITEM NO. TITLE	ACTUAL EXPENDITURE 1965/66	RE-ESTIMATED EXPENDITURE 1966 (9 months)	ESTIMATED EXPENDITURE 1967	REMARKS
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10. PERSONNEL SERVICES & BENEFITS

13. Contract employees

14. Compensation of daily wage employees

20. SERVICES & SUPPLIES

21. Transportation fares & travel & field allowances

22. Rents

24. Other services

25. Materials & supplies

30. CAPITAL OUTLAYS

31. Machinery, equipment & furniture

TOTAL OF PROJECT

The budget document ends with three tables. One shows the aggregates of recurring expenditure, expenditure on national security, expenditure on armed forces and expenditure on developmental projects, domestic revenue, foreign grants-in-aid, contributions and loans, for the past ten years. The second table shows the companies and enterprises in which the government owns some shares, and how much it owns. And, finally, a third table showing the government debts, how much it owns to each creditor, how much does it pay as an annual interest and the duration of each debt.

It is evident from the illustrations mentioned in the foregone pages that the budget does not use one single type of classification. The structure of the present budget incorporated in the budget chapter form of presentation is synonymous with a classification by organization units. Appropriation chapters in the budget are synonymous with (identical to) government agencies. Furthermore, each Appropriation chapter is broken down into one, or more, functional programs. But, these programs are not broken down, as they should be, into sub-programs. A third type of classification used is classification by objects of expenditure. The present budget structure has a carefully worked out system of objects of expenditure classification which is used uniformly throughout all Budget chapters, but



subordinate to and after the program breakdowns in each chapter.

Not all these three types of classification serve the same purpose(s). Classification by organizational units serves budget execution and accountability. Program classification serves program formulation, budget execution and accountability. And, finally, classification by objects of expenditure serves economic analysis, budget execution and accountability.<sup>15</sup> Thus, the present structure of the budget serves more than one purpose, but heavily stresses accountability.

In addition to the three types of classification mentioned above, there are other useful types of which "performance budgeting" is most significant. In recent years "performance budgeting" and "program budgeting" have frequently been used interchangeably and often together on the theory that they are only different aspects of the same concept. However, there does exist a difference between the two.

"Program budgeting", in essence, is the planning of government activities and of their financing in terms of the services and goods provided. It generally relates to a higher qualitative level of organization and performance.

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<sup>15</sup>Burkhead, op. cit., p. 132.

It emphasizes "what the government does". A program may include a number of performance units. Program budgeting is especially useful and generally more convenient for decision-making by the executive and in making the budget review by the central budget office and the legislature.

"Performance budgeting is one which presents the purposes and objectives for which funds are required, the costs of the programs proposed for achieving these objectives, and quantitative data measuring the accomplishments and work performed under each program".<sup>16</sup> Performance budgeting stresses on "how well or poorly the government does it." It introduces the cost-benefits ratio; seeking the answer to the question ... Is the cost of an activity, program, or project worthwhile in terms of the benefits produced? Performance budgeting is most useful for management purposes. "Performance classification and analysis seeks to measure the cost and accomplishment of detailed activities and by so doing improve the implementation of programs."<sup>17</sup>

Whether to adopt "program budgeting" or "performance budgeting" or any other type of classification, is determined by factors other than the objectives of the budgetary process.

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<sup>16</sup>U.S. Bureau of Budget, as quoted in Burkhead, op. cit., p. 138.

<sup>17</sup>Burkhead, op. cit., p. 140.

The structure of the budget is determined not only by the objectives of the budgeting process but also by the institutional patterns and requirements of the national governments. Consequently, it is impossible to devise a uniformly valid standard of classification for the components of estimates of expenditures and receipts which together constitute the ensemble of the budget structure.<sup>18</sup>

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<sup>18</sup>U.N. Department of Economic Affairs, *Budgetary Structure and Classification of Government Accounts* (New York: U.N., 1951), p. 4.

## CHAPTER III

### BUDGET MACHINERY

Till recently budgeting in Jordan was identified mainly with financial accounting and control. Responsibility for preparation of the budget, up till 1962, rested with the Ministry of Finance. There was no specific budget department or division in the Ministry. Budget preparation and administration was entrusted to the Under-Secretary who carried many other administrative duties. He was assisted in budget preparation by a junior staff member whose duties were essentially those of a clerk. General accountants in the Ministry maintained records of departmental expenditures and budget allotments through the fiscal year. In certain ministries, called "closed ministries"\* such as Public Works, Health, Education, Agriculture, .. etc., there were permanent representatives of the Ministry of Finance who were assigned the duty of pre-auditing expenditures in these ministries. Among all these employees, however, there was never a single specialist in any phase of budgetary process.

With the establishment of the legislature's Bureau of Accounts in 1952,<sup>1</sup> and the General Budget Department in

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\*"Closed Ministries" are those ministries which the Minister of Finance decides to exempt from sending their vouchers to the Ministry for pre-auditing.

<sup>1</sup>H.K. of Jordan, Law of the Bureau of Accounts (No. 28), 1952.

1962,<sup>2</sup> the Ministry of Finance was relieved from many direct responsibilities pertinent to budget administration.

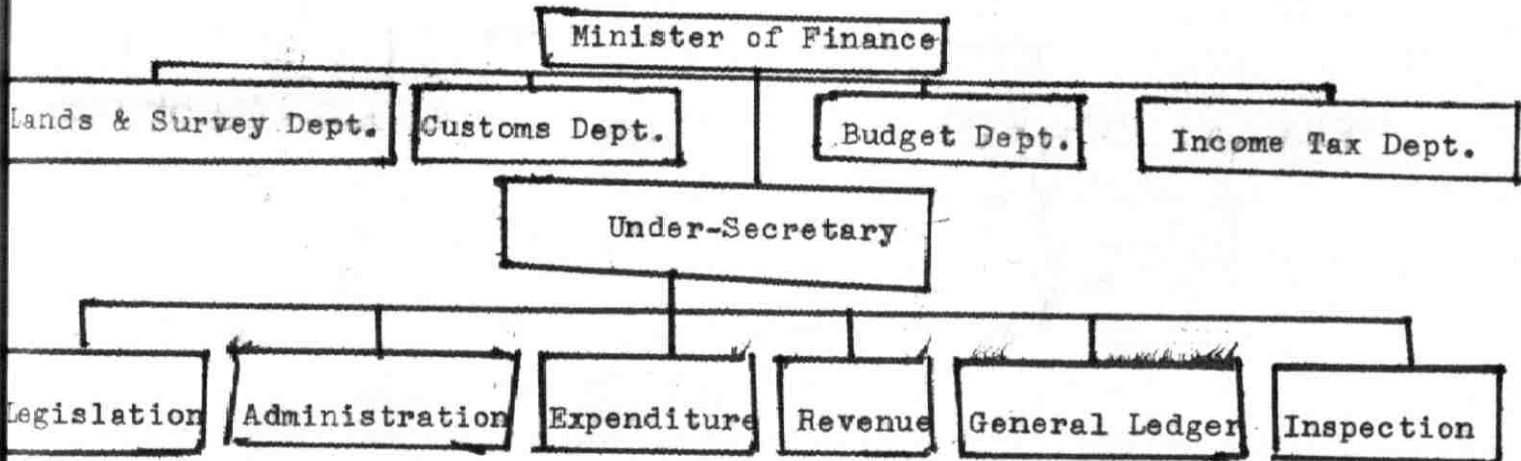
At present budgetary process in Jordan, is carried out by three agencies: the Ministry of Finance, Budget Department and Bureau of Accounts. Other agencies involved are: "Budget Advisory Board", "Central Bank" and the "Development Board". Discussion of these agencies, especially the first three, is essential to a full understanding of budget administration in Jordan.

1. Ministry of Finance

The present organization of the Ministry may be represented graphically as follows:

CHART 1

ORGANIZATIONAL STRUCTURE OF THE MINISTRY OF FINANCE



Source: Ministry of Finance, Administrative Regulations (No. 95), 1965.

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<sup>2</sup>H.K. of Jordan, General Budget Organization Law (No. 39), 1962.

Of the six main divisions of which the Ministry consists Expenditure, Revenue, General Ledger and Inspection divisions have the closest relationship to budget administration.

a) Expenditure Division. -- It is responsible for:<sup>3</sup>

- (1) providing government agencies with funds from appropriations allotted for each in the "General Budget Law",
- (2) controlling government investment, locally and abroad, subsidies, financial obligations and loans,
- (3) disbursing of funds: allotted for the Ministry, pensions and compensations, advances, trusts and General Expenditure,
- (4) auditing disbursement of appropriations allotted in the "General Budget Law". As indicated earlier such audits are carried out by authorized accountants from the Ministry of Finance assigned to "closed" ministries and agencies.

b) Revenue Division. -- The Division assesses and collects taxes and duties which fall under the jurisdiction of the Ministry, and runs government officials' guarantees. These functions are carried out by accounting units in the Ministry headquarters and in the districts.

c) Inspection Division. -- The Division is primarily concerned with the inspection of the operations of the Expenditure and Revenue divisions, to ensure that financial laws and regulations are accurately implemented and there is no unnecessary delay. The Division is expected to carry out

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<sup>3</sup>Discussion is based on Interview with Expenditure Controller, Ministry of Finance, March 27, 1967.

three general inspections during the fiscal year.<sup>4</sup> The general inspector is required to submit a report about each inspection, showing his findings and recommendations.

d) The General Ledger Division - Its main concern is consolidating monthly and annually both receipts and expenditures, by chapters and items of the "General Budget Law".<sup>5</sup> It, also, consolidates both trusts and advances. The Division, in addition, is responsible for adjusting accounts of settlements and for the closing of accounts.<sup>6</sup>

The foregoing summary duties and responsibilities of the above-mentioned divisions reveals that the Ministry still plays a significant role in Jordan's budget administration.

## 2. General Budget Department

The Budget Department, often called "The Department of the General Budget" was created in 1962, by the "General Budget Organization Law (No. 39) of the Year 1962". Article V of the Law provides that the Department shall be responsible for the following activities:

- (1) Prepare the general annual budget of the Kingdom.
- (2) Propose allocations of funds necessary for executing the general policy adopted by the council of Ministers.

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<sup>4</sup>Ministry of Finance, Administrative Regulations (No. 95), 1965, Art. 29.

<sup>5</sup>Interview with the Chief of the General Ledger Division, March 29, 1967.

<sup>6</sup>Ministry of Finance, op. cit., Art. 32.

- (3) Revise appropriations requests made by all Government agencies.
- (4) Examine all programs, activities, and projects for which appropriations are requested to ascertain their effectiveness and interrelationship.
- (5) Assure the elimination of unnecessary duplications of programs and of financing.
- (6) Ensure compliance of appropriation requests with economic, fiscal, and other policies as determined by the Council of Ministers.
- (7) Request information concerning program activities, projects, and their financing from all Government agencies.
- (8) Review all documents, correspondence, and financial records of any Government agency.
- (9) Investigate and analyze, annually in cooperation with the Civil Service Commission, the administrative operations and programs of all Government agencies to develop programs for their improvement.
- (10) Prepare and issue the budget calendar consisting of deadline dates for submission of budget policy documents, budget estimates and other material in order that the General Budget may be approved by April (January, starting from 1967) of each year.

a) Present Staffing

The present organizational structure of the Department is arranged as illustrated in Chart 2 following:





It is appropriate to emphasize here that detailed Departmental instructions assign to Chief Budget Examiner and Budget Examiners extensive duties and responsibilities pertinent to budget preparation and execution as well as with respect to the improvement of administration in various agencies. Unfortunately, however, not all of these functions are being performed. For the most part Budget Examiners devote most of their time to budget preparative work and very little, if any, time to the other activities which legally and practically should also have extensive attention. In a report prepared by the G-K Management Consulting Team it has been remarked, "there is a lack of effective operations by the Budget Department on a year round basis. Except during the six weeks when the budget is being prepared the analysts can be seen reading text books and doing routine mathematical checks of documents.. Little administrative analysis is being conducted by the staff.. There is very little program review of budgets".<sup>7</sup>

The role of the central budget office should not, in this writer's judgement, by any means, be limited to budget preparation. There is much to be done by the Budget Examiners during the so called "off season" following the completion of

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<sup>7</sup>Griffenhagen-Kroeger, Inc., Consultants in Public Administration to Jordan, Recommendations for Efficient Utilization of Current Budget and Accounting Systems of the Government of Jordan (Amman, 1965).

the annual budget document. The nature of their activities ranges from computing and checking estimates and program review to inspections, investigations, surveys and activity reviews of all agencies of government. In Modernization of Government Budget Administration, the ancillary activities of a modern central budget agency should include:

1. Inspections involving examinations of agency activities for compliance with standards, rules, regulations or for the quality of product or performance. They involve fact-findings, analysis and judgement as to conformity. They are frequently undertaken as preventive measures.
2. Investigations or inquiries into agency activities for the purpose of determining what has happened, and who is responsible when it appears that a departure from authorized or standard procedures, rules, or practices has occurred. The term "investigation" sometimes implies an element of secrecy in conducting the inquiry and is usually directed toward a fairly specific or circumscribed subject or phase of operations.
3. Surveys covering a great variety of studies or projects. Usually they are not periodic but are instituted as needs for this type of analysis become apparent. Ordinarily, surveys stress the identification of areas of operation where improvements are needed and the means for effecting

such improvements. Compliance, as such, is not normally a primary concern of surveys.

4. Audits which usually assume an established pattern of examination, with emphasis on regular periodic reviews of transactions after they have been completed. They are also primarily preventive in purpose and are usually concerned with compliance with previously established principles and directives.<sup>8</sup>

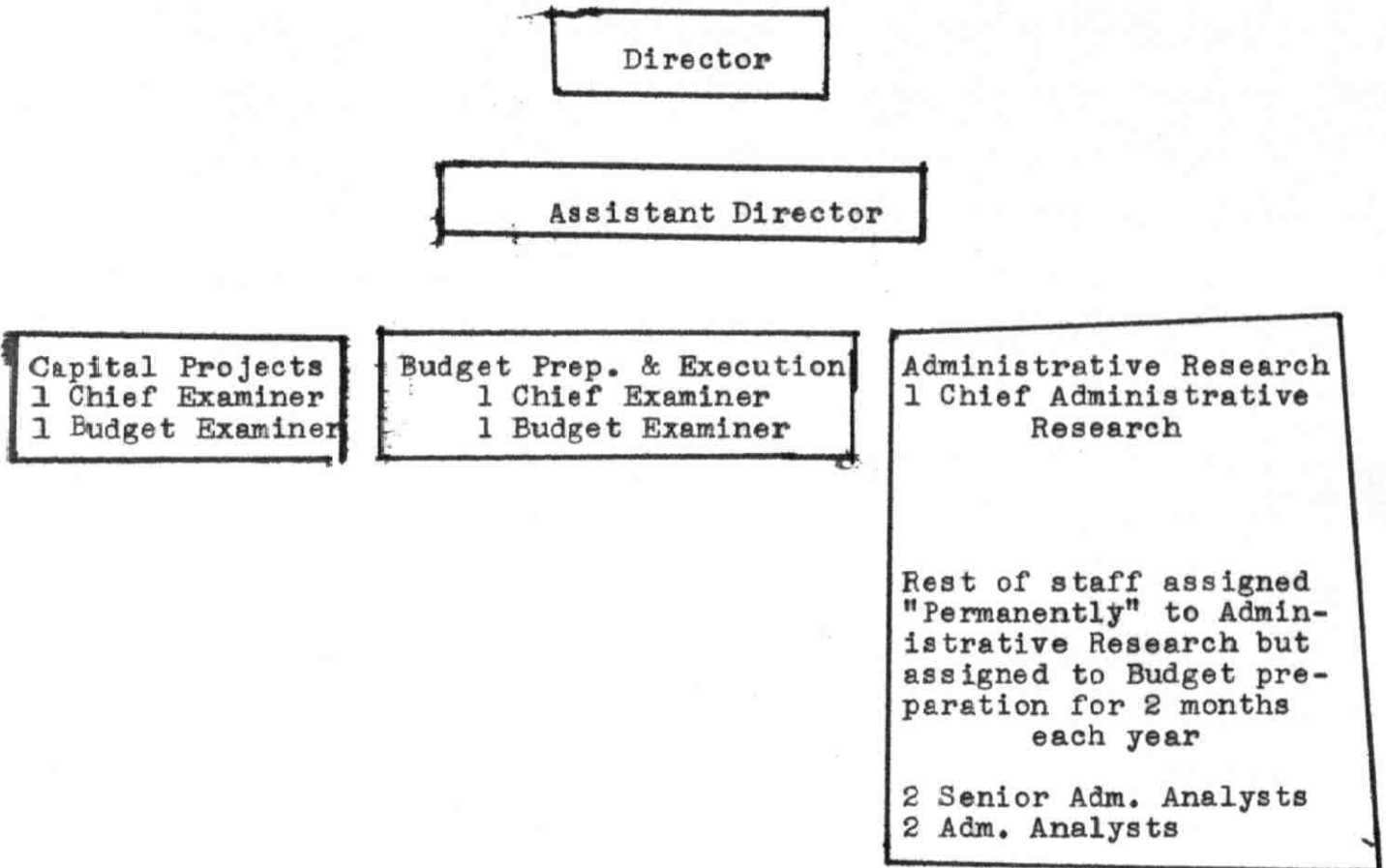
In short, the Jordan's Budget Department staff is not presently either efficiently organized or fully and properly utilized. The G/K Management Consulting Team recommended corrective action. It was specially proposed that the Budget Department should be expanded, organized and utilized as follows:

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<sup>8</sup>Public Administration Service, op. cit., p. 82.

CHART 3

RECOMMENDED ORGANIZATIONAL STRUCTURE OF THE BUDGET DEPARTMENT



Source: G-K Management Consulting Team, Efficient Utilization of Government Budget and Accounting Systems.

b) Placement of the Department

The General Budget Organization Law of 1962 attached the Budget Department to the Ministry of Finance, and thereby preserved the long-established orientation toward budgeting, i.e., looking at budgeting merely as a financial control matter, with minor attention to operational effectiveness, organizational relationships, levels of service and matters relating to decision-making policies. But, a major objective of budgeting is to assist the chief executive and key officials in decision-making. For this reason it is contended that the Budget activity should be attached to the Prime Ministry.

In support of this observation, it is submitted that the Budget Department is responsible for annual fiscal planning, for the coordination and appraisal of objectives of the Government's regular operating activities and for assuring the development and execution of feasible and economic work plans for the achievement of these objectives. Fiscal planning is much more difficult than is readily apparent. Furthermore, its effectiveness is largely determined by the relationship between the fiscal planning agency on one side and, on the other, the chief executive and other governmental agencies. Close cooperation and coordination between the fiscal planning agency and these other agencies is essential for successful plan implementation and control. Attachment of the fiscal planners to the chief executive will do much

to create receptive attitudes by other agencies toward the fiscal planning agency. In addition, by having fiscal planners close by, the chief executive can and will be more apt to make more regular, frequent and effective use of the agency in formulating national fiscal and operational policies.

### 3. Budget Advisory Board

Article IV of the 'General Budget Organization Law' (No. 39), 1962, has provided for the creation of a Budget Advisory Board to advise the Director of the Budget Department on the entire budget policy. Members of the Board are: Minister of Finance, Minister of National Economy, Auditor General, and vice-president of the Development Board. Commenting on the actual role of the Board, G-K Management Consulting Team remarked, "This board has not functioned as extensively as it should. Instead, there is an informal group consisting of representatives of the Central Bank, the Jordan Development Board, the Ministry of National Economy, the Budget Director and the Budget Advisor for USAID/Jordan."<sup>9</sup> The Committee prepares annually, few months prior to budget preparation, a thorough review and analysis of the economic and fiscal situation of the Government. The annual budget is then prepared in the light of the findings and guidelines

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<sup>9</sup>G-K Management Consulting Team., op. cit.

provided by the committee.

#### 4. Jordan Development Board

The Jordan Development Board was created in 1952 by the Act (No. 37). In 1957, another law (No. 15),<sup>10</sup> was passed, bringing the Board to its present form. It is the only central planning organ, for long and medium term economic planning, in the country. In addition, the Board is responsible for preparing an annual implementation program of projects included in the economic plan. The implementation program is designed to include:

1. Departmental budget proposals of non-recurring expenditures but of productive nature, before such proposals being included in the annual budget.
2. Development projects that are carried out by official and non-official agencies, including all foreign contributions for economic development.
3. All economic developmental projects financed entirely or partially from the Board's funds or by internal and external borrowing.<sup>11</sup>

Furthermore, the Board assumes responsibility for carrying out the capital developmental projects embodied in

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<sup>10</sup>H.K. of Jordan, Law of Jordan Development Board (No. 15), 1957.

<sup>11</sup>Ibid, Art. XI.



the budget, through the concerned agencies which are required under the law to follow the Board's directions and to submit periodical work progress reports. These projects may, however, be carried out through private contractors, in which case similar budgeting and reporting requirements must be met.

#### 5. The Central Bank

The Central Bank plays only a minor role in the budgetary process. It takes part only in the preparatory phase through its representative in the Budget Advisory Board, along with representatives of other agencies, namely the Ministry of Finance, Ministry of National Economy, Budget Department and Bureau of Audits. As previously mentioned, this participation takes the form of a thorough study and appraisal of the current economic and fiscal situation of the Government prior to budget preparation. In addition, the Bank participates in deciding upon developmental projects to be included in the budget and their financing.<sup>12</sup>

#### 6. Bureau of Accounts

The Bureau of Accounts was created in 1952, by Law of the Bureau of Accounts (No. 28), primarily to conduct post-audits of both governmental expenditure and revenue through the entire fiscal year, and to submit an annual report to the legislature regarding its findings and recommendations.

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<sup>12</sup> Interview with the Director of Economic Research, The Central Bank, July 8, 1967.

Concerning revenue, the Bureau audits assessment and collection of taxes, duties, etc., to ensure that they are carried out in accordance with present laws and regulations. It audits collections to ensure that they have been carried out on due time, sent to the treasury and entered in the specified chapters and items in the General Budget. In addition, the Bureau audits transactions of sales of government lands and estates, their authorization and rent. Finally, the Bureau audits revenues transactions that have been cancelled and indemnities payments to assure compliance with the relevant laws and regulations.

As for expenditure, the Bureau audits the disbursement process to assure that all appropriations are spent for the purposes and in the manner specified in the General Budget, and in accordance with the applicable laws and regulations. It audits disbursement orders to ensure that they comply with laws and regulations. It also audits documents and records prepared to support disbursements to ensure their validity. In addition, the Bureau audits expenditures to ensure that they are properly classified and entered in the right chapters and under the correct items in the "General Budget." Finally, the Bureau is required to see to it provisions and appendices of the General Budget Law are implemented by the issuance of appropriate financial orders and allotments.

Furthermore, the Bureau audits trusts, advances, loans, accounts, cash, stamps, documents and records of any value in any government agency. Also, the Bureau audits the accounts, transactions and records of municipalities and semi-autonomous agencies, upon the request of the Prime Minister.<sup>13</sup>

In addition to post-audit, the Bureau actually pre-audits all vouchers above JD 100 and "all tenders of more than JD 1000."<sup>14</sup>

The Bureau conducts auditing both in its own offices and in the offices of government agencies. It has (12) auditing units distributed among the headquarters and the districts. Each unit has a chief auditor and a number of subordinate auditors.<sup>15</sup>

In concluding this brief discussion, it is appropriate to record a few summary observations regarding the overall budget administration in Jordan. First, it is evident from the foregoing discussion that the major departments responsible for budget administration are: the Budget Department, Ministry of Finance and the Bureau of Audits. Second, responsibility for budget preparation rests entirely with the Budget Department. Third, responsibility for budget

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<sup>13</sup> Interview with Assistant Undersecretary of the Bureau, July 7, 1967.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

execution and accounting is entrusted with both the Budget Department and Ministry of Finance, with the latter playing a major role. Fourth, both the Ministry of Finance and the Bureau of Audits conduct budget auditing, with the latter playing a major role. Fifth, and finally, other agencies play a so called budget advisory role.

The reader will have observed that no mention has been made of either the legislature or the operating agencies. This is because they fit more in the budgetary process. Therefore, the writer believes that the picture will be more clear and rather complete by discussing the budgetary process, in the next chapter.

## CHAPTER IV

### BUDGETARY PROCESS

A national budget usually passes through four stages. First, budget preparation which consists mainly of making advance estimates of revenue and expenditure by the executive arm of the government. Second, budget authorization by the legislature. Third, budget implementation which is essentially an executive process. And, finally, budget auditing which is partly an executive and partly a legislative responsibility.

However, there is more than one way to prepare, adopt and execute a national budget. National objectives, the constitutional framework of the country, the organizational structure of the government, the socio-economic and political environments, and the stage of development the country has reached, all shape the budgetary process in any particular country. The four budgetary process mentioned above apply to the Government of Jordan.

#### A. Budget Preparation

The Constitution of Jordan provides that an annual budget be prepared and submitted to the National Assembly (Parliament)<sup>1</sup>. Though the Constitution has not explicitly entrusted the responsibility for budget preparation with a

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<sup>1</sup>H.K. of Jordan, The Constitution, Art. 112, Sec. (9).

particular body, it has been implicitly understood that it is the responsibility of the executive.

1. Budget Calendar

The budget calendar can and should be the basic tool in budget preparation. It is a schedule of deadline dates for submission of budget policy documents, budget estimates, and other material in order that appropriations be made by the beginning of the fiscal year, and to insure coordinated preparation of the budget. The budget calendar is not specifically prescribed in the General Budget Organization Law (No. 39), 1962, article V, Section J. In practice, however, the budget calendar is not issued on the basis of a standard procedure. Thus, instead of being a permanent regulation continuing year after year, the budget calendar is issued each year on a different date. Very often, it is issued very late in the year, and thereby allowing insufficient time for the various ministries and departments to prepare and carefully review their estimates and proposed projects. Neither is the Budget Department allowed sufficient time to analyze the estimates and review the programs that the estimates cover. The end result is a loose and haphazard budget preparation procedure. Moreover, these delays prevent appropriations being made by the beginning of the fiscal year.

It is apparent that the budget calendar needs to be covered by permanent regulation. Without adherence to a

firm schedule of budget preparation, adequate budget planning of the Government operations is at best to be very difficult and at worst a very inefficient and haphazard exercise. The following budget calendar was recommended to be issued as a regulation continuously in force, until conditions may warrant adjustment:<sup>2</sup>

Begin Appraisal of Economic and Fiscal Situation	July	1st
Submission of Recommendations of Fiscal and Economic Policy to Prime Minister	July	22nd
Issue Circular by Prime Minister outlining Fiscal and Economic Policy to be followed in the Preparation of Budget Estimates	August	1st
Submission of Budget Estimates by the Ministries to Budget Department (including establishment lists of employees) which thereupon reviews, estimates and conducts hearings as necessary.	September	1st
Begin Compiling and Printing of draft budget	November	1st
Submission of draft budget to Council of Ministers	November	15th
Submission of Budget to Parliament	December	1st

It must be mentioned, here, that starting with the 1967 budget, Jordan's fiscal year begins on January 1st

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<sup>2</sup>G-K Management Consulting Team, op. cit.

instead of April 1st, (as used to be).

## 2. Annual Economic Fiscal Review

Starting with the 1964/65 budget, a valuable administrative practice was initiated, and has been followed ever since. In November, 1963, an informal committee consisting of representatives from the Budget Department and the Jordan Development Board collaborated in making a study of the economic and fiscal situation of the Government. A paper titled 'The 1964/65 Budget Situation' comprising the Committee's findings and recommendations, was forwarded to the Prime Minister for his guidance in framing budget policy. The significance of this joint economic and financial study by the two principal planning agencies in the Government of Jordan, represented a significant improvement in Government's financial management.

Late in 1964 and early in 1965 representatives from the two agencies together with a representative from the Central Bank collaborated on a study which again reviewed the economic and fiscal situation as background for the Council of Ministers to establish budget and fiscal policies as bases for preparation of the 1965/66 budget.

In December 1965, a study was forwarded to the Prime Minister to assist him in formulating general policy for preparation of the 1966 budget. But this time a representative from the Ministry of National Economy had joined the other three mentioned above.



'The 1967 Budget Situation' study was carried out by representatives from the four agencies mentioned above with the assistance of a representative from the Bureau of Accounts.

In this writer's judgement this administrative practice has been demonstrated to have considerable value and, therefore, should be institutionalized and strengthened by its inclusion in the General Budget Organization Law. Furthermore, it is believed that an economic and fiscal study such as those made so far would be more valuable if it were to cover the private sector.

### 3. Prime Minister's Instructions

With the guidance of the 'Budget Situation' study, the Budget Department embarks on preparing the outlines and instructions to be followed by the various governmental agencies in preparing their budget proposals (requests). The Prime Minister signs the 'Circular', very often with but minor changes, and has it distributed among various ministries and departments for their guidance. Formerly the circular mainly stressed recurring expenditure, with very little attention being given to capital development expenditure. Fortunately, in 1966, the Prime Minister issued, in addition to the budget calendar, a circular instructing ministries and departments to prepare their own capital budget estimates, and in so doing, he extended Prime Ministry and Ministry attention to both recurring and capital expenditures.

#### 4. Preparation of Expenditure Estimates

After the Prime Minister's circular has been issued and distributed among Government agencies, the Budget Department sends a 'call' to each ministry and department to embark on preparing its budget proposals. Along with the 'call' are sent the printed forms on which estimates are to be prepared. These standardized forms are of two main types; one for recurring expenditure, and the other for capital expenditure. In addition, supplementary forms generally made available for use to show details of particular items and categories of expense.\*

##### a) Recurring Expenditure

Though the General Budget Organization Law provides that "each government agency will assign an official of class one called "Budget and Planning Officer", to serve as the link between that agency and the Budget Department and the Development Board in all matters pertinent to the agency budget"<sup>3</sup>, not a single agency has ever formerly designated a budget officer. Instead, the preparation of budget estimates for recurring expenses have been entrusted with the Chief Accountant (of the agency) advised and directed, sometimes, by the Under-secretary and his Assistant. The Chief Accountant is very often an ordinary employee of secondary education or less. While these officials usually

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<sup>3</sup>Art. VI.

\*See Appendix.

have considerable experience in governmental accounting, their ideas on budgeting are generally outmoded. To illustrate, these officials usually prepare the agency budget estimates for recurring expenditure from incomplete current year's figures (from the establishment list of employees, records of supplies, equipment and furniture, ... etc), bearing little relationship to on-going and proposed programs. Thus, they just copy incomplete and insufficient historical figures, making only the most obvious and necessary minor changes. It is quite apparent that modern budgetary techniques, methods and procedures are still largely unknown at the departmental level. Moreover, knowing ~~that~~ that the expenditure estimates are probably going to be curtailed to reconcile more closely to revenue estimates by the Budget Department, the departments and ministries tend to overestimate expected expenses. It almost goes without saying that the combination of inadequate program cost information and the prevailing practice of over-estimating ~~complicates~~ the budget preparation process to a very large degree.

As was noted earlier, an annual budget should not be merely a preliminary proposal of government expenditure and revenue. Instead it was contended that it must be a plan that has an impact on the whole economy and every national aspect. To plan an agency's annual budget and to actually compile the national budget is never an easy task. To

accomplish this, the budget planner must be well exceptionally informed of the objectives and policies of the agency and of its clientele's needs and demands. In addition, he must be well acquainted with the objectives and policies of other agencies and of the nation as a whole. Above all, he should be capable of planning or programming adequately. Thus, one can not help but notice how dangerous and detrimental to national objectives it is leaving budget planning in the hands of incapable accountants, who have inadequate background in pertinent field except for that of outmoded governmental accounting practices. Such practices have become obsolete in many respects and are no longer suited to the current needs of accountability and program management. They have been designed primarily to serve legal accountability rather than management or planning purposes. Moreover, cost data is the basic informational tool for budget preparation, but such is not. Cost accounting systems have not been introduced. Though some ministries and departments have relatively long-established "Statistical and Cost Accounting Units" these units are presently only resorts for incapable people who can more often than not be observed doing nothing but filing, reading novels or otherwise involved in purposeless occupations.

b) Capital Budget

Capital development expenditures are classified into two categories, developmental projects which are included in the 'Seven Year Economic Plan', and ordinary developmental

projects which fall within the Government scheme for national reconstruction and development.<sup>4</sup> The first category includes all development projects which will be financed partially or entirely, under the supervision of the Jordan Development Board.

At the time the 'Economic and Financial Appraisal' is conducted, and the findings and recommendations are forwarded to the Prime Minister, a 'Capital Developmental Projects Financing Committee' meets to discuss the developmental projects to be embodied in the General Budget. The committee lists projects according to priority and decides upon the means to finance the projects.

Development expenditure estimates receive generally more favourable consideration than recurring expenditure estimates. The former are almost always prepared by the supervisor in charge of the program or project. This official examines, with cooperation of his subordinates, the projects to be included in the General Budget and prepares the budget estimates for such projects on the basis of (actual) previous tenders and costs, taking into consideration the rise in prices and other changes.<sup>5</sup> These estimates are

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<sup>4</sup>Prime Minister's office, Circular No. 39, June 28, 1966.

<sup>5</sup>Interview with Highways Director, Ministry of Public Works, July 10, 1967.

required to be submitted to the Budget Department at least two months earlier than budget estimates for recurring expenditure in order that a comprehensive review may be completed well in advance of their finalization.<sup>6</sup>

Budget estimates for both recurring and Capital expenditure are prepared and submitted to the Budget Department containing proposed appropriations but without either a schedule of proposed financial activities or supporting justification statements.

On the whole, it is apparent that budgeting at the departmental level is rather a loose (undisciplined) procedure.

To correct the deficiencies outlined here, the Government of Jordan should immediately appoint Budget and Planning officers in all Ministries and major Departments. These Budget Offices should be assisted by Budget Examiners who are charged with responsibilities for the agencies' major programs and/or organizational units. The heads of these program and organization units should, of course, be the senior executives and, for budget purposes, report directly to the under-secretary. In addition, it is proposed that the Budget Department and the Jordan Development Board, collaborate in the preparation of more adequate instructional materials for the use of fledgling agency budget and planning staffs until such time as the new Jordan Institute of Public Administration

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<sup>6</sup>Prime Minister's office, op. cit.

can take over any necessary training activities.<sup>7</sup>

Furthermore, it is quite apparrant that present Budget Regulations should be revised to require all ministries and departments to submit with their budget requests for funds "(1) full justifications for such requests in the forms of narratives, cost data, work load tables, and cost/benefits ratios, etc., (2) narrative expositions of agency and program objectives, and (3) details of proposed means for attaining these objectives."<sup>8</sup>

#### 5. Role of the Budget Department

Budget review, analysis, and revision by the central budget agency is of no less significance than preparation of expenditure and review/<sup>of</sup> estimates (proposals) by the various governmental agencies. In Jordan, this is being done but it requires much more emphasis. In addition, planning and/or programming are largely unknown at the departmental level, and so the proposals of the ministries and departments are very likely to overlap and duplicate. Proposals should be, on one hand, complementary to each other and, on the other, complement those of the private sector. Moreover, these proposals are, often, prepared according to a loose procedure and are presented in such a manner that may serve

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<sup>7</sup>Gordon Potter, A Five Year Plan of Budget and Planing Improvement (Amman; 1966), p. 55.

<sup>8</sup>Ibid, p. 56.

only for control purposes. These deficiencies of budget planning at the departmental level impose a serious challenge to the Budget Department staff.

At the time the budget proposals are being prepared and submitted to Budget Department by all government agencies, each Budget Examiner of the Budget Department is assigned one agency or more for which he is responsible. He is required to analyze the budget estimates and review the programs of the agency (or agencies). He is also expected to conduct hearings, as necessary, with the Chief Accountant and even with the Under-Secretary of the agency. Very often, such hearings are converted into a bargaining affair- the Budget Department trying to cut the estimates as much as possible while the agency is trying to minimize such reduction. These hearings are very much influenced by the personality of the chief Accountant, the Under-Secretary and, even, by the Minister who may not be attending these hearings. This procedure is essential since budget estimates are overestimated, and they have no narrative statements, justifications or cost/benefits ratios ..etc, upon which sound discussion and review can be based. During these hearings, controversy occurs most when discussing capital expenditure and new entries (openings) are requested in recurring expenditure. This controversy may involve the two ministers - the Minister concerned and the Minister of Finance/Budget. If agreement is not reached, the matter is referred to the Council of



Ministers whose decisions are decisive.<sup>9</sup>

On the other hand, the Budget Department Staff is more concerned with curtailing expenditure estimates than adjusting, analyzing and reviewing. Because no program review guidelines and no budget analysis techniques have been adopted by the Examiners of the Budget Department to evaluate the requests, the operation of the budget adjustment is essentially a mechanical operation. There is very little program review of budgets and administrative analysis conducted by the staff. They are primarily concerned with accounting and control aspects of the budget.

#### 6. Preparation of Revenue Estimates

The two major sources of revenue in Jordan are: (1) foreign grants-in-aid, contributions and loans, and (2) domestic revenue, realized from taxes, duties, public undertakings and royalties.

At the time the various governmental agencies are instructed to prepare their budget proposals, the Budget Department embarks on preparing revenue estimates. Estimates for foreign grants-in-aid and loans are based on bilateral agreements between the Government of Jordan and the lender or donor Governments. Thus, no estimating problems are involved, though other problems, such as political considerations, may come into the picture.

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<sup>9</sup>Interview with Budget Director, March 27, 1967.

Domestic revenue, on the other hand, is estimated on the basis of actual past collections. By the time the budget preparation has started, actual receipts of nearly (9) months of the current fiscal year have been accumulated, by source of revenue, in the Ministry of Finance/General Ledger Division. These receipts are forwarded by the Income Tax Department, Customs Department, and the Department of Lands and Survey, each within its field. The Budget Department makes estimates for domestic revenue on the basis of the actual collections during the proceeding nine months. The general trend of collections over the past few years is, however, also taken into consideration.<sup>10</sup>

As a result of the complexity and malstructure of revenue system, particularly the tax system, lack of competent personnel for assessing and collecting taxes, and very loose procedures and methods of assessment and collection, domestic revenue has been usually under-estimated. This conservative practice has a counter effect on economic development. A more accurate method that may be suggested for estimating revenue, is the average method, namely taking an average of the increases in actual collections over three or five years and adding this to the last year. Even this method is not free of deficiencies. For, such averages must be carefully computed and checked by separate and current economic analyses. Even if this is done, these averages may

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<sup>10</sup>Ibid.

become misleading when the whole economy is fluctuating considerably. In Modernizing Government Budget Administration, it has been noted:

Estimation of the revenue to be derived from the various tax sources is basically an economic problem involving economic analyses. Often, however, it is treated as though nothing more ~~was~~ were involved than the addition of columns of figures. Often no economist is involved anywhere in the estimating process, even though some of the simplest types of economic analysis would produce startling results, -could reveal discrepancies of great significance, for example, between the amounts of revenue actually collected and the amounts that should be anticipated from particular tax sources."<sup>11</sup>

Thus, an accurate and reliable estimate of revenue requires a review and revision of the tax structure. But in addition it requires competent personnel for assessing and collecting taxes through modern techniques and methods of assessment and collection. Finally, it requires sufficient data for economic analysis. Though a number of studies has been conducted on tax structure and invaluable recommendations were submitted, no serious effort has been made to implement these recommendations.

#### 7. Draft Budget

Estimates of both revenue and expenditure are analyzed by the Budget Department and then compiled and printed into a

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<sup>11</sup>Public Administration Service, Modernizing Government Revenue Administration (Washington: ICA, 1961), p. 35.

so called "draft budget" which is promptly forwarded to the Prime Minister. The latter appoints a Committee from among the Ministers to review it in the light the general fiscal and economic policies embodied in the Prime Minister's earlier circular. The Committee reports its findings and suggestions to the Prime Minister who then presents the 'draft budget' to the Council of Ministers whose approval is merely an automatic process. Being approved by The Council of Ministers, the 'draft budget' is returned to the Budget Department where the staff makes the necessary editorial adjustments and then has it printed in final form called the "General Budget Draft Law". This is forwarded to Parliament for approval.

8. Establishment Regulations of Government Positions

Once the budget is approved by Parliament and put into operation, it invariably becomes the focal point of complaints and several types of problems and conflicts between the Budget Department on one side and the various ministries and departments on the other, especially in connection with expenditure on personnel services. Very often these problems emerge with respect to employment, promotions and salary increases. In an effort to minimize these problems the Budget Department now issues "Establishment Regulations of all Government Positions" نظام تسييرت بنفها نفها

Listed in these Regulations are all Government positions according to Budget Chapters and principal programs under each. Under each Chapter and program positions are classified into three categories; (a) Classified positions, (b) Un-classified positions with high cost of living allowance and (c) Un-classified positions without allowance. In some instances, a fourth category may be included, namely positions on contractual basis. Each category is divided into items according to the title of position. Items of all categories under each chapter and program have a serial number. Thus employment, promotions and salary increases are carried out within each ministry and department in the light of these Regulations.

An example of the Establishment Regulations follows:

CHAPTER: MINISTRY OF EDUCATION

PROGRAM: D - VOCATIONAL EDUCATION

ITEM NO.	TITLE	GRADE OR SALARY	NO.		REMARKS
			1966	1967	
<u>CLASSIFIED POSITIONS</u>					
1.	Headmaster		1	1	
2.	Headmaster, teacher		5	5	
3.	Headmaster, teacher		8	15	
4.	Teacher		6	6	
5.	Teacher, Store Keeper		18	18	
6.	Teacher, Clerk, Store Keeper		15	15	
7.	Teacher, Clerk, Store Keeper		32	42	
8.	Teacher, Clerk		2	2	
			<u>87</u>	<u>104</u>	
<u>UN-CLASSIFIED POSITIONS/with cost of high living allowance</u>					
9.	Walter	JD 18	1	1	
10.	Cooker	JD 16	1	1	
11.	Messenger	JD 13	6	6	
12.	Messenger	JD 11	4	4	
13.	Messenger	JD 10	5	5	
			<u>17</u>	<u>17</u>	

ITEM NO.	TITLE	GRADE/OR	SALARY	NO.	NO.	REMARKS
				1966	1967	
<u>UN-CLASSIFIED POSITIONS/without allowance</u>						
14.	Teacher	JD 35		1	1	
15.	Driver	21		1	1	
16.	Driver	18		3	3	
17.	Messenger, Cooker	15		2	4	
18.	Messenger, Cooker, gardner	12		9	13	
19.	Messenger, guardman	9		$\frac{14}{30}$	$\frac{18}{40}$	
				<u>134</u>	<u>161</u>	

Source: H.K. of Jordan, Establishment Regulations of Government Positions for 1967, p. 42.

B. Legislative Authorization

The Constitution provides that an annual General Budget shall be submitted to Parliament for debate at least one month prior to the beginning of the fiscal year.<sup>12</sup> The Jordanian legislative body, called 'National Assembly' or Parliament, is bi-cameral, an upper House of Notables (Senate) and a lower; House of Representatives. Members of the upper House, consisting of half the number of the members of the lower House, are appointed by His Majesty the King from among ex-prime ministers and ex-ministers. Members of the Lower House, now consisting of sixty members, are elected by secret ballot, in a general direct election carried out in accordance with the 'General Electoral Law'.

The Parliament holds its ordinary session on November 1st of each year, by a Royal Decree,<sup>13</sup> i.e., two months prior to the beginning of the fiscal year. But, in many instances it (Parliament) has been called to hold an extraordinary session to act on the budget;

1. Budget Speech

The 'General Draft Budget Law' is usually presented to Parliament by the Minister of Finance/Budget. The Minister

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<sup>12</sup>Art. 112, Sec. (a).

<sup>13</sup>Ibid, Art. 78, Sec. (a).



delivers his traditional speech outlining the economic and financial policies of the Government, the total revenue and expenditure of the budget, any budget surplus or deficit, and the major projects included in the budget. During the speech, he is interrupted frequently by irrelevant remarks by the members.<sup>14</sup>

## 2. Committee System

The Committee system is widely used in the legislative body. Each House has a number of one-purpose committees. Unfortunately, the committees of both Houses function independently from another, and with very little coordination.

When the budget speech is over, the President of the House of Representatives forwards the budget to the Chairman of 'Finance Committee' of the House for committee study and criticism. The Committee carries out its study in the light of the general fiscal and economic policies formulated by the Prime Minister, earlier. During ~~its~~ study, the Committee may, but it rarely does, ask any ministry or department for further explanation or more information concerning the ministry's budget proposal. On completing its study, the Committee reports its findings and recommendations to the President of the House of Representatives in

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<sup>14</sup>H.K. of Jordan, Parliamentary Debates.

writing.

When the House of Representatives meet on the date assigned for budget discussion, the President of the House reads the report of the committee before the members. Then, the budget debate begins. The debates held on the budget range overall manner of subjects. Mostly, the speeches are summary commentaries on the trend of government activities and policies; statements of opinion on international, national and regional problems; and the usual almost meaningless remarks based on rumor and unsupported accusation of bias and fear. It cannot be said that the budget debate provides the student of governmental processes either inspiration or any very useful information. At best, it is an example of a fairly well disciplined political machine under full power. At worst, it is a demonstration of another example of following the "forms" of democracy but failing to apply its "spirit".

### 3, Vote on the Budget

When the budget debate is over, the President of the House calls the members to vote on its adoption. The budget is voted first in its entirety and then chapter by chapter. With respect to the latter, only the sum total of each chapter is being voted on. Two-thirds of the members of the House must be present in order that the

session be legal.<sup>15</sup> Furthermore, a majority vote of those present is required to pass any law<sup>16</sup> and this applies to the budget, as well. Where approved by the House of Representatives, the budget along with the report of the 'Finance Committee' of the House, are forwarded to the Senate.

#### 4. Action by the Senate

After having the report of the 'Finance Committee' of the lower House read before the members of the Senate, the President refers both the budget/<sup>and</sup>the report to the 'Finance Committee' of the Senate for further study and review. The same steps that are followed in the House of Representatives are again followed in the Senate with the same result.

#### 5. The King's Signature

In addition to approval by both Houses, the 'General Budget Law' is required to be signed by the King before it can be put into effect. Moreover, it is required to be published in the Official Gazette, and it is put into force only one month after being published."<sup>17</sup>

By way of conclusion it is appropriate to note three situations which may bear on the Budget Law. First, the Constitution empowers the Council of Ministers to pass

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<sup>15</sup>The Constitution, Art. 84, Sec. (a).

<sup>16</sup>Ibid, Art. 84, Sec. (b).

<sup>17</sup>Ibid, Art. 93, Sec. (a).

'Provisional Laws' with the King's approval, when Parliament is not in session and there is a public crisis, a state of war or emergency or a critical need for urgent expenditures that cannot be postponed.<sup>18</sup> Thus, in 1967 when the King dissolved Parliament for general elections, the 1967 budget was actually approved through a 'Provisional Law' passed by the Council of Ministers and approved by the King. This practice provides necessary flexibility in emergency situations but could, conceivably be abused.

Second, the 'General Budget Law' has been very often enacted after the beginning of the fiscal year. Current operating expenses were met on the basis of last year's appropriations. The Constitution provides that if the Budget Law is not passed prior to the beginning of the fiscal year, the budget for the previous year shall remain in force, and expenditures are allotted monthly at the rate of one-twelfth of last year's appropriations."<sup>19</sup> Here again, the intent is to provide flexibility in emergency or other unusual circumstances.

Third, upon recommendation of the Minister of Finance, the Council of Ministers may authorize an expenditure in addition to the amount appropriated in the original budget. This is called an 'advance'. The 'advances' are not consi-

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<sup>18</sup>Art. 94.

<sup>19</sup>Art. 13.

dered appropriations until a supplementary budget is passed by Parliament and they are not included in the budget document until they are so approved. Unfortunately, approval of an 'advance' by the Council of Ministers is not preceded by an analysis by the Budget Department.<sup>20</sup> Furthermore, supplementary budget allocations usually represent failure to make adequate estimates at the time the budget is initially prepared. In fact, this practice, if not kept in check, can lead to the breakdown of the budget as the country's main instrument of fiscal planning and control.

#### C. Budget Execution

Once the budget has taken all the Constitutional steps of preparation and approval, it enters into the execution phase. Indeed, it is not easy to carry out the approved programs, projects, and activities of the government within the scope of the legislative intent. Moreover, these programs, projects and activities, as well as business, fluctuate with economic conditions and, therefore, need to be adjusted to new needs and emerging challenges, as necessary from time to time. Therefore, the budget should have a certain degree of flexibility in order to cope with emerging

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<sup>20</sup> G-K Management Consulting Team, Recommendations ..  
etc.

challenges and needs.

Further, in connection with the two aspects mentioned above, namely budget control and flexibility, an effective system of budget execution should, on the one hand, provide the techniques, methods and procedures to ensure budget execution in compliance with the budget law and, on the other hand, it must allow for a certain degree of budget flexibility so that funds can be used to the best advantage under constantly changing circumstances. In other words, the budget should be capable of adjustment from time to time, to meet the demands of new conditions and needs.

The key point of a budget execution system is a proper balance between the two aspects of which it consists, namely flexibility and control. Excessive control implies rigidity and more flexibility means loose control. In Modernizing Government Budget Administration, it has been noted:

Successful budget execution depends greatly on achieving the proper balance between requirements of control and flexibility, elements that have operated in conflict. Historically, the focus of this conflict has been the continuing struggle between the executive and legislative branches of government over the use of funds. Much the same type of struggle has characterized relationships between the central fiscal review agencies and operating departments.<sup>21</sup>

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<sup>21</sup>Public Administration Services, Modernizing Government Budget Administration, p. 75.

Achieving the balance suggested in the above commentary depends on institutional arrangements particularly regarding the central budget agency and its relationship with the operating agencies. It also depends on the structure of the budget document. The more the budget is itemized and sub-itemized the more restricted is the discretion of operating agencies in the spending and adjustment processes. In Modernizing Government Budget Administration, it has been remarked:

Successful budget execution requires that each administrative head actively support the budget and its objectives. It also depends to a large extent upon the internal organization of an agency and the proper delegation of authority and responsibility for program execution and budget control. Development of organization and methods teams in major departments can contribute greatly to effective program execution, financing, manpower distribution, and allocation of other resources.<sup>22</sup>

Jordanian budget execution, as elsewhere, is carried out by the executive arm of the Government. Budget execution is governed by the basic comprehensive 'Financial Regulations (No. 1) of the Year 1951'<sup>23</sup> and subsequent amendments thereof and by the annual 'General Budget Law'.

#### 1. Authorization for Spending

Though the 'General Budget Law' has been passed by all the Constitutional steps of approval, spending is not

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<sup>22</sup>Ibid, p. 78.

<sup>23</sup>H.K. of Jordan, The Official Gazette, No. 1061, Year 1951.

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allowed except by a general or special 'financial order' signed by the Minister of Finance.<sup>24</sup> A special financial order authorizes spending of appropriations for non-recurring expenses only. Remaining appropriations are included in the general financial order. In addition, the financial order designates the officials who are entitled to approve spending in the various ministries and departments. The financial order is actually prepared by the Budget Department in the name of the Prime Minister.

## 2. Quarterly Allotment of Appropriations.

As governmental programs, projects and activities need to be adjusted from time to time to comply with constantly changing circumstances and needs, spending in a government agency is said to be subjected to a continuous process of review during the fiscal year. In this way the spending agencies have balances available at all times until the end of the fiscal year. This is accomplished by what is called the 'allotment system'. This system serves three purposes: (a) it guarantees a well financing plan so that money will be available to each agency during the fiscal year; (b) it limits the 'cash on hand' so it avoids short term borrowing, and (c) it keeps the chief administrator informed of progress made and actions taken.<sup>25</sup>

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<sup>24</sup>H. K. of Jordan, Financial Regulations (no. 1), 1951, Art. 14.

<sup>25</sup>U.N...etc., Government Accounting and Budget Execution (new York: U.N., 1952), p. 78.



'Allotment System' is generally established on either a quarterly or monthly basis. In the former, a part of the appropriations allotted for an agency is allotted for a three period. After elapse of the period, another part of the appropriations is allotted for another three month period, and so on. Allotments for each three month period need not be equal, but depend instead on the work program of the agency. The work load may differ from one period to another and so, too, allotments. In the latter case, where allotment system is made on monthly basis, a portion of the appropriations is allotted for each month. Here, also, monthly allotments may differ from one month to another depending on the work-program of the agency.

The allotment system in Jordan is very simple. Allotments are made on a quarterly basis in case of recurring appropriations and on a yearly basis in case of developmental appropriations.<sup>26</sup> Each ministry and department, after receiving the financial order, divides its recurring appropriations into four equal parts, each quarter for a three month period, regardless of the amount of work to be carried out during each period. Another 'allotment' is made for developmental appropriations for the entire fiscal year. 'Allotment Orders' are sent to Budget Department where they are

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<sup>26</sup> Interview with Mohammad 'Asfour, Budget Examiner, Budget Department, July 10, 1967.

automatically approved though they are not supported by any workprogram. As 'allotment orders' are approved by Budget Department, the spending process by various ministries and departments proceeds in compliance with Financial Regulations and the annual 'General Budget Law'.

### 3. Transfer of Appropriations

There is an elaborate system of rules governing the transfer of allotted appropriations in Jordan. Provisions are made in the Constitution, Financial Regulations, and in the annual 'General Budget Law' to control these transfers. The Constitution provides that appropriations may not be transferred from one chapter to another except by law passed by Parliament, signed by the King and published in the Official Gazette.<sup>27</sup> The budget has a significant number of Chapters, and the Ministry or Department may have more than one Chapter, depending on the number of departments attached to it. For example, there are five Chapters under the responsibility of the Minister of Finance: Ministry of Finance, Budget Department, Income Tax Department, Department of Lands and Survey and Customs Department. Furthermore, the annual 'General Budget Law' very often, does not allow transfer of appropriations from and to any item of 'Personnel Services' in 'group <sup>10</sup>ten' of expenditures to and

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<sup>27</sup>Art. 112, Sec. (c).

from any item of other groups. It, also, does not allow the use of appropriations of "item 14" 'Labor Wages' in "group 10" of any chapter, for the appointment of any official covered by the Civil Service Regulations.<sup>28</sup> However, excluding "group 10" of 'Personnel Services' transfer of appropriations from one item to another within the same chapter is allowed, but after securing approval of the Minister of Finance/Budget.<sup>29</sup> Also, transfer of appropriations from recurring expenditure under any item (excluding group 10) to developmental expenditure in the same chapter can be made after securing approval of the Council of Ministers upon recommendation of the Minister of Finance/Budget.<sup>30</sup>

Still other controls have been placed on personnel. All classified and unclassified positions in every ministry and department are published by the Budget Department. Any changes, including employment, promotion and salary increase, must be approved by the Minister of Finance/Budget.

These controls, along with the very detailed itemization and sub-itemization of the budget, allow for minimum

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<sup>28</sup>H.K. of Jordan, General Budget Law (1967), Art. 6, Sec. (b).

<sup>29</sup>Ibid, Art. 6, Sec. (c).

<sup>30</sup>Ibid, Art. 6, Sec. (a).

discretion by the operating ministries in managing their spending. In addition, budget adjustment to new changes and needs becomes difficult.

#### 4. Accounting

An essential aid to budget execution is the government accounting system. "Accounting concepts and accounting records are significant not for themselves, but for their ability to implement governmental programs and the social and economic objectives of government policy."<sup>31</sup> A modern government accounting system is a record of all governmental financial transactions and the objectives thereof. Accounting systems and the purposes they may serve differ from one country to another. The types of accounting practices and records to be applied and maintained depend on the purposes to be served. For Burkhead, "any accounting system should serve two purposes: (1) accountability function (legal accountability) - the establishment of a pattern of control over receipts and expenditures that permits a determination, either by the executive or by the legislature (or both), that public monies have been used for a public purpose, and (2) management function - accounts be kept on a basis that permits the continued measurement and analysis of government programs

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<sup>31</sup>United Nations...etc., Government Accounting and Budget Execution (New York: U.N., 1952), p. 3.

and the efficiency with which they are performed."<sup>32</sup> The latter function is just as important as the former, because "much of the information upon which management must depend for its decision-making will be produced in the accounting records."<sup>33</sup>

Jordan, as well as many other developing countries, has given primary importance to accountability because ministries and departments have very often overcommitted themselves in certain obligations and, thus, spending appropriations that have not been allotted to them in the budget. To minimize these departures, the Ministry of Finance decided late in 1963 to install an accrual accounting system. The accrual system requires the appropriations to be encumbered as soon as obligations are established against them, although actual payment may not be made until some later time. By this method, the executive can know at once the free or unencumbered balance of any appropriation. While the cash basis of accounting will give him the unexpended cash balance of any appropriation, this is not all he must know for budgetary control purposes. He must know the amount of

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<sup>32</sup>Burkhead, op. cit., pp. 358-59.

<sup>33</sup>Sherwood, op. cit., p. 25.

uncommitted appropriation that remains free for future spending. "Accounting on the accrual basis provides him with this information."<sup>34</sup>

Accounting and control of expenditures are centralized in the Ministry of Finance, except for obligations within allotment ceilings. Responsibility for control of these obligations rests with the various ministries and departments.

a) Expenditure of Appropriations.

After having been approved by the Minister of Finance/Budget, the quarterly allotments are entered by each ministry in a 'Vote' book ( دفتر التصاريح ), which is maintained by the accountants of the ministry. When any ministry issues a purchase order, it enters this order in the 'Vote' book as an obligation. Thus, the balance of the appropriation still available or 'unobligated' is known at all those having access to the 'Vote' book, at any time. Entered in the 'Vote' book, also, are all vouchers processed and ready for payment.

Ministries and departments are classified by the Minister of Finance, on the basis of the amount of work each carries out, as 'closed' or 'open' ministries. The former presumably have broader activities. Closed ministries and departments are: Agriculture, Armed Forces, Communication (P.T.T.), Development Board, Education, Foreign Affairs, Health, Natural Resources, Public Security, and Public Works.<sup>35</sup>

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<sup>34</sup>Buck, op. cit., p. 523.

<sup>35</sup>Interview with the Chief of General Ledger Division, July 15, 1967.

Each of these has its own expenditure account deposited in a certain bank which is designated by the Minister of Finance, from which its (ministry's) cashier may pay vouchers by cheque. The cheques are required to be countersigned by an official from the Ministry of Finance who is assigned permanently to that ministry. This employee, called 'authorized accountant' is, very often, entrusted with more than one ministry.

'Open' ministries do not have their own bank account but, instead, they send their vouchers to the Ministry of Finance for payment. The vouchers of "open" ministries are audited and countersigned by an accountant at the Ministry of Finance,

b) Pre-audit

The writer believes that the pre-audit activity should be discussed briefly here, because pre-audit is an examination of budgeted transactions before they are completed or paid. It provides necessary element of control prior to the payment of a government obligation. The most common example is a verification (recancellation) of vouchers and invoices before they are approved for payment in the following manner.

At present, all vouchers passed by the operating ministries and departments are pre-audited by the Ministry of Finance. Vouchers passed by 'closed' ministries are

pre-audited by 'authorized accountants' of the Ministry of Finance, who are assigned permanently to these ministries. Vouchers which exceed JD 500 but less than 5,000 must be signed, in addition to the 'authorized accountant', by a senior official designated by the Minister of Finance.<sup>36</sup> If the voucher exceeds JD 5,000, it must also be signed by the Minister of Finance himself or his deputy, in addition to the signature of the two officials mentioned above.<sup>37</sup>

Pre-audit of vouchers processed by 'open' ministries is carried out by the accountants of the Ministry of Finance, within the Ministry itself.

In addition to the pre-audit conducted by the Ministry of Finance, an auditor of the Bureau of Accounts pre-audits all vouchers of the value above JD 100, processed by the ministry or department under his auditorship.

c) Accounting Records

Jordan has stressed the accountability aspect/<sup>of</sup> budget execution system. As a result, the following devices have been designed primarily to ensure legal accountability of public receipts and expenditure.

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<sup>36</sup>Financial Regulations, Art. 91, Sec. (b).

<sup>37</sup>Ibid, Art. 91, Sec. (c).



(1) "Vote Book" report ( تقرير التصاريح ). - Each ministry and department prepares a monthly report of obligations, vouchers processed for payment and unpaid vouchers. This report is prepared from the 'Vote' book, which is maintained by the accountants of each ministry, and is sent to the Budget Department and the General Ledger Division, Ministry of Finance. The Budget Department checks figures and sees if allotment has been exceeded by vouchers processed for payment. If there is a minor excess, the ministry concerned is asked for a justification, but if it is substantial, a Budget Examiner of the Department goes to the ministry and checks over its "Vote Book" to see that spending has been carried out from each budget item in accordance with the 'Budget Law.'

(2) "Cash Book" report ( تقرير الصندوق ). - In each 'closed' ministry the cashier maintains a "Cash Book", often called the "Daily Book", in which he enters all money he pays or receives, by budget items and chapters in the 'General Budget'. From this book, the cashier prepares a summarized monthly report for actual expenditures and receipts. The report is sent to the General Ledger Division in the Ministry of Finance. The Division posts the reports to a monthly registry according to title of budget item and chapter. Comparisons of actual expenditures with appropriated amounts for each budget item are not made by the Division until the end of the year.

(3) Report of vouchers paid. - Each official who is authorized to spend funds, by the financial order issued by the Ministry of Finance, is expected to prepare a report of all vouchers paid and send this report to the accountant maintaining the 'Vote Book'. But, in most instances such reports are not prepared, especially in the case of vouchers processed by 'open' ministries and paid by the ministry of Finance.<sup>38</sup>

(4) "Co-ordinating Book" report (تقرير التسيير) . - In each 'closed' ministry an accountant enters both the actual receipts and payments on a book called the 'Coordinating Book', by the title of budget item and chapter. Payment and receipts vouchers are compared with the 'Cash Book'. At the end of each month, the sum total in the book is compared with that in the 'Cash Book'. Also, a monthly summary report of the sum total of actual payments and receipts is prepared, by budget item and chapter, and sent to the General Ledger Division.

(5) General Ledger Closing Report (حساب الختامي) . - The General Ledger Division prepares, from the monthly registry, at the end of each fiscal year a report listing the actual expenditure in the Ledger and the appropriations by item in the original budget. In case expenditures exceed the appropriation for any item, the Budget Department is asked if the appropriation for that item has been increased

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<sup>38</sup>G-K Consultants, op. cit.

by transfer during the fiscal year. If there still remains any over-expenditure, the Chief of the Division goes to the spending ministry and asks the accountants, there, to prepare a transfer request. These after-the-fact transfers are then used by the Division to 'close' the books. A copy of the closing report is sent to the Bureau of Accounts.

#### 5. Treasury Management

Nearly all government moneys except funds within allotment ceilings are centralized in the treasury, Ministry of Finance. The treasury has its account with the central Bank. 'Closed' ministries have their accounts, within allotment ceilings, with various banks designated by the Minister of Finance. The Minister, also, prescribes the maximum balance which the treasury accountants and accountants of various ministries may maintain. Where there is an excess, the accountant concerned informs the Minister and the amount in excess is credited to the treasury account in the Central Bank, through the bank with which the ministry deals.

In addition, the Kingdom has eight 'Directorates of Finance' corresponding to the administrative districts, under the jurisdiction of the Ministry of Finance.<sup>39</sup> The Directorate is in charge, among other things, of collecting

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<sup>39</sup>Interview with Head of Treasury, July 7, 1967.

government revenue in that district. The Directorate deposits its account with a certain district bank. But any amount over and above JD 10,000 is credited to the treasury account in the Central Bank through the district bank.

~~D. Auditing~~ D. Auditing

The last phase in the budgetary process is auditing. All modern governments have developed specific institutional arrangements to ensure legal accountability for the receipt and expenditure of public funds. Such arrangements and the application thereof differ from one country to another. Of the means most widely used to ensure compliance with the original budget are pre-audit and post-audit. Pre-audit was discussed earlier under budget execution because pre-audit is, in practice, part of the execution phase of the budgetary process. Therefore, only post-audit remains to be examined in this analysis.

Post-audit is usually referred to as the "independent audit". Post-audit is the examination of transactions or vouchers after they have been completed or paid. It is intended to provide an additional measure of control after the payment of an obligation. A post-audit may be either broad or narrow. While a broad post-audit may extend to the examination of documentation for each step in budget execution a narrow post-audit focuses only on one point in execution procedures. The machinery and methods

established to perform post-audit may differ from one country to another but their purpose is essentially the same. Buck has indicated three basic elements with regard to machinery and methods required to conduct post-audit. In his words, "First, there should be an auditor with a competent staff who is completely outside the control of the executive, preferably responsible to the legislative body. Secondly, there should be a special committee of the legislative body, except in the case of a small unicameral body, to receive the report of the auditor and to examine it with a view to making such recommendations for legislative action as seen warranted. Thirdly, the auditor should not maintain accounts, thus being in the position of auditing his own records, but he should verify the general and other accounts kept by the administration, either by continuous or by periodic checking, and report on these to the legislative body."<sup>40</sup>

Post-audit in Jordan is conducted by the Bureau of Accounts which is responsible to Parliament. The Bureau is responsible for post-audit of all government revenue and expenditure and accounts of deposits, advances, loans,

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<sup>40</sup>Buck, op. cit., p. 551.

settlements, and stores.

The Bureau may conduct post-auditing within its offices or at the various ministries and department. The Director of the Bureau may issue the instructions necessary to guide the auditors in their post-auditing. Since the establishment of the Bureau, 1952, such instructions were issued only once, in 1952, and since then they have never been changed or modified. These instructions are divided into four parts; part (1) covering post-audit of taxes and duties, part (2) covers expenditure, part (3) covering deposits, advances, loans and settlements and part (4) covers cash, stamps, stores and worthwhile documents.

In the course of its auditing the Bureau often discovers that gross deviations from established fiscal procedures have been committed, intentionally or unintentionally, by the various ministries. Usually, the Bureau calls for an explanation or a justification from the ministry committing a deviation. Considerable correspondence is often exchanged between the offending ministry and the Bureau before a settlement is reached. When it happens that no mutually satisfactory settlement can be reached, the matter is referred to the Council <sup>of</sup> Ministers where action on the matter is decisive.

At the end of each fiscal year, the Bureau submits to Parliament a report including particulars on the deviations committed by each ministry and department, and its

remarks and recommendations. A copy of the report is sent to the Prime Minister and another to the Minister of Finance. Unfortunately, Parliament gives no serious attention, whatsoever, to this report.

## CHAPTER V

### CONCLUDING REMARKS

The main concern of governments, at present, is with national development. There hardly exists a country that is not anxious about and concerned with nation building and economic progress. As a result government budgeting has become an integral part of the entire government process. It is considered by some writers as a key to national development. This is no exaggeration since a national budget, at present, touches upon all national aspects.

Fortunately, most countries have recognized the great significance of budgeting and therefore have embarked on modernizing their government budget systems. Jordan is not an exception. The mere fact that nearly all financial activities in the public sector which constitutes the second major sector in the whole economy - agriculture being the first - are included in the 'General Budget' requires that there be an effective and modern government budget system. The joint efforts of the Government officials and USAID Budget and Accounting advisers to Jordan, have brought remarkable improvements in certain aspects of the budget system. The system still, however, suffers from a series of serious defects. It is the writer's main aim,



in the conclusion to this discussion, to identify prevailing deficiencies and weaknesses and to indicate possible improvements which can and should be introduced into Jordan's budget system.

A. The Area of Budget Planning

Budget planning at the departmental level in Jordan is still very rudimentary. A budget office equipped with capable college men should be immediately established within each ministry and department. Responsibility for budget formulation should be entrusted with these offices instead of being assigned to incompetent accountants. The staff of the offices should be given intensive training in budget formulation techniques and procedures.

Another point pertinent to budget formulation at the departmental level is that budget proposals submitted to the Budget Department by the ministries contain only the proposed amount of appropriations. These should be supported by full justifications for such requests, narrative expositions of agency and program objectives and details on proposed means for attaining these objectives.

At the national level immediate steps should be taken to remove the Budget Department from the Ministry of Finance and relocate it in the Prime Ministry, with the Director responsible immediately to the Prime Minister. Attachment of the Budget Department to the Prime Ministry

will encourage more cooperative attitudes on the part of the ministries and other agencies toward the Department and enable the chief executive to make better use of it (Department) in formulating national policies.

Second, the internal organization of the Department should be examined carefully so that the staff be organized and utilized more efficiently.

Third, the main concern of the Department staff, at present, is with budgetary control. Because no program review guidelines and budget analysis techniques have been adopted, there is presently very little program review and budget analysis conducted by the Department. As a result, the budget adjustment process is essentially a mechanical operation.

Fourth, very little administrative analysis has been conducted by the Department. During the so called 'off season' following the completion of the budget, the Department staff has time to conduct thorough and comprehensive administrative research and surveys within the various ministries and departments to improve their organization, and administration methods and procedures.

Finally, the Department staff should keep abreast of new developments in the field and in public administration in general. The Department should take whatever steps are necessary to convey these developments to agency budget

offices and to provide them with necessary educational materials.

B. Budget Document

Three aspects are involved here; these are: budget classification, budget comprehensiveness and budget presentation.

1. Budget classification

Budget accounts are now classified by a multi-type budget classification, namely organizational classification, program classification and object classification. However, it is evident that classification by objects of expenditure dominates the budget structure. At present, each ministry, including the departments under its jurisdiction, handles one of the government's broad functions, for example, agricultural affairs are handled by the Ministry of Agriculture, education by the Ministry of Education, health by Ministry of Health, public works by Ministry of Public Works, and so on. There are very few cases where a function is handled by more than one ministry. Therefore, with little refinement of the present organization of the Government and more cooperation and coordination among various ministries, the organizational classification can be easily converted into a real functional classification.

The second type of budget classification incorporated in the budget structure is program budgeting. Each Appropriation Chapter is broken down into the principal programs which are not further divided into sub-programs. For example,

under chapter 20/Ministry of Education, there are: Elementary Education Program, Secondary Education Program, Vocational Education Program .. etc. But, true program budgeting cuts across the lines of government organizations. It requires, first of all, a determination of major objectives of all government activities. Then, comes the manipulation, selection and grouping of government activities into programs which should provide action plans for achieving the objectives. Furthermore, these programs should be broken down, where possible, into sub-programs.

The third type of budget classification incorporated in the present structure of the budget is object classification. The principal programs under each Budget Chapter are itemized and sub-itemized by objects of expenditure. It has been mentioned above that programs should be broken down into sub-programs. These may be further itemized and, where necessary, sub-itemized into objects of expenditure. The writer believes that the object classification should remain in use but not with the present very detailed itemization and sub-itemization which leaves minimum discretion by the spending agencies in managing their spending. It is not recommended, at present, to adopt 'performance budgeting' because this requires a number of significant pre-requisites and facilities which are not presently available. 'Performance budgeting' can be adopted after having 'program

budgeting' well-established. Programs and sub-programs in the budget are, then, broken down into performance units. Object classification may, then, be used to supplement performance classification.

## 2. Budget presentation

An essential feature of budget format and presentation is clarity. Excluding the brief budget speech and the Budget Law, the budget document consists merely of page after page of columns of figures. As was stated earlier, a budget should be as much a plan as it is a means for allocating funds and for controlling expenditures. But without any narrative justifications, explanations and statements associated with the budget estimates, the budget, on one hand, is left with less clarity and, on the other, is without much of a plan. Therefore, it is recommended that the following types of narrative be included in the budget document:

- "(a) Revenue Chapters: brief explanations of the types of income and revenues, review of past collections and prospects for the 'budget year' and immediate future fiscal period for each item in all chapters;
- (b) Expenditure Chapters: (i) brief statements of the overall objectives of all the government activities included in the chapter and the means for achieving such objectives; (ii) much the same type of narrative

proposed in (a) above; but at the program levels within the chapter; and (iii) for capital expenditures, the same types of materials on objectives, as above, but details on a project basis, which would include duration of projects, expenditure pattern during duration, and total costs."<sup>1</sup>

Furthermore, more analytical tables should be included in the budget document.

### 3. Budget Comprehensiveness

An annual budget should include total government income, regardless of source, and total government outgo, regardless of the nature of spending. A recent trend, in Jordan, has been the creation of more and more semi-autonomous agencies with autonomous budgets. Nearly all of these agencies are partly financed from the Government 'General Budget'. But the funds granted to these agencies are not shown in the General Budget. In addition, no budget control is exercised over these agencies, nor do they provide the Budget Department with any kind of reports about their operations. These agencies ought to be re-examined carefully in the light of "(a) their legal background; (b) their principal sources of income and (c) the goods or services they provide for the public"<sup>2</sup>, to decide whether they should remain so or be included in the 'General Budget'.

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<sup>1</sup>Potter, op. cit., p. 72.

<sup>2</sup>Ibid, p. 20.

Government funds granted for those agencies that remain autonomous should be included in the 'General Budget'.

In addition to the funds granted to these agencies, a certain percentage of specific revenue items collected by the Ministry of Finance is provided to the Municipalities of the Kingdom. These funds are, also, not included in the budget.

On the other hand, a large part of both financial and technical assistance received by various Government agencies from outside of the country is not included in the budget.

#### C. Legislative Authorization

The legislature's action on the budget, at present, is merely voting on the sum totals of Appropriation chapters. There hardly exists any real program review. On one hand, the object classification makes program review by Parliament exceedingly difficult. On the other hand, members of Parliament, including members of Finance Committees, lack the training and experience necessary for effective program review. In practice, very little can be done, here, more than assigning a staff agency to assist Parliament and its Finance Committees in program review and budget analysis.

#### D. The Execution Phase

Apart from the installation of the obligational accounting system, no significant improvements have been

introduced to the budget execution and accounting system. The system, as a whole, is designed primarily to serve as an instrument for budget control and legal accountability. The following, in the writer's judgement, are the most significant observations.

First, the allotment system ought to be refined. Quarterly allotments should be made on the basis of work programs submitted to Budget Department by the spending agencies, instead of just dividing appropriations into four equal parts, regardless of workload during each period.

Second, excessive budget controls are imposed on transfer of appropriations. An Appropriation Chapter is itemized in a very detailed manner. A ministry or department cannot transfer appropriations from one item to another without securing, in one instance, the approval of the Minister of Finance/Budget or, in another instance, approval of the Council of Ministers, or, in a third instance, passing a law by Parliament and signed by the King. This leaves minimum discretion in the hands of the spending agencies in managing their spending, and adjusting their programs to meet new changes and needs. These agencies should be granted more discretionary authority to effect transfers among appropriation items. On the other hand, ministers should assume responsibility to justify, publicly if requested by Parliament, for any deviations from the original budget.



Third, all vouchers processed by various government agencies are pre-audited by the Ministry of Finance. Again, this effectively leaves these agencies without responsibility for approving expenditures to accomplish programs for which they are responsible. Spending agencies should be granted more authority to approve their expenditure vouchers. Instead of pre-auditing every voucher, the Ministry of Finance can conduct periodic and spot checks of vouchers.

Fourth, accounting records and practices serve only legal accountability. They provide management with data of little practical use in decision-making and for measuring progress under the program or for comparing accomplishments under the program with the original budget. These purposes may be achieved by having accounting practices and records "established and maintained on a program basis, subdivided by performance units"<sup>3</sup>, namely on the basis of performance costs or cost accounting.

Finally, an appraisal of the entire accounting system should be made before any thing else. For this purpose an accounting unit should be established in the Ministry of Finance. This unit must, also, take the necessary arrangements to introduce the above-mentioned improvements. Furthermore, the unit should carry out periodic examination of the entire accounting system to determine its adequacy and whether it should be adapted to meet the changing requirements for government administration.

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<sup>3</sup>Burkhead, op. cit., p. 154.

E. Budget Auditing

Both pre-auditing by the Ministry of Finance and the Bureau of Accounts and post-auditing by the latter are focused on vouchers processed by various ministries and departments. Program audit or/and management audit are not conducted. Therefore, careful consideration should be given to these by both the Ministry and the Bureau.

In connection with pre-audit, it was mentioned under the Execution Phase that the Ministry of Finance ought to conduct periodic and spot audit instead of pre-auditing every voucher. Pre-audit by the Bureau of Accounts ought to be stopped so that the Bureau will have sufficient time to conduct more thorough post-audits and engage in program audits for Parliament to determine whether the programs authorized by Parliament are being carried out in accordance with the original budget.

One more point in regard to post-audit, a special committee should be established in Parliament to examine carefully the annual report, and other reports, submitted by the Bureau.

Finally, internal audit should be developed and strengthened, within the various ministries and departments.

## APPENDIX

Following are the various forms used in preparing budget estimates and proposals by the various ministries and departments, after which they are submitted to Budget Department. These forms were used in preparing the budget estimates for the fiscal year of 1967.

RECURRING EXPENDITURE

CHAPTER:

ITEM NO. TITLE	Actual Exp.	Re-estimated Exp.	Estimated Exp.	Remarks
	1965/66	1966	1967	
10. <u>Salaries, wages &amp; allowances</u>				
11. Classified employees				
12. Un-classified employees				
13. Employees on contractual basis				
14. Wages for laborers				
15. Cost of living allowance				
16. Technical & other allowances				
17. Overtime payments				
18. Tensions & compensations				
Total				
20. <u>Other Expenses</u>				
21. Transport fares, travel and field allowances				
22. Rent				
23. Post, telegraphs, water & electricity				
24. Miscellaneous				

ITEM NO. TITLE	Actual Exp. 1965/66	Re-estimated Exp. 1966	Estimated Exp. 1967	Remarks
25. Supplies & implements				
Total				
30. <u>Capital Outlays</u>				
31. Machines, equipment & furniture				
32. Expropriations, buildings & constructions				
33. Investments				
34. Loans				
40. <u>Grants, Interests &amp; Refunds</u>				
41. Grants, announcements, & subsidies				
42. Compensations (for possessions)				
43. Sharing				
44. Scholarships				
45. Interests				
46. Refunds of prior years collections				
47. Prior years obligations				
Total				
CHAPTER TOTAL				

RECURRING EXPENDITURE

CHAPTER:

PROGRAM:

The same presentation of the previous form is used here.

CAPITAL DEVELOPMENT EXPENDITURE

CHAPTER:

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ITEM NO.	TITLE	ACTUAL EXP. (1965/66)	RE-ESTIMATED EXP. (1966)	ESTIMATED EXP. (1967)	REMARKS
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Budget Department

Ministry or Department:

Chapter:

Overtime Payments - Pension & Compensation

Items (17 & 18)

	(1)	(2)	(3)	(4)	(5)	Remarks
Details of Item	Actual Expenses	Actual Exp. from 1/4/66 to 30/9/66	Re-Est. Exp. 1966 (9 months)	Re-Est. Exp. 1966 (12 months)	Est. Exp. 1967	
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						

Total

Note: Column (3) is filled by the Budget Department.



Budget Department

Ministry or Department:

Chapter:

Transport Fares and Travel Allowances

Item (21)

Details of Item	(1) Actual Expenses 65/66	(2) Actual Exp. From 1/4/66 to 30/9/66	(3) Re-Est. Exp. 1966 (9 months)	(4) Re-Est. Exp. 1966 (12 months)	(5) Est. Exp. 1967	Remarks
-----------------	---------------------------------	---	---	--	--------------------------	---------

1. Transport fares
2. Travel allowances
3. Allowances for cars
- 4.
- 5.
- 6.

Total

Note: Column (3) is filled by the Budget Department

Budget Department

Ministry or Department:

Chapter:

Posts, Telegraphs, Water and Electricity

Item (23)

Details of Item	(1)	(2)	(3)	(4)	(5)	Remarks
	Actual Expenses 65/66	Actual Exp. from 1/4/66 to 30/9/66	Re-Est. Exp. 1966 ( 9 months )	Re-Est. Exp. 1966 ( 12 months )	Est. Exp. 1967	

1. Telegraphs
2. Telephones
3. Post
4. Water
5. Electricity
- 6.
- 7.
- 8.

Total

Note: Column (3) is filled by the Budget Department.

Budget Department

Ministry or Department:

Chapter:

Supplies and Implements

Item (25)

Details of Item	(1) Actual Expenses 65/66	(2) Actual Exp. from 1/4/66 to 30/9/66	(3) Re-Est. Exp. 1966 (9 months)	(4) Re-Est. Exp. 1966 (12 months)	(5) Est. Exp. 1967	Remarks
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1. Clothes & shoes
2. Stationary
3. Fuel
4. Tires
5. Medicine
6. Trees, Fertilizers
7. Food stuffs
8. Raw materials
- 9.
- 10.
- 11.
- 12.

Total

Note: Column (3) is filled by the Budget Department.

Budget Department

Ministry or Department:

Chapter:

Equipment and Furniture

Item (31)

Details of Item	(1) Actual Expenses 65/66	(2) Actual Exp. from 1/4/66 to 30/9/66	(3) Re-Est. Exp. 1966 (9 months)	(4) Re-Est. Exp. 1966 (12 months)	(5) Est. Exp. 1967	Remarks
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1. Furniture
2. Accounting machines
3. Transport vehicles
4. Medical and Lab equipment
5. Communication media
6. Animals and birds
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.

Total

Note: Column (3) is filled by the Budget Department.

Budget Department

Ministry or Department:

Chapter:

(A form used for Items (32-47))

Item ( )

Details of Item	(1) Actual Expenses 65/66	(2) Actual Exp. From 1/4/66 to 30/9/66	(3) Re-Est. Exp. 1966 (9 months)	(4) Re-Est. Exp. 1966 (12 months)	(5) Est. Exp. 1967	Remarks
-----------------	---------------------------------	---	---	--	--------------------------	---------

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.

Total

Note: Column (3) is filled by the Budget Department.

Budget Department

Ministry or Department:

Chapter:

- (11) Establishment List of Classified Employees
- (12) Establishment List of Unclassified Employees
- (15) Family Allowances
- (16) Technical & other Allowances

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Item No. (66)	No. (67)	Job Title	Incumbent Name	Grade or Salary	Date of Promotion to Present Grade	Salary	Annual Sum of Salaries	Family Allowances	Technical & other Allowances	Remarks
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Budget Department

Ministry or Department:

Chapter:

Establishment List of Employees with Fixed Salaries and on Contractual Basis

Item (13)

Item No.	No.	Job Title	Incumbent Name	Salary (1966)	Salary (1967)	Date of Increment	Date of Employment	Date of Termination	Sum of Salaries for 12 months	Remarks
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