1. Country and Sector Background

The Hashemite Kingdom of Jordan has averaged 6% economic growth per year over the past five years, indicating a positive per capita growth [US$1,700 (2006)]. This growth has been broad-based, but mainly supported by export led growth and a construction boom fueled by increasing real estate prices. This growth has been underpinned by structural reforms and fiscal consolidation. However, the external debt increased from US$7.5 billion in 2001 to US$8.9 billion in 2005 and the fiscal deficit for 2007 doubled to an estimated JD 700 million. The IMF estimates that the economic growth rate will eventually slow down and further efforts to reduce the external and fiscal debt should be pursued. Performance has been good in terms of human development and the incidence of poverty declined from 21% to 14% over 1997-2003 period. However, economic growth coexists with one of the highest population growth rates in the world - about 2.7% with a population of 5.4 million people, and a demographic profile of which 70% of the population are below the age of 30. As a result, more than 60,000 citizens are entering the labor market every year, posing a major challenge for the government and society at large. In addition, an estimated 500,000 Iraqi refugees entered Jordan during 2006-2007.

Concurrently, Jordan has a 40% labor market participation rate, one of the lowest in the region (67% of males and 14% of females), totaling a labor force of 1.4 million. Government employment makes up 30%. Half of the remaining employment is dominated by micro enterprises (less than 4 persons) representing about 2/3 of all businesses in the private sector. Despite good performance, high unemployment at 14%, particularly among the young, poses a significant challenge (1/3 of the unemployed are under 24 years old). Concurrently, migrant and foreign labor estimates are ranging between 300,000 to 700,000 or between 20-30% of the total labor force. In addition, the issue of
“expatriate” workers represents one of the most controversial and recurrent political issues facing the government in an effort to create more jobs for Jordanians and increase productivity to further support the diversification and growth of the economy.

The recent Bank study “Resolving Jordan’s Labor Market Paradox of Concurrent Economic Growth and High Unemployment” summarized in more detail in Annex 9, points to three key areas affecting employment in Jordan: (i) geographic mismatch with most of the unemployed in the rural areas and most of the new jobs being created in Amman; (ii) skills mismatch arising from the inadequate and poor quality provision of public training (e.g., Vocational Training Cooperation) and limited private training; and (iii) market failure and the lack of capacity to match job-seekers with job-opportunities, fueled by the reluctance of applicants to work in less than satisfactory working conditions (including low salaries). There exists much controversy concerning the self-exclusion or unrealistic expectations of unemployed Jordanians, but it is estimated that at least 40% of the unemployed are willing to take up employment if they are given the opportunity and ‘satisfactory’ working conditions, including adequate salary and status. Concurrently, the implication is that large numbers of the unemployed are not active job seekers or have false optimism about their employment prospects, status and earning potential. The abundance of foreign labor and workers provides no market incentive for raising wages. As Table 4 in Annex 1 indicates, the absolute number of new jobs filled by foreign workers continues to be higher than the new jobs filled by Jordanians. Over the period 2001-2005, of an average of 44,500 new jobs created annually, 27,900 jobs or 63% were filled by foreign or expatriate workers.

The skills mismatch, poor quality of training and low level of relevance combined with the absence of effective employers’ participation in workforce development in Jordan, are in part the result of weak systems and institutional structures in the TVET sector.

During the past five years, the TVET sector has been the subject of numerous studies, individual projects, specific investments, performance evaluation activities, and public sector workshops. In 2005, all these activities and related outputs were collated, analyzed and discussed by multi-stakeholder working groups established under the umbrella of the National Agenda theme of Employment Support and Vocational Training, and subsequently ratified by the “We are all Jordan” initiative. This theme reinforces the imperative to address the current low level of labor market participation in Jordan, coupled with high unemployment and a demographic shift that will cause an additional 640,000 Jordanians to enter the working age population during the next ten years. In order to attract the domestic and foreign investments that will provide increased employment opportunities, the Agenda identifies a need to develop a pool of entry-level workers having skills relevant to those required in the labor market, in addition to establishing strong mechanisms to upgrade the skill level of those already employed. The TVET system has a critical role with regards to the upgrading of skills and provision of market relevant skills. Yet, the system will not fulfill its role unless driven by the needs of the market and that of the private sector supported by an adequate set of incentives and capacity to define those needs.

The key players in the sector are the Ministry of Labor (MoL) and the Vocational Training Corporation (VTC) and about 800 private sector training providers and private sector Associations, Federations and Chambers (described in detail in Annex 1). The National Center for Human Resources Development (NCHRD) plays an important role in the development of TVET in Jordan. It coordinates education reform activities and conducts analyses of various aspects of the TVET system. The role of the private training providers (many known as ‘cultural centers’) is not significant since the majority are very small providers offering courses in limited areas, e.g., basic IT or secretarial programs. Around 100,000 young people complete grade 10 each year, and virtually all go on to some form of additional education or training. Approximately 1/3 of these enter some form of skills training. About 8,000 students receive training through the VTC (45 centers). Under the Ministry of Education, about 30,000 students are enrolled into
the formal technical and vocational stream (190 secondary schools).\(^1\) In addition, training is provided by about 800 private institutions, businesses, chambers, federations and associations, reaching another 25,000 trainees every year. Further training is provided through the Al Balqa’ University and its 45 community colleges. Finally, the TVET Fund began operation in 2004, and has been collecting funds since 2002 through a 1% of net profitability tax levy. The fund has collected about JD 40 million, yet has not managed in linking the funding with training provision and other training-related activities.

**Sector Issues:**

The broader policy and economic context as well as the specific sector issues which the project will address are covered more in-depth in Annex 1.

Socio-economic Fragility and Social Cohesion: Given the regional tensions, the demographic composition and youth unemployment, sector policies are conducted ad hoc with a short-term focus, making any consistent reform involving institution building and employer participation inherently difficult.

Weak TVET System and limited use of Market Driven Mechanisms: The internal and external efficiency of the current TVET system is very weak and overall the system is considered ‘broken’.

Weaknesses identified in the current TVET system include: (i) a governance model that lacks clarity in terms of mandates, accountabilities, prospects for conflict of interest, and not inclusive of social partners’ views, especially employers; (ii) the consequent absence of mechanisms for employers to assume a leading role in the articulation of required occupational profiles and related competencies, or to participate in a meaningful way in the development of training programs and the measurement of training outcomes; (iii) inadequate facilitation of school-to-work transition, including career guidance and job placement support; (iv) a need to improve labor market flexibility (flexicurity) through deregulation coupled with safety nets; (v) lack of an accreditation and certification body; (vi) lack of qualified training providers; and (vii) lack of awareness of the concept of life-long learning within a comprehensive package to upgrade firms’ productivity and alleviate unemployment. It is worth noting that these problems are more particularly acute when small and micro enterprises are concerned, as typically they are less exposed to skill development opportunities due to constraints posed by their size.

Supply-Driven and Poor Quality of Training Delivery, Overspecialization and Focus on Social Programs, especially with regard to the VTC. There are some obvious problems with the present system, among them only partial ability to incorporate basic ‘market required’ employability skills within its offerings. A certain level of reading and writing ability is mandatory for a trainee’s success in the labor market. The employer’s ability to “customize” the employee’s technical skills to fit that specific work environment is greatly affected by the employee’s level of literacy.

The main public training provider under the Ministry of Labor, the VTC, has, since its inception in 1976, operated as a publicly funded, supply-driven provider of vocational training enrolling the lowest segment of academic achievers. Training programs have focused primarily on pre-service skill development for traditional occupations. Furthermore, the gap between the nature of the training content at the VTC and the on-the-job training activities at the enterprise has been a permanent feature of most training programs at VTC until this very day, making it difficult for the trainees to make the linkage between what is taught and what is practiced in the enterprises. The change to the current system (semi-skilled, skilled, and craftsman levels) has not alleviated these problems. In fact, the attractiveness of VTC to both prospective trainees and employers has decreased in a manner that poses a real threat to the organization’s viability.

\(^1\) Courses are offered in industrial, nursing, agriculture, hotels, commerce and home economics.
Overspecialization is another problem at VTC. Currently, the VTC offers some 50 specializations within a narrowed spectrum of training with little opportunity for cross-fertilization. Transversal skills like problem-solving skills and team working are rarely being taught. Employer satisfaction levels in terms of graduate employability are low.

The low internal efficiency is characterized by the very low completion rate of 30-40% of trainees enrolled in the public VTC. The drop-out rate has consistently remained around 20%. Due to the declining enrollment and low internal efficiency of the VTC, the cost per graduate has been increasing (by 57% from 2004 to 2005) or from JD 586 in 2004 to JD 955 in 2006. With 1,690 staff at VTC, of which about 1,300 are involved in training, the ratio of trainee to total staff has declined to 6.4 in 2006 - an unacceptably low figure. At the Institute of Chemical Industries, there is a ratio of less than one (0.82) for each staff member.

The external efficiency of the system is further exemplified by the poor employment rate of graduates, their inability to compete with foreign workers and the very low perception of the VTC programs and non-academic vocational training by parents, students and employers. A 2003 tracer study on VTC graduates with “limited skills” training from 2001 found that only 36 percent of the graduates were in full time employment, another 11 percent were working part time, and 53 percent were unemployed. A tracer study of “craft-level” graduates reported that 36 percent of graduates were unemployed. Furthermore, employers (and trainees) still feel that the training programs at VTC do not address the ‘needed’ skills of the market place. Hence, many employers consider the VTC training experience as largely irrelevant and non-productive. Some have called it a “waste of time, effort and money”.

The causes for this problem are not, however, limited to the training program alone. Several questions have been raised about the qualifications of the trainers, including their practical skills and pedagogical methods (40% of trainers have secondary or less than secondary education). While this cannot be verified, there is ample evidence that points to the dissatisfaction of SMEs and large enterprises with the output (graduates) of VTC and the quality of the trainers. Despite the involvement of the private sector in approving the curricula, training programs remain poorly connected with the real demands/needs of the labor market. There seems to be agreement on “what” needs to be taught but not “how” it should be taught. Another drawback of the present system is that it does not formally offer access or mobility as well as opportunities for vertical and horizontal access and advancement. It is a kind of “dead end” – a person aspiring to and able to seek higher education opportunities cannot use this system as a stepping stone without a significant struggle. The concept of open access may also help VTC retain a higher number of trainees. Finally, the VTC is heavily centralized (e.g., spending in training centers above US$150 (JD 100) needs approval at the Director General level and staff and teachers are appointed by the Civil Service Bureau based on available positions and not needs. There are few incentives/accountability measures for centers or staff to enhance performance and training delivery.

Absence of Employers’ Participation in Workforce Planning and Development: The absence of employers in the participation and decision making of most aspects of workforce development is the current dominating characteristic of the system. For example, none of the 5 private sector representatives of the 11 Board members of the VTC’s Board of Directors hold leadership positions or represent priority sectors. Over the last 30 years of VTC’S history, the attitude of the private sector toward VTC has been symbolic at best. Similarly, it is only recently that the Board of the TVET Fund/TEF has introduced a majority private sector representation. The proposed project and new E-TVET system is set out to rectify this and ensure adequate private sector representation and involvement beyond their symbolic representation.

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**Diverted Training Fund:** Another concern is the current TVET Fund which was established in accordance with Article 6 of the TVET Council Law of 2001 and became operational in 2004. As currently constituted, the Fund operates under a joint public and private Board of Directors with private sector majority. While it is technically stipulated that the TVET Fund will work with the TVET Council to develop policies, regulations, budgetary and subsidization decisions, there has been little evidence to date of interaction with or support from the Council. The proposed new law that will formally establish the E-TVET Council includes By-Laws that will: (i) rename the fund as the Training and Employment Fund (TEF); (ii) describe the objectives of the fund; and (iii) outline those activities that are eligible to receive financial support. The five main goals of the fund are to:

- Establish and arrange the different mechanisms of the Fund for operation.
- Support technical and vocational training activities.
- Support the training processes and training activities.
- Spread awareness about technical and vocational activities within Jordan.
- Increase the quality of the vocational system outputs in Jordan.

Article (9) of the Fund By-Law described in Annex 1 stipulates the eligibility criteria for disbursement from the Fund in line with the goals stated above. The fund has collected about JD 40 million through a 1% levy on enterprise profits. However, it has been ineffective in linking the funding with training provision, outreach activities and intermediary services and has largely functioned as an effective commercial bank. Though the TEF is well structured (12 staff currently employed) and well managed, disbursements have been very low (5%), as shown in Annex 1 (Table 6), and largely directed toward hand picked projects. To date, it has mostly supported: the National Training and Employment Program (NTEP); Jordanian German University; Inspection Project (MoL), and the Vocational Training Corporation (VTC). Employers are often unwilling to contribute to the fund which is seen as a taxation for which they do not reap benefits, and fund management staff must consequently spend 70% of their time chasing the collection of levies and pursuing collection through court orders.

While there is a clear demand and support from the private sector, including Chambers, Associations and Federations and a few number of private sector employers that have received funding, the absence of the capacity to reach out to the private sector and provide intermediary services within the Fund combined with a cumbersome administrative process has limited the Fund’s ability to fulfill its mandate. This is in addition to the lack of capacity within the private sector itself to request the support of the Fund. The ability to identify qualified national and international training providers, especially for the SMEs without market access or knowledge, poses a significant challenge.

**Lack of Funding and Use of Private Sector Training and Provision:** The quality of private sector training providers varies in both cost and quality and will have to be improved over time by developing certification and accreditation activities. In addition, market awareness and information about private providers needs to be built. It is estimated that private training providers cater to about 20,000-25,000 trainees per year, largely in areas like basic information technology and secretarial programs. At present, private providers cannot be considered as an alternative to public provision and will have to be built over time.

A number of Associations, Federations and Chambers have been closely involved in the E-TVET reform process and in training delivery to their members. Once again there is a wide spectrum of the capacity to deliver training with the Jordan Chamber of Commerce having their own curriculum and training

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3 Members include: Minister of Labor (who serves as Chairman of the Fund Board), Director General of the Vocational Training Corporation, Representative of the Tax Department, Representative of the Chamber of Commerce, Representative of the Chamber of Industry, Three other members from the Private Sector, the TVET Fund Manager.
department delivering training to its 20,000 members (mainly SMEs) funded from their own fees. Others, like the Jordan Chamber of Industry and the Federation of Furniture Manufacturers have no capacity or experience, but wish to build this capacity to cater for many of its members. Through the proposed project funding, resources and training will be provided to build the capacity and quality of the private sector stakeholders. The Training and Employment Fund (the former TVET Fund) will play a critical role in this respect since SMEs, Chambers and Associations are eligible for funding to be used for training provision.

**The Government’s Strategy for TVET**

*The National Agenda:* The National Agenda 2006-2015 specifies Jordan’s priorities. Under the Employment Support and Vocational Training theme, the National Agenda proposes radical reform concepts. It recommends the restructuring of the institutional framework for the support of employment and vocational training functions through the establishment of: (i) the Higher Council for Human Resource Development; (ii) the Employment, Technical and Vocational Education and Training (E-TVET) Council; (iii) the Outplacement Department; and (iv) the Licensing and Accreditation Council for the Vocational Training sector. This national framework presents an all encompassing strategy for addressing the issues mentioned above. Serious attempts are currently being made by all concerned to devise a plausible mechanism to implement the framework. This is reflected in: (a) restructuring of the institutional framework including the establishment of an Employment, Technical and Vocational Education (E-TVET) Council that will undertake a holistic approach to development of the TVET sector with policy direction being primarily provided by the employer community in reference to point (ii) of the national agenda described above; (b) a fundamental reform of the VTC to reflect an enterprise based approach that is responsive to employer skill development priorities; and (c) the introduction of targeted employment programs designed to promote workplace-based training, encourage expatriate labor substitution, reduce unemployment among the disabled and increase women’s participation in the workforce. A cross cutting theme underlying all the foregoing proposals is a recognition that the objectives, content, design, and outcomes of all skill development initiatives must begin with the employer community.

2. **Objectives**

The first pillar of the Country Assistance Strategy (CAS) for FY07-10, approved in May 2006, relates to “Strengthening the Investment Environment for a Skill-intensive, Knowledge-based Economy.” Central to building this pillar is ensuring that a skilled and flexible workforce support Jordan’s growth ambitions over the coming years. This requires a reform of the TVET sector with emphasis being placed on meeting the requirements and expectations of enterprises of all sizes.

**Sector program aspects**

The Bank’s support – focusing on system wide capacity building and setting up market driven mechanisms with involvement of employers – is seen as the first step toward building a wider program and aligning donor support towards this program over time. This is not a quick fix or process, but will require time and significant capacity building within government entities.
3. Rationale for Bank Involvement

**Sector priorities:** During 2006 and 2007, the Government of Jordan (GoJ), with the support of the European Training Foundation (ETF), the European Commission, USAID, JICA, the World Bank and other partners, has made progress on a number of fronts. These include:

- A decision to establish a Higher Council for Human Resource Development (HRD) that would coordinate national HRD policies through the activities of the Higher Education Council, the Board of Education and the ETVET Council.
- The preparation of draft legislation or by-laws relating to the establishment of the: (i) HRD Council; (ii) E-TVET Council; (iii) Training of Trainers Institute; and (iv) proposed Accreditation and Certification Council that would license public and private training providers.
- The drafting of an E-TVET Strategy.
- Development of a Log-Frame with 96 actions/objectives (results) to guide implementation of the proposed strategy.
- Initiating progress on the establishment of a series of HRD indicators that would assist in measuring efficiency and effectiveness of the E-TVET system.
- Drafting amendments to the structure of the Jordan Occupational Pathway system.
- Initiating amendment and expansion of the Occupational Classification System and associated job descriptions.

In early 2007, nine identified priority areas were identified from the established 96 goals and agreed among stakeholders. They are: (i) Establish policy making bodies: operationalize the HRD and E-TVET Councils, including a technical arm for both, with equitable and effective participation of women; (ii) Stakeholder participation in E-TVET strategy: enhance the participation of relevant stakeholders in the planning of employment aspects of the E-TVET strategy; (iii) Capacity building and institutional development: enhance capacity of MoL to promote employment; (iv) Strengthen public-private partnerships: develop cooperation between MoL and private sector to meet the demand of employment, especially for small and medium enterprises (SME); (v) Improve capacity of training providers: develop the capacity of all public and non-governmental E-TVET providers in the field of planning, policy design and decision-making (this includes the VTC, other public and the many private providers); (vi) Enhance information systems: develop and enhance the Human Resources Information (HRI) system and build capacity for its use for policy making; (vii) Review financing of public and private training provision, including E-TVET Fund; (viii) Initiate the development of the design of a Jordan National Qualification Framework; and (ix) Promotion/awareness of TVET.

Thus far and more recently, the following milestones have been reached:

- Endorsement by His Majesty of the overall E-TVET reform program stated above (June 2007).
- Approval by the TVET Council, chaired by the Prime Minister, of the draft laws concerning the formal establishment of the Higher Council for Human Resource Development (HRD) and E-TVET Council and the by-laws (August 19, 2007).
- Establishment of a Steering Committee in Ministry of Labor, chaired by the Secretary General.
- Endorsement of the proposed VTC Reform Program.

Through consultations and discussions with key stakeholders, it was agreed that the Bank should focus its support on the overall capacity building and system development, the restructuring of the VTC and support to TEF to fulfill its mandate. The ETF is supporting the development of a National Qualification Framework.
Framework and the setting up of a national Accreditation and Certification Authority. GTZ is supporting the development of the new occupational classifications, and the USAID/SABAQ project is supporting the development and upgrading of the National Employment Centers (NECs) which are responsible for facilitating employment to the unemployed. Canadian CIDA will continue to support the Electronic Labor Exchange and the LMIS under the “Al Manar” project which they have been supporting over the past 5 years.

With adequate structure and private sector participation within the different entities in the TVET sector, significant changes driven by the needs of the market can be triggered. Restructuring of the VTC, including clarifying its mandate as a public training provider, and building the technical capacity of the TEF to provide the intermediate services and market knowledge would be the first steps to change the underlying incentives and operating principles of the system. Most importantly, with the funding and support to the private sector through direct funding of training or capacity building and workforce skills upgrading (through the Fund) and through the Chambers, Federations and Associations, the TVET system and labor market outcomes in Jordan will improve. However, without a functional E-TVET Council and an operational Secretariat and increased capacity at MoL, the development of the sector will continue to function on an ad-hoc basis.

Rationale for Bank Involvement

The Bank has extensive experience and a comparative advantage in supporting the GoJ in transforming the current TVET structure into a more demand-driven and functional system, drawing upon the experiences of relevant operations in other countries worldwide, but particularly within the region. The proposed project shall contribute to developing the institutional capacity through: (i) operationalizing the National Agenda (this includes the empowerment of the E-TVET Council with the close involvement of the various stakeholders, inter alia, the private sector and different types of training providers; (ii) transforming supply-driven systems of training into demand-driven systems; and (iii) creating incentives for the employers to benefit from market-relevant and higher quality services, and ensuring a positive return to employers as a result of paying the 1% training levy. Through the proposed project, the Bank will be able to continue to play a key role in the policy dialogue with the Government and possibly establish a forum for other donors to contribute to the TVET sector development.

With an estimated envelope of US$11.0 million from the Bank, the project scope would need to be limited. The proposed project is seen by Government and donors as building the institutional platform and capacity of the E-TVET system to provide demand driven and efficient training and allow for more coherent and effective investments and interventions in the sector driven by the needs of the employers. The proposed project is supported by all donors. CIDA has expressed interest in providing about US$1.5 million for long term TA in support of the proposed project and is considering the possible funding of Component 3. The total CIDA funding envelope is approximately US$5.0 - 6.0 million. Therefore the loan amount may be reduced to US$7-8 million following discussions during the appraisal mission. The ETF has been supporting the design and development throughout the process by posting an ETF staff for one year during project preparation. The broader context of the proposed project reflects the other donors’ on-going engagement in the sector and the possible larger support from the EC anticipated around 2010. Once the proposed project has laid the foundation, capacity and mechanisms for engaging the employers, the sector will be able to absorb larger amount of resources.
4. Description

Project Development Objective and Key Indicators

The Bank aims to support the policy of the GoJ on reforming its TVET system. The development objective of the proposed project is to: Enhance the internal and external efficiency of the E-TVET sector by making it more flexible and demand driven through the development of employer community participation in (i) sector policy formulation, (ii) institutional development and reform, and (iii) skill development program design and delivery.

This will be achieved by: (i) effective participation of the employers in the planned ETVET Council through broad capacity building; (ii) increasing the interaction of employers in skill development through their active role in occupational profiling, definition of related competences, program design and delivery, and certification; (iii) transforming the TEF into an efficient mechanism for effective use of the financial resources, with active role of employers; and (iv) creating the conditions for increasing the relevance and quality of the TVET, especially at the level of the VTC. The following key outcome indicators will be applied to monitor project achievements:

- Number of Jordanians directly placed in jobs by the ETVET per year to reach 10,000 by 2012 (national goal).
- Reduction in the cost per VTC trainee of existing programs from JOD 950 to JOD 500 by 2014 and an increase in the completion rate from 30% to 60% by 2014.
- Increase in the number of contracts /training days approved/delivered by TEF from x to y [to be determined at appraisal].
- Satisfaction of employers in the target sectors with the availability, quality and relevance of (i) pre-service training, and (ii) in-service training.
- Satisfaction of employers with the effectiveness of the TEF Fund services and of Fund-financed training.
- Establishing a functional HRD Council and its technical secretariat, with the agreed mandate and membership by June 30, 2010.
- Establishing a functional E-TVET Council and its technical secretariat, with the agreed mandate and membership by December 31, 2008.
- Restructuring the VTC into an autonomous demand-driven training delivery entity, that is held accountable to the E-TVET Council by December 31, 2012.
- Establishing an autonomous demand-driven funding mechanism to be adopted by the TEF Fund by June 30, 2008.

Project Components

Building on work of the project PHRD preparation consultants (organizational and capacity audits, situations analyses and project component designs), and discussions with stakeholders, it was agreed that the project would comprise three technical components and one management component in summary below. The detailed description of the components is included in Annex 4.
Component 1: E-TVET System and Council Development with Employer Participation (US$2.4 million)

Under the Employment Support and Vocational Training Theme, the National Agenda proposes to address: (i) restructuring of the institutional framework including the establishment of an Employment, Technical, Vocational Education (E-TVET) Council that will guide a holistic approach to development of the TVET sector with policy direction being provided primarily by the employer community. A mandate and organizational structure for the Council have been established together with a draft Law that would empower implementation. It has been further agreed that NCHRD would support the Council through the provision of administrative services and a Technical Unit that would undertake policy option formulation, targeted research and issue analysis, and system performance monitoring and evaluation.

The objective of this component is to support the capacity building and operational development of the E-TVET system at upstream and downstream levels by operationalizing key aspects of workforce planning, development and training provision with the active involvement of employers, employer representatives and social partners.

This will be achieved through the following four sub-components: 1.1 E-TVET Council orientation and capacity development; 1.2 E-TVET Sector Policy, Planning, and Organizational Development with Active Employer Participation; 1.3 E-TVET System Performance Assessment with Involvement of Training Providers and Employers; and 1.4 E-TVET Sector Promotion and Awareness among Employers and TVET Providers.

Inputs will include: financial resources for workshops, seminars, working groups, training and study tours benefiting the E-TVET Council and employer representatives; performance instruments (evaluations and tracer studies); short term professional development, financial resources for outsourcing specialized expertise; resources for the production of promotion and awareness materials; short- and long-term technical assistance and minor goods and materials.

The component will be managed by the NCHRD as the technical arm (policy capacity will be built at MoL that will house the Secretariat) supported by the E-TVET Sector Development Coordination Unit (DCU) who will assist with the preparation of Terms of Reference for technical assistance and training activities, identification selection and contracting of TA and training providers, and all related fiduciary issues. Key activities will be implemented through or by the Chambers, Federations, Syndicates and Associations.

Expected outcomes from the component include: (i) an effective E-TVET Council that is establishing clear policy objectives for reorientation of the TVET system with a clear voice and active participation of employers; (ii) an E-TVET Council Technical Unit that supports policy direction through targeted research and system performance monitoring with regular feedback from employers and TVET providers; and (iii) measurable change in the internal and external efficiency of TVET providers in Jordan reflecting an increased quality and relevance in training provisions with increased level of employer representatives actively engaging in workforce development, promotion and training delivery.

Component 2: Vocational Training Cooperation (VTC) Restructuring (US$6.0 million)

Detailed analysis of the Vocational Training Corporation (PHRD capacity audit) identifies that a fundamental reform and restructuring of the organization is required. This will result in the replacement of the VTC into a new autonomous organization founded on a mandate, legal framework, governance management and organizational structure, and training service delivery approach driven exclusively by
business principles and market demand. Thus, this will entail a major restructuring of the operational principles by which the VTC will operate including managerial and financial autonomy and the employers’ participation in each training center. A VTC Board of Directors will guide the organization, two thirds of who will be drawn from the private sector.

The objective of this component is to establish the new financial and managerial governance structure by which a restructured or new autonomous organization can operate driven by the demands of the market.

The component will include the following four sub-components: 2.1 Support for the Establishment and Promulgation of a Mandate, Governance Structure, and Regulatory Framework for the Proposed New Organization (skills development agency), including financial and managerial autonomy and the role of employers; 2.2 Organizational Restructuring and Staff Development; 2.3 Reorientation of the Training Delivery Model to Reflect Employer Defined Competencies; and 2.4 Implementation of proposed New Management and Program principles in 1-3 Training Centers.

Inputs will include: mentoring and training of new leaders, sector training managers and heads of training centers, staff development and training, employer based workshops, seminars and study tours, short term professional development, financial resources for outsourcing specialized expertise, resources for the production of learning resource materials and instructors guides, ICT equipment, long term and short term technical assistance and minor goods.

Policy guidance for implementation of the component will be provided by the E-TVET Council. The VTC Director General will lead implementation of the project component activities with support from the Development Coordination Unit. The VTC Board of Directors with employers’ participation will guide operational activities of the new organizational entity.

**Component 3: Training and Employment Fund Development (US$2.9 million)**

In the context of its proposed restructuring into a Training and Employment Fund (TEF), the objective of this component is to develop the capacity, intermediary and outreach services and operational modalities needed link funding with effective demand driven training delivery. The component will finance the development of technical advisory services and related activities to support the establishment of a demand-driven funding mechanism that facilitates and finances: skills-upgrading of in-service employees, and providing prospective employees with relevant pre-service and in-service training.

The component will include two sub-components relating to institutional development of the fund and awareness and outreach: 3.1 Institutional Development of the TEF, and 3.2 Awareness and Outreach. Broadly, the activities are to: (i) establish clear criteria for the appraisal and approval of the respective categories of skill development activity financed by the fund, (ii) build the technical capacity of the fund to undertake training needs analysis, training program design, contracting and monitoring program delivery, and (iii) initiate an intensive outreach program through Chambers and individual employers. The component will finance short- and long-term technical assistance, training studies, workshops, study tours, communication strategy, operational manuals and materials, and minor equipment.

The E-TVET Council will provide policy guidance for implementation of the component. The Fund Manager will lead implementation of project component activities with support from the Development Coordination Unit. The TEF Fund Board of Directors will guide operational activities of the new organizational entity.
Component 4: Project Management, Implementation Support and information technology (IT) investments (US$1.8 million). Support for project implementation arrangements would comprise the fourth component of the project and will also include funds for the IT system development and hardware. This component will fund key staff to be hired for the implementation of the proposed project. This will likely include a procurement specialist, financial management specialist, M&E officer and project manager. The component will fund activities related to the overall project implementation, including minor goods, materials and operational expenses and services. It will also fund an IT feasibility study, IT design and upgrading plans and minor equipment and software.

① Lessons Learned and Reflected in the Project Design

The project design reflects key lessons learned in relevant Bank-supported projects and sector work in the region, and in the previous TVET projects in Jordan. World Bank experience in the training sector has demonstrated the importance of developing public-private partnerships and of allowing a degree of operational autonomy in sector institutions. The proposed project incorporates both of these principles.

Key lessons learned from implementation of previous TVET projects include: (i) the need to identify political leadership and commitment to support institutional change and development; (ii) the need to establish TVET labor market linkages based on incentives and financial measures, supported by organizational entities that are appropriately structured, professionally trained, and accountable; (iii) the need to establish effective coordination among all public and private stakeholders at different levels; (iv) the need to provide a comprehensive foundation of statistical information for policy formulation, management decision making, and system financing; (v) the need to build the capacity of the Ministry of Labor in the area of skills development policy formulation, provision of intermediary services; and (iv) the need to strengthen project monitoring and evaluation to ensure that project outputs translate into sustainable operational and institutional change.

② Alternatives Considered and Reasons for Rejection

Several alternatives were considered in the choice of strategy and project design:

- Sector-wide Program versus project approach. The option of moving to a sector wide approach was rejected due to the lack of adequate and viable institutional structures, capacity and systems. Thus, the emphasis has been placed on the objectives of the project building the market mechanisms and institutional structures to improve internal and external efficiency rather than focusing on the harmonizing donor financial support.

- Reform of the supply side of the system without attention to the demand side. One design alternative is to upgrade the supply side of TVET without dealing with the demand side. For example, many of the training centers under VTC are faced with a problem of lack of resources, especially qualified trainers and up-to-date equipment. It was decided that this would neither have sustainable impact nor change the fundamental operational principles required for a demand driven system. The proposed project will pave the way for the larger anticipated EU grant investment (the EU pre-feasibility mission will begin November 2007).
5. Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>($m.)</th>
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<td>Borrower</td>
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<tr>
<td>International Bank for Reconstruction and Development</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>13.1</td>
</tr>
</tbody>
</table>

6. Implementation

For the first time in this sector, efforts are being made to harmonize and coordinate interventions by donors and other partners. The first donors’ meeting was held in early 2007 followed by a second meeting held in June 2007. A draft code of conduct has been prepared and circulated for final review and ratification. Under the leadership of the MoL, there is strong agreement to improve overall coordination and collaboration to ensure a better direction in policies and priorities.

Primary responsibility for project implementation would reside with the E-TVET Council chaired by the Minister of Labor. The Executing Agency will be housed in MoL. Specifically, responsibility would reside with the Development Coordination Unit (DCU) which will have a key supporting role on sector reform related efforts, programs fiduciary aspects, coordination between multiple donors and beneficiaries (ETF, VTC, NCHR&D and MoL). The design and set-up of the proposed DCU is modeled on the successful implementation arrangements set up for the ERiKe project.

This subject was addressed in several forums that included the MoL Secretary General, VTC Director General, the MoL project preparation team, ETF, and the Bank team. While further discussion and ratification is required prior to project appraisal it was broadly agreed that: (i) the E-TVET Council would provide overall policy guidance with support from its technical arm represented in the NCHR&D that shall provide support in developing the capacity of the Council’s Technical Secretariat; (ii) the MoL Secretary General would assume executive leadership for implementation of the overall reform program; and (iii) a Development Coordination Unit (DCU) would be established in MoL with a mandate to formulate an implementation plan for the reform program and subsequently coordinate and monitor all government and donor inputs. Within this context, the DCU would be responsible for all procurement and financial aspects of the proposed Bank project, and coordination of all related services.

A project unit (to be named) is being set up under the Development Coordination Unit to manage the fiduciary aspects of the project, as well as project Monitoring and Evaluation (M&E), while specific activities and components will be implemented by the responsible units, departments or institutions like the VTC, TEF, NCHR&D etc. While the DCU would be responsible for coordinating donor interventions and projects more broadly, the project unit will be fully dedicated to the proposed project. As mentioned above, support for project implementation arrangements would comprise the fourth component of the project. Over the past 6-8 months a small group of Jordanians supported by some external consultants have been formed as the informal reform team. This includes a full time team leader dedicated to the proposed Bank project. Efforts are now under way to formalize the team and detailed TORs for each position within the DCU were prepared during the pre-appraisal mission.

7. Sustainability

The proposed project focuses on institutional and human resource development at its core. This will include a coherent and adequate regulatory framework, clarity on processes, procedures and roles and
functions and building the skills and competencies of administrative staff, trainers and the private sector beneficiaries and intermediaries to deliver training more efficiently and effectively. As such, the project will have a significant and clear development impact and sustainability. Although the project is complex and challenging, a logical approach will ensure a development impact. In the event that the project is able to complete up to 50% of its intended objectives and tasks, it will have had a significant impact on improving the system.

The core of the project establishes the appropriate accountability, incentives and institutional mechanisms that will drive an efficient and effective system. The anticipated institutional strengthening and improvement in external and internal efficiency will generate fiscal saving as quantified in the Economic Analysis (Annex 9) which can be used for further improvements of the system. The project will not have any significant fiscal implications. The budget for the additional staffing of the Technical Unit has already been included in the budget for 2007-2008.

8. **Lessons Learned from Past Operations in the Country/Sector**

The project design reflects key lessons learned in relevant Bank-supported projects and sector work in the region, and in the previous TVET projects in Jordan. World Bank experience in the training sector has demonstrated the importance of developing public-private partnerships and of allowing a degree of operational autonomy in sector institutions. The proposed project incorporates both of these principles.

Key lessons learned from implementation of previous TVET projects include: (i) the need to identify political leadership and commitment to support institutional change and development; (ii) the need to establish TVET labor market linkages based on incentives and financial measures, supported by organizational entities that are appropriately structured, professionally trained, and accountable; (iii) the need to establish effective coordination among all public and private stakeholders at different levels; (iv) the need to provide a comprehensive foundation of statistical information for policy formulation, management decision making, and system financing; (v) the need to build the capacity of the Ministry of Labor in the area of skills development policy formulation, provision of intermediary services; and (iv) the need to strengthen project monitoring and evaluation to ensure that project outputs translate into sustainable operational and institutional change.

9. **Safeguard Policies (including public consultation)**

This project does not trigger any safeguard policies. The focus is on provision of training and TA for building institutional capacity. Activities are to be implemented in existing institutions – no new training centers are to be constructed and no significant environmental implications are anticipated. The project will not involve any relocation of people.

10. **List of Factual Technical Documents**

**Analytical and Consultative Reports Done in Preparation of the Project**

- Evaluating the MOE and VTC Graduate Performance for 2002.
- Labor Market Information, July 2007
- The VTC – Situational Analysis, July 2007
- Training and Employment Fund, July 2007
- Resolving Jordan’s Labor Market Paradox of Concurrent Economic Growth and High Unemployment, draft April 2007
- Analysis of the Mandate of the E-TVET Council
11. Contact point

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