PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF US$7.5 MILLION
TO THE
HASHEMITE KINGDOM OF JORDAN
FOR AN
EMPLOYER DRIVEN SKILLS DEVELOPMENT PROJECT

May 2, 2008
CURRENCY EQUIVALENTS
(Exchange Rate Effective: April 1, 2008)

Currency Unit = Jordanian Dinar (JD)
US$ 1 = JD 0.7

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BAU Al Balqa’a Applied University
CIDA Canadian International Development Agency
DA Designated Account
DCU Development Coordination Unit (MOL)
DoS Department of Statistic
EDSD World Bank Employer Driven Skills Development Project
ERfKE Education Reform for the Knowledge Economy
ESW Economic and Sector Work
ETF European Training Foundation
E-TVET Employment, Technical and Vocational Education and Training
EU European Union
FM Financial Management
FO Finance Officer
GBA Gender-Based Analysis
GOJ Government of the Hashemite Kingdom of Jordan
GSD General Supplies Department
GTD Government Tenders Directorate
HRD Human Resources Development
ICB International Competitive Bidding
ICT Information and Communication Technology
IT Information Technology
JD Jordanian Dinar
JICA Japan International Cooperation Agency
KPI Key Performance Indicators
LFA Logical Framework Analysis
LMIS Labour Market Information System
MIS Management Information System
MoE Ministry of Education
MoF Ministry of Finance
MoL Ministry of Labor
MoPIC Ministry of Planning and International Cooperation
MoPWH Ministry of Public Works and Housing
MoSD Ministry of Social Development
MOU Memorandum of Understanding
NCB National Competitive Bidding
NCHRD National Center for Human Resources Development
NEC National Employment Centre
NGO Non-Governmental Organization
NPV Net Present Value
E-TVET National Training and Employment Program
OM Operations Manual
PAD Project Appraisal Document
PDO Project Development Objective
PFS Project Financial Statement
PIP Project Implementation Plan
PMF Performance Measurement Framework
PO Procurement Officer
PMF Results-Based Management
RBM Sustainable Achievement of Business Expansion and Quality
SABEQ Sustainable Achievement of Business Expansion and Quality
SETP Social and Economic Transformation Program
STC Special Tender Committee
TA Technical Assistance
TEF Training Employment Fund
TOR Terms of Reference
TVET Technical-Vocational Education and Training
USAID United States Agency for International Development
VSL Variable Spread Loan
VTC Vocational Training Corporation
WA Withdrawal Application
WB World Bank

Vice President: Daniela Gressani
Country Manager/Director: Hedi Larbi
Sector Director: Michal Rutkowski
Sector Manager: Mourad Ezzine
Task Team Leader: Soren Nellemann
HASHEMITE KINGDOM OF JORDAN
EMPLOYER DRIVEN SKILLS DEVELOPMENT PROJECT

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HASHEMITE KINGDOM OF JORDAN
EMPLOYER DRIVEN SKILLS DEVELOPMENT PROJECT

PROJECT APPRAISAL DOCUMENT

MIDDLE EAST AND NORTH AFRICA REGION
MNSHD

<table>
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<tr>
<th>Date: May 2, 2008</th>
<th>Team Leader: Soren Nellemann</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Director: Hedi Larbi</td>
<td>Sectors: Vocational Training (100%)</td>
</tr>
<tr>
<td>Sector Manager/Director: Michal J. Rutkowski</td>
<td>Themes: Improving Labor Markets (P)</td>
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<tr>
<td>Project ID: P100534</td>
<td>Environmental screening category: Not Applicable</td>
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<td>Lending Instrument: Specific Investment Loan</td>
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### Project Financing Data

[X] Loan  [ ] Credit  [ ] Grant  [ ] Guarantee  [ ] Other:

For Loans/Credits/Others
Total Bank financing (US$m.): 7.5
Proposed terms: Fixed Spread Loan (FSL) with level repayments for 20 years, including a grace period of 5 years.

#### Financing Plan (US$m)

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<th>Source</th>
<th>Local</th>
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<tr>
<td>Borrower</td>
<td>1.30</td>
<td>0.00</td>
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<tr>
<td>International Bank for Reconstruction and Development</td>
<td>5.20</td>
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<tr>
<td>Total:</td>
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<td>2.30</td>
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**Borrower:**
Ministry of Planning and International Cooperation
P.O. Box 555
Amman 11118, Hashemite Kingdom of Jordan
Tel: (962-6) 462-9306  Fax: (962-6) 464-9341 and (962-6) 464-2247

**Responsible Agency:**
Ministry of Labor
P.O. Box 8160
Amman 11121, Hashemite Kingdom of Jordan
Tel: (962-6) 580-2666  Fax: (962-6) 585-5216
### Estimated Disbursements (Bank FY/US$m)

<table>
<thead>
<tr>
<th>FY</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<td>Cumulative</td>
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<td>1.50</td>
<td>4.00</td>
<td>6.50</td>
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Project implementation period: Start: August 5, 2008  End: March 31, 2013
Expected effectiveness date: August 5, 2008
Expected closing date: September 30, 2013

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**Does the Project depart from the CAS in content or other significant respects?** *Ref. PAD A.3*

[ ] Yes  [X] No

**Does the Project require any exceptions from Bank policies?** *Ref. PAD D.7*

Have these been approved by Bank management?

[ ] Yes  [X] No

Is approval for any policy exception sought from the Board?

[ ] Yes  [X] No

**Does the Project include any critical risks rated "substantial" or "high"?** *Ref. PAD C.5*

[X] Yes  [ ] No

**Does the Project meet the Regional criteria for readiness for implementation?** *Ref. PAD D.7*

[X] Yes  [ ] No

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**Project development objective** *Ref. PAD B.2, Technical Annex 3*

Realign policy formulation with Employment, Technical and Vocational Education and Training (E-TVET) operational mechanisms through the development of employers’ participation in (i) sector policy formulation, (ii) institutional development and reform, and (iii) skill development program design and delivery.

**Project description** *Ref. PAD B.3.a, Technical Annex 4*

The Project will implement the following activities: (i) effective participation of the employers in the planned E-TVET Council through broad capacity building; (ii) increased interaction of employers in skill development through their active role in occupational profiling, definition of related competences, program design and delivery, and certification; (iii) turning the TEF Fund 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 VTC by restructuring the VTC into a new skills development agency operating on a new business and training delivery model.

From the perspective of the beneficiaries, the focus is on increased employability through increased relevance of qualifications. At the policy and system management level, the development issue is to establish a functional dialogue between the Government and other public entities, training providers and the employers, and to make this dialogue effective and result-oriented.

**Which safeguard policies are triggered, if any?** *Ref. PAD D.6, Technical Annex 10*

NA. This Project does not trigger any safeguard policies.

**Significant, non-standard conditions, if any, for:** *Ref. PAD C.7*

Board presentation: NA

**Loan/credit effectiveness:** The Development Coordination Unit of MoL has adequate staffing to coordinate and support the implementation of the Project.

Covenants applicable to Project implementation: NA.
A. STRATEGIC CONTEXT AND RATIONALE

1. Country and Sector Issues

1. The Hashemite Kingdom of Jordan has averaged 6 percent 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. 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 percent to 13 percent over the 1997-2006 period. However, economic growth coexists with one of the highest population growth rates in the world - about 2.7 percent with a population of 5.4 million people, and a demographic profile in which 70 percent 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.

2. Concurrently, Jordan has a 40 percent labor market participation rate, one of the lowest in the region (67 percent of males and 14 percent of females), totaling a labor force of 1.4 million; the Government employment makes up 30 percent. 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 percent, 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 percent 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.

3. 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 Corporation) 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 percent 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 percent were filled by foreign or expatriate workers.

4. The skills mismatch, poor quality of training and low level of relevance combined with the absence of effective employer participation in workforce development in Jordan are in part the result of weak systems and institutional structures in the Technical and Vocational Education and Training (TVET) sector.
5. 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.

6. 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 (NCHRND) 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 (35 centers). Under the Ministry of Education (MoE), about 30,000 students are enrolled in the formal technical and vocational stream (190 secondary schools). 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 percent of net profitability tax levy. The fund has collected about JD 40 million, yet it has not managed to link the funding with training provision and other training-related activities.

Sector Issues:

7. 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’.

8. 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 particularly acute where small and micro enterprises are concerned, as typically they are less exposed to skill development opportunities due to constraints posed by their size.

9. 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.

10. The main public training provider under the MoL, 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. 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 teamwork are rarely being taught. Employer satisfaction levels in terms of graduate employability are low.

11. The low internal efficiency is characterized by the very low completion rate of 30-40 percent of trainees enrolled in the public VTC. The drop-out rate has consistently remained around 20 percent. Due to the declining enrollment and low internal efficiency of the VTC, the cost per graduate has been increasing by 57 percent 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.

12. 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.

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2 Both tracer studies are summarized in "Technical-Vocational Education and Training in Jordan: Areas for Development Cooperation." 2006. European Training Foundation.
13. 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 percent of trainers have secondary or less than secondary education). While this cannot be verified, there is ample evidence that points to the dissatisfaction of Small and Medium Enterprises (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 opportunities for vertical and horizontal access and advancement. It is a kind of “dead end” – a person aspiring 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.

14. 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/Training Employment Fund (TEF) has introduced a majority private sector representation. The proposed Project and new Employment, Technical and Vocational Education and Training (E-TVET) system is set out to rectify this and ensure adequate private sector representation and involvement beyond their symbolic representation.

15. 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.

16. 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 percent 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

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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, and the TVET Fund Manager.
well managed, disbursements have been very low (5 percent), 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 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 percent of their time chasing
the collection of levies and pursuing collection through court orders.

17. 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.

18. **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 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 to 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 (TEF (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**

19. **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 Center 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
device a plausible mechanism to implement the framework. This is reflected in: (a) restructuring of the
institutional framework including the establishment of an E-TVET Council that will undertake a holistic
approach to the 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 skills development initiatives must begin with the employer community.

20. **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:

   (i) **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.**

   (ii) 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.

   (iii) **The drafting of an E-TVET Strategy.**

   (iv) **Development of a Log-Frame with 96 actions/objectives (results) to guide implementation of the proposed strategy.**

   (v) **Initiating progress on the establishment of a series of HRD indicators that would assist in measuring efficiency and effectiveness of the E-TVET System.**

   (vi) **Drafting amendments to the structure of the Jordan Occupational Pathway System.**

   (vii) **Initiating amendment and expansion of the Occupational Classification System and associated job descriptions.**

21. In early 2007, nine 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 SMEs.

   (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.**

   (ix) **Promotion/awareness of TVET.**
22. 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 MoL chaired by the Secretary General.
- Endorsement of the proposed VTC Reform Program.

23. 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 European Training Foundation (ETF) is supporting the development of a National Qualification 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 Sustainable Achievement of Business Expansion and Quality (SABEQ) 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 Labor Market Information System (LMIS) under the “Al Manar” Project which they have been supporting over the past five years.

24. 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, an operational Secretariat and increased capacity at MoL, the development of the sector will continue to function on an ad-hoc basis.

2. Rationale for Bank Involvement

25. 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, including 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 percent 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.

26. With an estimated envelope of US$7.5 million from the Bank, the Project scope would need to be limited. The proposed Project is seen by the 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 key donors. CIDA has expressed interest in providing about
US$1.5 million for long-term TA in support of the proposed Project and is funding Component 3 (originally estimated at around US$3.0 million). The total CIDA funding envelope approved in February 2008 is US$6.0 million. Given this development, the Bank support for component 3 was reduced. The ETF has been supporting the design and development of the Project 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. It is expected that, 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.

3. Higher Level Objectives to which the Project Contributes

27. The first pillar of the Country Assistance Strategy (CAS) for FY06-10, endorsed 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. The proposed EDSDP applies the vision and aims of the National Agenda 2006-2015: The Jordan We Strive For. It applies equally to the Restructuring Technical and Vocational Training Sector in Jordan: the Road Ahead.

Sector Program Aspects

28. The Bank is committed to long-term support to the TVET sector both in the form of Projects and technical assistance. The proposed Bank support – focusing on system-wide capacity building and setting up market driven mechanisms with involvement of employers and changing the behavior of stakeholders – is seen as the first phase 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.

29. The current program can be summarized into six major program elements: (i) E-TVET Council and System Development (supported by the Bank); (ii) MOL restructuring (supported by CIDA and the EC/ETF); (iii) VTC restructuring and skills training delivery (supported by the Bank, JICA, Korean and USAID); (iv) TEF development (supported by CIDA and the Bank); (v) labor market information system development (managed by NCHRD and supported by CIDA); and (vi) national qualification framework [supported by the EC/ETF and GTZ (national occupational standards)].

30. These elements make up the current funded TVET reform program which will be coordinated by the Development Coordination Unit (DCU) under the MoL. The program will evolve as more funding and activities are added.

B. PROJECT DESCRIPTION

1. Lending Instrument

31. A specific investment loan (SIL) is proposed as the most suitable instrument to support the Government’s E-TVET strategy and proposed reforms. By using the SIL as the lending instrument, the Bank can focus its assistance on selected interventions to help address some key institutional constraints in the system. The viability of comprehensive and longer term programmatic approaches to investment in the sector will depend on improvements in the institutional environment. The overall Project cost is estimated at US$8.8 million, including contingencies. The Bank loan amount is estimated at US$7.5 million, including contingencies.
2. 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 realign policy formulation with E-TVET operational mechanisms through the development of employers’ 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 E-TVET 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 capacity and the managerial and financial conditions for increasing the relevance and quality of the TVET, especially at the level of the VTC and its training centers which will be transformed into a new entity. The following key outcome indicators will be applied to monitor Project achievements:

- Functional E-TVET system (functional E-TVET Council; functional Secretariat).
- Autonomous restructured VTC (new business structure and training delivery model, increased percentage of linking financial resources with training centers’ fulfillment of performance targets).
- Improved VTC internal efficiency through increased trainee/instructor ratio (6.4 in 2006 to 10 in 2013) in restructured VTC centers or re-oriented training programs.
- Increased number of firms receiving training through TEF.

These outcomes, generated from the Project investment of US$7.5 million will result in an improved implementation of TVET and employment policies driven by market needs thereby increasing long term employment and productivity of Jordanian workers. At the same time, the transformation of the VTC into a new Skills Development agency will increase VTC efficiency and reduce government funding over time.

3. Project Components

It was agreed that the Project would comprise three technical components and one management component as summarized below. Retroactive financing was agreed upon at negotiations for an amount of US$300,000 to cover expenditures related to goods, consultant services and training. The detailed description of the components is included in Annex 4.

Component 1: E-TVET System and Council Development with Employer Participation (total project cost - US$1.90 million), including contingencies.

The objective of this component is to support institutional development of the E-TVET Council and the Secretariat and operationalize key aspects of employment-related planning, development and training provision with the TVET Stakeholders (NCHRD, TEF, Private and public TVET training Providers employers, Federations/Chambers). This will lead to a better coordination and implementation of training, economic and employment polices. The objective 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 employers’ participation; 1.3 E-TVET system performance assessment with active employers’ participation; and 1.4 E-TVET sector promotion and awareness among TVET Stakeholders.
Inputs will include: financial resources for E-TVET MIS development, workshops, seminars, working groups and training benefiting the E-TVET Council and employer representatives; performance instruments (evaluations and tracer studies); short-term professional development, financial resources for outsourcing specialized expertise; piloting of active labor market programs; resources for the production of promotion and awareness materials; short- and long-term technical assistance, minor goods and materials and operational expenses. The component will be managed by the E-TVET Council Secretariat. This shall be in close coordination with NCHRD and other research-related entities. Key activities will be implemented through TVET Stakeholders (NCHRD, TEF, Private and public TVET training Providers, employers, and Federations/Chambers).

Expected outcomes from the component include: (i) a functional E-TVET system that establishes policy objectives with a clear voice and active participation of employers; (ii) a functional Secretariat; (iii) increased employer-driven occupational profiles developed; (iv) increased number of VTC training centers establishing performance indicators; (v) financial resources increasingly allocated against actual performance indicators; (vi) policy objectives defined through feedback from TVET stakeholders; and (vii) enhanced understanding of occupational opportunities.

Component 2: Restructuring of Vocational Training Corporation (VTC) (total project cost - US$6.14 million), including contingencies.

The objective of this component is to establish a new financial and managerial structure and a new business model for VTC by which a restructured or new autonomous organization (new Skills Development Agency) can operate driven by the demands of the market. In the long term, it will reduce Government funding as it will generate its own resources responding to employers training needs. Finally, it should separate service delivery from any regulatory role.

The component will include the following three sub-components: 2.1 Establishment of the Mandate, Governance Structure, and Regulatory Framework for the new Skills Development Agency; 2.2 Organizational Restructuring and Staff Development; and 2.3 Reorientation of the Training Delivery Model to Reflect Employer Defined Competencies. Inputs will include: (i) mentoring and training of new leaders; (ii) sector training managers and heads of training centers; (iii) staff development and training; (iv) employer-based workshops; (v) seminars; (vi) short-term professional development; (vii) financial resources for outsourcing specialized expertise; (viii) resources for the production of learning resource materials and instructor guides; (ix) ICT and MIS design; (x) long-term and short-term technical assistance; and (xi) materials and minor goods.

Expected outcomes from this component include: (i) functional restructured VTC/New Skills Development Agency established with a new business model (financing, staffing, and management); (ii) autonomous governance model in place that will orient the new agency/VTC towards the needs of the market; (iii) satisfaction of employers with the availability, quality and relevance of training being delivered through the new agency/VTC; (iv) increased completion rate from 30 percent to 45 percent by 2013; and (v) increased percentage of non-leavers from 10th grade out of total enrolment (inter alia in-service workers, seasonal workers, and unemployed).

Component 3: Strengthening the Training and Employment Fund (total project cost US$0.06 million), including contingencies.

The objective of this component is to support the institutional capacity of the Training and Employment Fund in fulfillment of its mandate to identify, finance, and facilitate the delivery of skill development initiatives that will enhance the operational efficiency of the productive sector. The E-TVET Council will provide policy guidance for implementation of the component.
Inputs to this component shall include: (i) technical advisory services to develop and implement a communication strategy that creates a pro-lifelong learning orientation, and to review existing organizational systems and propose a new organizational structure; (ii) revised operational manuals, including new financing criteria and employer-driven modus operandi; IT system/MIS and an outcome-oriented monitoring and evaluation system to ensure enhanced efficiency of TEF; and (iii) study tours, workshops, employer forum, and support for sector council development. The Fund Manager will lead the implementation of Project component activities with support from the Development Coordination Unit (DCU). The TEF Board of Directors will guide operational activities of the new organizational entity.

Expected outcomes of this component include increased number of: (i) firms conducting training needs assessment through TEF; (ii) firms receiving training through TEF; (iii) training contracts approved by TEF; and (iv) training providers (private, public and NGOs) delivering training through TEF.

This Component shall be extensively supported by CIDA through parallel financing with an amount of US$6.0 million.

Component 4: Project Management (total project cost - US$0.70 million), including contingencies.

The objective of this component is to support Project implementation arrangements. This component will fund key staff to be hired for the implementation of the proposed Project. This will, inter alia, include an Executive Director, Procurement Officer, VTC Component Manager, Financial Management Officer, M&E Officer, and IT Specialist and others. The component will fund activities related to the overall Project implementation, including minor goods and materials.

Inputs to this component shall include: (i) contractual services and IT Consultant; (ii) minor goods and materials; and (iii) Project management/M&E system.

Expected outcomes include: (i) functional implementation team and DCU, and support to MoL procurement and finance functions, and (ii) operational support to the Project.

4. Lessons Learned and Reflected in the Project Design

36. The Project design reflects key lessons learned in relevant Bank-supported Projects and sector work in the region (Egypt, Tunisia and Morocco), and in the previous TVET Projects (Training and Employment Support Project) 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.

37. Key lessons learned from implementation of previous TVET Projects include the need to: (i) identify political leadership and commitment to support institutional change and development; (ii) establish TVET labor market linkages based on incentives and financial measures, supported by organizational entities that are appropriately structured, professionally trained, and accountable; (iii) establish effective coordination among all public and private stakeholders at different levels; (iv) provide a comprehensive foundation of statistical information for policy formulation, management decision making, and system financing; (v) build the capacity of the MoL in the area of skills development policy formulation, provision of intermediary services; and (vi) strengthen Project monitoring and evaluation to ensure that Project outputs translate into sustainable operational and institutional change. Finally, it is critical to ensure accountability of training delivery (training provider and beneficiary firm).
5. **Alternatives Considered and Reasons for Rejection**

38. 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 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 have neither a 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 was completed in December 2007 and February 2008).

C. **IMPLEMENTATION**

1. **Partnership Arrangements**

39. 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.

2. **Institutional and Implementation Arrangements**

40. Annexes 1 and 6 show the relationship between various actors in the TVET sector and the proposed detailed implementation arrangements and organizational chart for the implementation of the proposed Project. This is in line with the new E-TVET Law and by-laws.

41. Primary responsibility for Project implementation would reside with the E-TVET Council chaired by the Minister of Labor. Specifically, responsibility would reside with the Development Coordination Unit (DCU) in MoL which will have a key supporting role on sector reform related efforts, program fiduciary aspects and coordination between multiple donors and beneficiaries (ETF, VTC, NCHRD and MoL). The design and set-up of the proposed DCU is modeled on the successful implementation arrangements set up under the ERfKE 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. It has been agreed that: (i) the E-TVET Council would provide overall policy guidance with support from its Secretariat. The technical arm represented in the NCHRD shall provide support in developing the capacity of the Council’s Secretariat and TVET focused research; and (ii) the MoL Secretary General, in his capacity as the chairman of the Steering Committee, would assume executive leadership for implementation of the overall reform program. 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 as well as Project Monitoring and Evaluation (M&E). Specific activities and components will be implemented by the responsible units, departments and/or institutions (VTC, TEF, NCHRD etc.).
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 underway to formalize the team and detailed TORs for each position within the DCU were prepared during the pre-appraisal mission. The DCU long-term TVET Advisor took up her position in April 2008 and the Executive Director is expected to be appointed by August 2008.

3. Monitoring and Evaluation of Outcomes/Results

42. Monitoring and evaluation activities under the Project are designed to monitor Project development objective within the allocated resources, and to evaluate lessons learned from implementation to: (i) resolve issues; (ii) adapt to the dynamics of the environment; and (iii) change direction as needed, in a timely and adequate manner. The M&E function provides stakeholders (E-TVET Council, TEF, VTC, NCHR, Training Providers, the Private Sector, etc.) with tools to demonstrate results as part of their respective accountability in relation to overall system efficiency and effectiveness, means to plan and allocate resources, and to improve service delivery. It shall ensure systematic measurements of inputs, processes, outputs and outcomes. The M&E function adopts three approaches in gathering data over the course of Project implementation: (i) standard/structured surveys/tracer studies; (ii) key informant interviews/focus groups; and (iii) tracking internal processes. The details are described in Annex 3.

4. Sustainability

43. 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 positive development impact. In the event that the Project is able to complete up to 50 percent 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.
5. Critical Risks and Possible Controversial Aspects

The overall risk rating of this Project is Moderate (M).

<table>
<thead>
<tr>
<th>Risk to Project Development Objectives</th>
<th>Rating</th>
<th>Risk Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The policy environment is very sensitive, given its focus on training, employment and social cohesion, thus making policies focusing on the longer-term inherently difficult.</td>
<td>H</td>
<td>The proposed reform is grounded in the National Agenda, supported by the GoJ, whereby commitment and buy-in is significant. The donor community led by the MoL have achieved consensus around key policy objectives. However, implementation remains a problem. Through consistent capacity building and involvement of stakeholders (MoL staff and employers), broader understanding and ownership will be one way to counterbalance the erratic policy environment.</td>
</tr>
<tr>
<td>Achieving all objectives and implementing all activities will be a challenge. However, this has less to do with the comprehensiveness of the proposed Project than the duration and capacity needed to implement the Project effectively.</td>
<td>M</td>
<td>To avoid undermining the sound justification for the proposed Project, achievable and clear results have been identified. Furthermore, a Project extension is a logical next step if results have been achieved. The success of the Project depends on time and capacity to implement. Key TORs and staffing was completed at appraisal to advance Project readiness.</td>
</tr>
<tr>
<td>Complexity in scope given its reliance on capacity, processes and procedures.</td>
<td>S</td>
<td>To mitigate the challenge posed by the large number of activities to be implemented (although small in dollar amounts), a DCU will be established in MoL in addition to teams located in NCHRD, VTC and TEF whose responsibility is to implement the proposed reforms. The Bank's involvement in TEF related activities will be supported by CIDA.</td>
</tr>
<tr>
<td>Possible misappropriation and/or corruption of Project funds/misuse of TEF Funds between Training Provider and Beneficiary.</td>
<td>L</td>
<td>The Project applies GoJ and World Bank fiduciary regulations. The Project design which does not include construction, wage subsidies to workers nor major purchases of equipment (typical areas where contracts are misappropriated) limits the scope for any misappropriation. In addition, the Ministry of Planning and International Cooperation, is closely involved in all fiduciary aspects. Regular fiduciary oversights are applied.</td>
</tr>
<tr>
<td>Weak capacity to undertake proposed activities. The Project faces significant and high implementation risks due to weak capacity, lack of clarity in roles and functions and constant changes.</td>
<td>H</td>
<td>The Project and other donors are providing technical support and consultant services to support implementation of Project activities. However, building effective capacity to implement may take time due to the skills required.</td>
</tr>
<tr>
<td>Phasing out of training centers and retrenchment of staff.</td>
<td>L</td>
<td>The Project has been designed on the assumption that the Government will be unable to close down centers and retrench staff. Thus, a proposed reorganization of the VTC shall be agreed only with the active involvement of all stakeholders.</td>
</tr>
<tr>
<td>Separating social programs from economic programs.</td>
<td>L</td>
<td>Due to constant attention to social cohesion and youth unemployment, it will be extremely difficult to phase out socially focused programs. Instead, the Project will focus on restructuring the governance and demand structure for economic programs, separating these from social programs.</td>
</tr>
<tr>
<td>Lack of awareness as to the role of employer, employer's rights to see demonstrated return from training levy; reluctance of employers to improve working conditions due to high turn-over of labor.</td>
<td>L</td>
<td>A culture of training will have to be built over time. However, due to the abundant supply of foreign workers, employers will continue to have high turn-over until the incentive system is fixed.</td>
</tr>
<tr>
<td>Overall risk rating:</td>
<td>M</td>
<td></td>
</tr>
</tbody>
</table>
6. Loan Conditions and Covenants

44. Effectiveness: The Development Coordination Unit of MoL has adequate staffing to coordinate and support the implementation of the Project.

D. APPRAISAL SUMMARY

1. Economic and Financial Analyses

45. Annexes 1 and 9 include an elaborate description of the Jordan labor market characteristics, skills gap analysis, economic growth sectors and the economic analysis for the proposed Project. The Project assumes 3 scenarios for improving the external and internal efficiency as a result of the proposed Project by component. The calculated Net Present Value (NPV) of the expected benefits from these scenarios are quantified. Table 4 in Annex 9 presents the results of the calculation of Project benefits, by project component and type of benefit. The benefits are calculated as the NPV of a future benefit stream, using a discount rate of 7 percent. The table also compares total benefits with total project costs, and computes a benefit/cost ratio for each scenario. The table shows that, depending on the scenario chosen, the benefit/cost ratio of the project varies between 2.0 and 4.0 or equivalent to a return of between US$26-53 million. Concurrently, the annual loss from inefficiencies in the system is estimated to JD10 million (US$13.0 million).

2. Technical

46. The Project design is grounded in sector work, Japanese PHRD Grant-funded design activities and analyses and strategy development in Jordan supported by the Bank, the ETF/EU and many other donors. It draws on lessons of experience from the earlier Projects in Jordan and from practice and experience in other countries. With funding through the Japanese PHRD Grant, background work and detailed development of components were substantially supported by international and local experts in ensuring that design is informed by sufficient knowledge of country conditions and international good practice.

3. Fiduciary

Procurement

47. Procurement Planning and Management Arrangements: The Executing Agency will be the Ministry of Labor (MoL). The primary responsibility for project oversight will reside with the E-TVET Council chaired by the Minister of Labor. The DCU at MoL will be responsible for coordinating the implementation of the Project by carrying out the procurement processing, including reporting and liaising with the Bank. Coordination between the multiple donors and beneficiaries (ETF, VTC, NCHRD and MoL) is to be defined through an explicit coordination matrix. For procurement of goods financed under the loan, the Bank standard documents will be used under International Competitive Bidding (ICB). The Quality-and Cost-Based Selection (QCBS), Consultants’ Qualification Selection (CQS), Fixed-Based Selection and Least Cost Selection methods will be used for selection of consultant services for firms under the Project.

48. Capacity Building: Training and professional development is expected to increase the performance of staff and have a positive impact on the Project. After appointment of the Procurement Officer, training on Bank Guidelines is recommended. The recruitment and training should be completed by Project effectiveness.
49. **Overall Procurement Risk Assessment**: The procurement risk is rated Moderate, mitigated by the appointment of the DCU Procurement Officer. The Procurement Officer should be proficient in English and will be provided with appropriate procurement training prior to Project effectiveness.

**Financial Management**

50. The Project will be implemented by various entities such as TVET stakeholders, VTC, TEF, and MoL. A DCU housed in MoL, and headed by the Minister of Labor, is responsible for the overall coordination of all development Projects implemented by MoL, including this Project. The Financial Management (FM) responsibilities, including management of Project funds, accounting and reporting, will be undertaken by the DCU Finance Officer in close coordination with MoL Finance Manager, MOF and MOPIC. The Project will follow the Government applied controls as stipulated in the local laws but these controls will be enhanced to separately follow up and report on the Project’s activities in a timely manner.

51. An FM chapter that clearly describes the roles and responsibilities of each stakeholder that has a role in complying with the Project FM arrangements, specifically, the payment authorization and execution process, will be prepared by MoL by effectiveness. An accounting software program will be purchased by the DCU after the approval of the Project by the Council of Ministers. This approval will trigger the authorization for disbursements under the Project. The system will be used to follow on the Project accounts and issue timely financial reports. Quarterly Interim Un-audited Financial Reports will be submitted to the Bank.

52. An independent external auditor will be hired to audit annually the Project financial statements. The hiring of the DCU Finance Officer is a condition for the Project effectiveness. Further details are included in Annex 7. Retroactive financing was approved during negotiations for an amount of US$300,000 to cover expenditures related to goods, consultant services, and training, following Bank guidelines (see Annex 7).

4. **Social**

53. The Project design has benefited from extensive consultation and dialogue with central and regional staff, employer representatives in the target sectors, and staff of the pilot training institutes, ensuring strong ownership of Project objectives and activities. Although the Project does not include specific social development objectives, the following indirect social benefits may be expected: (i) the availability of better information on the social characteristics of students in different TVET programs will facilitate future measures to promote equity of access; (ii) increased relevance of training programs to employment demand will improve the employability and incomes of training recipients; and (iii) public access to better information on training needs and the effectiveness of training programs (including tracer studies), enabling households and workers/trainees to make better-informed decisions. CIDA may apply demand-supply incentives to target women due to the apparent market failure to include women.

54. **Beneficiaries**: The private sector, SMEs, businesses, Chambers, Federations and Associations will benefit from increased support, the opportunity to participate, and funding which will lead to higher productivity and profitability. The employees and unemployed will benefit from better training and support and better skills levels, leading to increased employability and therefore mobility. Ultimately, the Government and the country will benefit from better labor market outcomes and an improved linkage between macro economic policies, productivity and economic growth, and active and passive labor market policies. Specific groups like youth and women will be eligible for support under the piloting of the active labor market programs.
5. **Safeguard Policies**

55. 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.

6. **Policy Exceptions and Readiness**

56. No policy exceptions are sought. The organizational structures for the implementation of the Project were established during appraisal. The TOR for a long-term Project Advisor to be funded by CIDA was prepared during the pre-appraisal in September 2007. In addition to the key Government staffing, the key TORs of the first 12 months activity plans are being developed. A project reform team has been in place since May 2007. The team has participated in procurement workshops and has built hands-on capacity. During the appraisal, the 12-month activity and procurement plan were reviewed and finalized. Core staff including the Procurement Officer, Finance Officer, and M&E Specialist is expected to be hired by July 2008. The long term TVET Advisor took up her appointment in April 2008.
Annex 1: Country and Sector or Program Background
Jordan: Employer Driven Skills Development Project

Country Context

1. The Hashemite Kingdom of Jordan is a constitutional monarchy based on the constitution promulgated on January 8, 1952. Executive authority is vested in the King and his Council of Ministers. Legislative power rests in the bicameral National Assembly. The number of deputies in the current Chamber of Deputies is 110. The Chamber, elected by universal suffrage to a 4-year term is subject to dissolution by the King. The King also appoints the 56 member Senate to a 4-year term. Parliamentary elections took place in the late fall of 2007.

2. Jordan is currently estimated to have a population of 5.4 million citizens with an annual growth rate of 2.7 percent. Since the accession to the throne of King Abdullah II, the country has embarked on a substantive program of economic reform designed to reduce poverty and improve living standards. During the past three years, the Government has practiced careful monetary policy and made substantial headway with privatization. The Government has also liberalized the trade regime sufficiently to secure Jordan's membership in the WTO in 2000, entering into a free trade agreement with the US in 2001, and signing an association agreement with the EU in 2001. Other regional trade agreements are currently under negotiation. These measures have helped improve productivity and have put Jordan on the foreign investment map. Future development directions are being addressed through a National Agenda.

Economic Context

3. During the past six years, Jordan has experienced strong economic growth with an increase in GDP climbing from 4.2 percent in 2000 to a high of 8.4 percent in 2004, followed by 7.2 percent in 2005 and 6.4 percent in 2006. Increases in domestic demand, petro-dollar powered remittances, strong export growth, and a soaring level of foreign direct investment have largely fueled this economic boom. Strong growth in domestic demand is partially attributable to the expenditure of Iraqis now living in Jordan who are currently estimated to number approximately 500,000. Remittances have risen by approximately 15 percent since 2005, reaching JD 1.8 billion in 2006. Export earnings have risen from JD 1.5 billion in 2002 to JD 2.3 billion in 2005 and JD 2.9 billion in 2006. With that rise, the ratio of exports to GDP has increased by an average of 24.4 percent annually since 2000. In 2006, direct foreign investment reached JD 2.2 billion, more than double the 2005 level. Against this backdrop, growth in per capita income has increased from JD 1,235 in 2000 to JD 1,805 in 2006. Concerns underlying the above achievements however, relate to the sustainability of the foregoing levels of growth due to inflation, a growing current account deficit, continuing increase in central governments expenditures, and growing unemployment.

Demographics, Employment, and Unemployment

4. Jordan's population grew from 4.2 million in 1995 to 5.6 million in 2006 Department of Statistics (DOS) representing an annual increase of 2.6 percent. Population distribution, however, is characterized by its youth. In 2006, 36.8 percent were under age 15 and 58.9 percent under age 25. While the proportion of youth is declining, the largest five-year age cohort is now 10 to 14 year olds who will reach working age over the next decade leading to increased pressure on labor supply.

5. As indicated in Table 1 below, the Jordanian labor force grew from 0.83 million in 1995 to 1.02 million in 2000 representing a growth rate of 4.2 percent per annum. By 2006, however, the rate of growth had declined to 2.5 percent, reaching a total of 1.18 million.
Table 1: Labor Force Size by Gender and Urban Rural Distribution

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2000</th>
<th>2006</th>
<th>Growth Rate Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Urban</td>
<td>576,057</td>
<td>685,429</td>
<td>893,626</td>
<td>3.5</td>
</tr>
<tr>
<td>Rural</td>
<td>120,686</td>
<td>178,993</td>
<td>111,323</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>696,743</td>
<td>864,421</td>
<td>1,004,948</td>
<td>4.3</td>
</tr>
<tr>
<td>Female Urban</td>
<td>113,872</td>
<td>133,634</td>
<td>164902</td>
<td>3.5</td>
</tr>
<tr>
<td>Rural</td>
<td>21,770</td>
<td>27,778</td>
<td>18532</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>135,641</td>
<td>161,412</td>
<td>183,434</td>
<td>3.5</td>
</tr>
<tr>
<td>Total Urban</td>
<td>689,929</td>
<td>819,063</td>
<td>1,058,527</td>
<td>3.4</td>
</tr>
<tr>
<td>Rural</td>
<td>142,455</td>
<td>206,770</td>
<td>129855</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>832,384</td>
<td>1,025,833</td>
<td>1,188,382</td>
<td>4.2</td>
</tr>
</tbody>
</table>


6. The foregoing population and labor force data are reflected in the labor force participation rates shown in Table 2 below.

Table 2: Labor Force Participation by Gender and Urban Rural Distribution

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2000</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Urban</td>
<td>70.7</td>
<td>69.7</td>
<td>67.1</td>
</tr>
<tr>
<td>Rural</td>
<td>65.8</td>
<td>66.5</td>
<td>63.4</td>
</tr>
<tr>
<td>Total</td>
<td>69.8</td>
<td>69.0</td>
<td>66.7</td>
</tr>
<tr>
<td>Female Urban</td>
<td>13.6</td>
<td>13.7</td>
<td>12.6</td>
</tr>
<tr>
<td>Rural</td>
<td>9.6</td>
<td>10.5</td>
<td>10.7</td>
</tr>
<tr>
<td>Total</td>
<td>12.8</td>
<td>13.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Total Urban</td>
<td>41.8</td>
<td>41.8</td>
<td>40.1</td>
</tr>
<tr>
<td>Rural</td>
<td>34.7</td>
<td>38.8</td>
<td>37.2</td>
</tr>
<tr>
<td>Total</td>
<td>40.4</td>
<td>41.1</td>
<td>39.7</td>
</tr>
</tbody>
</table>


7. The above data reflect one of the lowest labor force participation rates in the region with a disturbing declining trend. Paralleling a low labor force participation rate is the persistent high level of unemployment. While data on rates of unemployment vary dependent upon the source, those provided in Table 3 below are derived from the DoS Employment and Unemployment Surveys of 2003 and 2005, and the 2004 Census.
Table 3: Unemployment Rate by Gender and Urban Rural Distribution (percent)

<table>
<thead>
<tr>
<th></th>
<th>Urban Male</th>
<th>Urban Female</th>
<th>Urban Total</th>
<th>Rural Male</th>
<th>Rural Female</th>
<th>Rural Total</th>
<th>Total Male</th>
<th>Total Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUS 2003</td>
<td>12.4</td>
<td>19.2</td>
<td>13.5</td>
<td>16.8</td>
<td>26.5</td>
<td>18.2</td>
<td>13.3</td>
<td>20.5</td>
<td>14.4</td>
</tr>
<tr>
<td>Census 2004</td>
<td>17.6</td>
<td>43.2</td>
<td>23.0</td>
<td>27.0</td>
<td>60.5</td>
<td>35.0</td>
<td>19.6</td>
<td>47.4</td>
<td>25.6</td>
</tr>
<tr>
<td>EUS 2005</td>
<td>11.7</td>
<td>24.3</td>
<td>13.7</td>
<td>17.3</td>
<td>32.5</td>
<td>19.5</td>
<td>12.7</td>
<td>25.5</td>
<td>14.6</td>
</tr>
</tbody>
</table>


8. The low participation rates, and high level of unemployment of Jordanian workers, are compounded by the estimated 300,000 foreign workers in the country who take a high percentage of new employment created by the economy as illustrated by Table 4 shown below:

Table 4: New Jobs Filled by Foreign Workers

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2001</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordanians</td>
<td>200</td>
<td>9,900</td>
<td>6,400</td>
<td>42,900</td>
<td>23,300</td>
<td>16,500</td>
</tr>
<tr>
<td>Foreigners</td>
<td>26,000</td>
<td>-9,400</td>
<td>21,600</td>
<td>69,900</td>
<td>31,600</td>
<td>27,900</td>
</tr>
<tr>
<td>Total</td>
<td>26,200</td>
<td>500</td>
<td>28,000</td>
<td>112,800</td>
<td>54,900</td>
<td>44,500</td>
</tr>
</tbody>
</table>


9. The paradox of high levels of investment, GDP growth and job creation, coupled with low labor force participation rates and high unemployment have recently been examined in a World Bank report that identifies the following three fundamental mismatches in the Jordanian Labor market:

- **Geography**: New jobs and prospective workers are far apart.
- **Employability**: Although Jordanians have sufficient education, vocational training and job experience, employers often prefer foreign workers because of their workplace behavior and productivity.
- **Expectations**: Jordanians maintain false optimism about their employment prospects and earning potential.

10. The foregoing data indicate the magnitude of the national imperative to ensure the formulation and implementation of strategies to maximize employment opportunities in the Kingdom in order to maintain social and economic stability.

Structure of the Education System in Jordan

11. The graph below depicts the structure of the education system in Jordan. The key players in the sector are the MoL and the VTC and about 800 private sector training providers and private sector Associations, Federations and Chambers. The 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 a limited area like basic IT or secretarial programs. But they have potential to grow with the right market incentives and funding. VTC
is the main provider of training to the level of craftsman, skilled and semi-skilled. 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 (35 centers). Under the MoE about 30,000 students are enrolled into the formal technical and vocational stream (190 secondary schools).\(^4\) 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. The Jordanian Chamber of Commerce is well organized with its own training department servicing its many members/SMEs.

### Structure of the Jordanian TVET System

**Occupational Levels**

- **Professionals**
- **Technicians**
- **Craftsmen & Skilled Workers**
- **Limited - Skills Workers**

**University Education** (13-16)

- Community Colleges (13-14)

**Secondary Schools** (Grades 11-12)

- Academic Streams
- Vocational Streams

**Basic Education** (Grades 1-10)

Numbers refer to proportion of graduates 2002/03.

### The National Agenda

12. Recognizing that the country suffers from structural unemployment and an economy that fails to absorb the annual inflow of job seekers, as well as having an average of four non-active individuals dependent upon a single worker, His Majesty the King promulgated a Royal Decree in 2005 to establish a National Agenda Steering Committee. This Committee was tasked with the objective of improving the quality of life of Jordanians through the creation of income-generating opportunities, the improvement of standards of living and the guarantee of social welfare.

13. Through the adoption of a multi-stakeholder consultative process, the National Agenda Steering Committee developed a four-phased program of political and socio-economic transformation focusing on the following themes:

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\(^4\) Courses are offered in industrial, nursing, agriculture, hotels, commerce and home economics.
14. National Agenda recommendations relating to the Employment Support and Vocational Training theme fall into two main categories: (i) Institutional Framework Restructuring; and (ii) Targeted Employment Programs. With respect to Restructuring of the Institutional Framework, the Agenda notes the many factors affecting the quality of output from the vocational training sector including: (i) sub-standard vocational training services and student intake; (ii) lack of basic tools and resources to conduct hands on training; (iii) a cadre of instructors with low levels of relevant work experience in their respective fields; and (iv) weak linkages with the employer community. As a result, graduating students from the VTC and other training providers, lack the required technical and soft skills required for employment, causing 78 percent of employers surveyed to express the need to retrain graduates. The Agenda further notes that linkages of VTC to the labor market are further limited by the absence of formal mechanisms to locate employment after training.

15. While the TVET Council, established in 2001, was mandated to address many of the foregoing issues, the entity was not provided with the supporting institutional infrastructure and in consequence proved to be ineffective. In order to remedy this deficiency, the National Agenda proposed the establishment of an Employment, Technical and Vocational Education and Training (E-TVET) Council, having a functional structure as shown below:
16. In addition to establishing the E-TVET Council, the GoJ has subsequently proposed the establishment of an overarching Higher Council for Human Resources Development that will coordinate the activities of the Higher Education Council, the Board of Education and the E-TVET Council. Laws have been drafted to empower the establishment of these bodies but they have yet to be promulgated. The mandate of the E-TVET Council under the proposed Law is comprehensive, covering all aspects of the system from policy through setting standards, accreditation, supervising TEF, ensuring harmonization of programs offered by the respective training providers, and assessing training provider performance. In order to ensure the inclusion of employer perspectives in the governance structure of the E-TVET Council, the National Agenda recommended that two thirds of the members of the council should be drawn from the private sector. This dimension has been lost in the proposed Law with two of the twelve council members nominated by the Chair from the private sector, plus a representative from the Jordan Chamber of Commerce.

17. In terms of performance targets for Employment Support and Vocational Training, the National Agenda has established the following key performance indicators as shown in Table 5.

Table 5: Selected Performance Indicators for Employment Support and Vocational Training

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Current</th>
<th>Target 2013</th>
<th>Target 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Unemployed that are Registered at ETVET</td>
<td>N/A</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Number of Jordanians Directly placed in Jobs by the ETVET per year (thousands)</td>
<td>N/A</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Cumulative Number of Net New Employed (thousands starting 2006)</td>
<td>N/A</td>
<td>340</td>
<td>580</td>
</tr>
<tr>
<td>Number of Jordanians Placed Abroad by the Outplacement Department of ETVET per year</td>
<td>N/A</td>
<td>1,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Percentage of Unemployed Benefiting from the Unemployment Insurance</td>
<td>N/A</td>
<td>50%</td>
<td>75%</td>
</tr>
<tr>
<td>Percentage of Unemployed Benefiting from Unemployment Insurance for Less that 3 months</td>
<td>N/A</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Percentage of Employers Satisfied or Very Satisfied with the Skills of Training Providers Certified Employees</td>
<td>N/A</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Cumulative Number of Jobs Held by Foreigners and Substituted with Jordanian Workers (Thousands)</td>
<td>N/A</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Percentage of Disabled Employed Out of Total Employed</td>
<td>N/A</td>
<td>1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Number of Workers Registered with ETVET and not Registered in Social Security for the past 12 Months (thousands)</td>
<td>N/A</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Percentage of Active Women Out of the Total Female Population of Working Age</td>
<td>10%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Percentage of Females Employed Out of the Total Employed</td>
<td>13%</td>
<td>13%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

18. While a number of activities relating to the proposed mandate of the Council are being undertaken, the overall infrastructure, institutional capacity and recruitment of the required human resources to staff the new organizational units have yet to take place. A comprehensive plan for further development of the council has been prepared during the course of project preparation.
TVET Fund

19. With respect to the Targeted Employment Programs dimension of the Employment Support and Vocational Training theme of the National Agenda, the GoJ has been working on two fronts: (i) providing support for employment linked training activities funded by the TVET Fund established under the previous TVET Council Law of 2001; and (ii) implementing vocational training activities through the MoL National Training and Employment Program (NTEP).

20. The TVET Fund was established in accordance with Article 6 of the TVET Council Law of 2001 and as currently constituted, operates under a joint public and private Board of Directors comprising the following:

- 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

21. While technically it is stipulated that the TVET Fund will work with the TVET Council, to develop policies, regulations, budgetary and subsidization decisions, there has to date been little evidence of interaction 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 aims of the Fund are:

- 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.

22. Article (9) of the Fund By-Law stipulates that disbursements from the Fund may be allocated for the following:

- Financing the training requirements in technical and vocational education and training institutions.
- Developing pre-service and in-service training programs for the public and private sector.
- Supporting or providing fee subsidies for trainees in need.
- Financing Projects (studies) and committees formed by the TVET Council.
- Scanning the training needs of the local and regional labor force.

23. Revenues for the TVET Fund are specified as being derived from the following three sources: (i) One percent of the net profits to be distributed by all general and private companies, and companies with limited liability, and foreign companies working under license in Jordan. The Income Tax Department is assigned responsibility for collection of this levy; (ii) Government’s contributions; and (iii) grants or donations as approved by the Office of the Prime Minister. With respect to the levy on company profits, while delays in payment are experienced from some enterprises, revenue collection is proceeding efficiently with a surplus on hand in July 2007 of JD 33 million.
24. The Fund is currently staffed by a Fund Manager and 12 staff most of who come from a financial or administrative background. During the period 2005-2006, the Fund financed some 21 Projects having a total value of JD 6.85 million of which JD 1.98 million has been disbursed to date. A review of Projects funded indicates that funding went to four principal beneficiaries as shown below in Table 6.

<table>
<thead>
<tr>
<th>Projects</th>
<th>Funding Amount</th>
<th>Funds Disbursed 2005-2006</th>
<th>Outstanding Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>MoL Inspection Project</td>
<td>2,820,000</td>
<td>786,644</td>
<td>2,033,356</td>
</tr>
<tr>
<td>Vocational Training Corporation</td>
<td>1,572,093</td>
<td>392,213</td>
<td>955,880</td>
</tr>
<tr>
<td>National Training and Employment Program</td>
<td>1,221,900</td>
<td>810,000</td>
<td>0</td>
</tr>
<tr>
<td>German Jordanian University</td>
<td>1,000,000</td>
<td>0</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Other</td>
<td>241,550</td>
<td>0</td>
<td>241,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,855,543</strong></td>
<td><strong>1,988,856</strong></td>
<td><strong>4,230,787</strong></td>
</tr>
</tbody>
</table>

Source: TVET Fund

25. Since its inception, the Fund has acted primarily in a responsive manner as opposed to addressing its mandate more proactively. This has been due to the following gaps: (i) the absence of a strong program of awareness and promotion that would attract employers to the skill development opportunities provided by the Fund; (ii) a lack of staff having a technical capability to engage in outreach activities that would provide employers with intermediary services such as occupational and training needs analysis, training program design, assessment of training outcomes, identification of training service providers, and proposal preparation; and (iii) the absence of clear operational procedures and criteria for the appraisal of Projects.

26. During the course of Project preparation an Operation and Procedures Manual has been developed collaboratively with the General Manager of the Fund, and strategies formulated to engage technical staff to undertake an aggressive employer outreach program.

**National Training and Employment Program (NTEP)**

27. The NTEP is an initiative of the MoL aimed at alleviating poverty and unemployment amongst Jordanian youth. The program, which is implemented in cooperation with the Jordanian Army, public and private enterprises, and training institutions, has the following objectives:

- Providing training and recruitment services for young job seekers in the private sector, especially from poor and rural areas.
- Progressive replacement of non-Jordanian guest workers.
- Responding to Jordanian work place demand for semi-skilled and skilled workers.

28. Training offered through the program includes the following three phases: (i) a six-week period of military training (for males only) designed to develop personal fitness and work related ethics; (ii) specialized training of three to six months either on the job or in a training center that is designed to develop occupational skills and competencies; and (iii) a minimum one year contract signed by trainee graduates designed to develop work experience. Trainees receive monthly salaries of JD 80 per month during military service followed by salaries equal to workers of the same skill level during the work experience period.
29. Roles and responsibilities of the NTEP staff include program promotion, trainee identification and placement, employer identification, training program design, and trainee follow-up. A statistical report of program achievements to date is provided in Table 7 below:

<table>
<thead>
<tr>
<th>Table 7: NTEP Training and Employment Data since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total trainee applications received</td>
</tr>
<tr>
<td>Total number of registered trainees since inception</td>
</tr>
<tr>
<td>Trainees registered vs applications received</td>
</tr>
<tr>
<td>Total number of NTEP graduates</td>
</tr>
<tr>
<td>Number of NTEP trainee dropouts</td>
</tr>
<tr>
<td>Dropout of registered trainees</td>
</tr>
<tr>
<td>Ratio of graduates to dropouts</td>
</tr>
<tr>
<td>Total number of trainees retained in employment</td>
</tr>
<tr>
<td>Ratio of employee retention to graduates</td>
</tr>
</tbody>
</table>

Source: NTEP

30. The foregoing data are indicative of the reluctance of Jordanians to seek either training or employment in economic sectors of labor demand such as construction or textiles where the income is close to minimum wage. The low level of program participation and retention similarly suggests a revisiting of the program structure and objectives.

31. While the Training and Employment Fund and the NTEP serve similar objectives, it is apparent that the TEF is an instrument that is more closely aligned with the objectives of the National Agenda insofar as it is resourced by the employer community, and guided by a Board of Directors, the majority of who are representatives of the private sector. In consequence, MoL has established strengthening the fund as a priority focus for the EDSD Project.

Vocational Training Corporation (VTC)

32. Three public sector agencies in Jordan are assigned a mandate to develop skills for employment. These include the MoE through the Secondary Vocational Education stream, the Community Colleges of Al Balqa’ Applied University delivering post-secondary technician level training, and the VTC. Recognizing the VTC mandate to prepare new entrants for all workers in occupations below technician level, this agency is regarded as having a fundamental responsibility to ensure that Jordanians capture all potential semi-skilled and skilled worker employment opportunities arising from growth and development in the country. The National Agenda identifies that VTC has not met this responsibility and places a particular emphasis on fundamental reform of the organization.

33. The VTC was established in 1976 under a temporary law as a semi-autonomous body with a mandate to provide vocational training. It was subsequently made permanent by Law #11 of 1985 and through amendment by Law #50 of 2001. Law #27 of 1999, while not relating to vocational training, assigned VTC a regulatory role relating to occupational classification and licensing, and the licensing of workplaces.

34. Under Law #50, the VTC mandate is to “Provide vocational training opportunities to prepare the technical workforce and to upgrade its efficiency in various non-academic vocational training levels and specializations and to work on the various vocational training levels including: (i) apprenticeship for young persons and adults to practice regular long-term training established under the provisions of the
Law; (ii) train corporate workers in the specialized centers and in work sites to upgrade their efficiency; and (iii) provide intensive and prompt training for various occupations.” As presently constituted, VTC is governed by a Board of Directors comprising 11 members, Chaired by the Minister of Labor with the Director General of the Corporation serving as Vice-Chair. Of the 11 members, two are drawn from the private sector, and one from the Amman Chamber of Industry. The mandate assigned to the Board of Directors includes: (i) setting the general policy for VTC; (ii) preparing plans and programs for vocational training; (iii) studying the vocational training needs in various corporations; (iv) ratification of the general base for vocational training levels and required instruction; (v) preparation of the required system proposals; and (vi) approving the annual budget proposal for submission to Cabinet.

35. VTC currently operates a network of 35 training centers throughout the country, together with 10 specialized institutes including the Chemical Institute, Metalwork Institute, and Occupational Safety and Health Institute. Programs are offered for students to pursue training at the semi-skilled, skilled and craft level in over one hundred occupational areas. Program durations vary dependent upon the requirements of the individual occupations. The training program structure comprises a blend of training center based formal instruction, coupled with supervised on the job work experience. Curriculum is competency based and has been developed through the Instructional Resource and Curriculum Development Center using a modified DACUM approach, drawing upon the occupational skills of specialists in the respective fields. Most students entering the programs have completed Grade 10 education while a small percentage has graduated with a Tawjihi certificate. Total enrolment peaked in 2003 at a level of 15,492 students but has subsequently declined to approximately 8,202 in 2006. Tracer studies on the employment experience of graduates, or employer satisfaction are infrequent but in general confirm the National Agenda findings that indicate serious deficiencies in the quality of training outcomes.

36. Current staffing levels in VTC include 1,433 permanent staff members and 257 contractual employees. All staff is engaged through the Civil Service Bureau with salary scales and conditions of employment equivalent to those in other areas of public sector employment. The organization draws financial resources from Government grants, supplemented by a modest level of self-generated revenue. Recognizing GoJ concerns surrounding the efficiency of VTC, coupled with a low level of employer satisfaction relating to the skills and competencies of graduates, MoL initiated an organizational audit preparatory to undertaking design of the proposed Project. The following paragraphs document key findings and recommendations arising from the audit.

Mandate

37. Mandate Issues Identified by the Organizational Audit

- The audit identifies that under the current legal framework, VTC is assigned a duality of purpose insofar as it has a mandate to serve as both a training provider and as a regulator of the quality and compliance of both workers and the workplace. This duality introduces a potential conflict of interest.

- As originally conceived, VTC was intended to be granted a level of autonomy and flexibility that would enable it to serve the requirements of the labor market in a responsive manner. Article 13 of Law #50 however linked such autonomy to Cabinet approval of the VTC executive by-laws, which has not been met in the 30-year history of the organization. Consequently, VTC remains fully regulated by the Civil Service Bureau and the Ministry of Finance. This has severely constrained the organization from operating in accordance with the business principles adopted by the constituency it was designed to serve.

- Examination of the current program framework indicates that a number of programs are being offered where no visible employment opportunity exists. While programs of this nature may meet a short-term social objective, they serve no economic objective. Thus, the mandate needs to be explicit in defining the purpose of the organization.
38. **Mandate Related Recommendations**

- The audit recommends a fundamental revision of the mandate of the VTC, clearly separating its economic purpose of training for employment from all other social purposes. All regulatory roles should be eliminated from the mandate. The associated revision of the Law should place the organization within a wholly autonomous legal framework.

**Governance**

39. **Governance Issues Identified by the Organizational Audit**

- The current Board of Directors of VTC comprises 11 members, two of who are from the private sector and one from the Amman Chamber of Industry. None of the private sector representatives occupy positions of leadership on the Board, nor do they represent priority occupational sectors. This is inconsistent with the objective of VTC to function as a demand driven training service provider to the productive sector.
- The mandated duties of the Board under prevailing legislation are inconsistent. Board functions should be limited to policy formulation and not include operational functions such as planning or undertaking assessment of training needs.
- The VTC Director General currently serves as a voting member on the Board, and also chairs board meetings in the absence of the Chair (Minister). This comprises a clear conflict of interest situation.

40. **Governance Related Recommendations**

- The audit recommends that the private sector should assume responsibility for managing and directing the VTC with sixty percent of the Board being drawn from the private sector and that the Chair be elected by the private sector. Thus, the VTC would be seen as a private sector entity operating in partnership with the Government as opposed to the other way round. Related revision of the Law would clearly separate the policy functions of the Board from the executive management functions that should be assigned to the Director General. As one of the national training providers, board policies would need to reflect national policy objectives as articulated by the E-TVET Council, and be held accountable for achievement of goals established by the council.

**Organization and Management**

41. **Organization and Management Issues Identified by the Organizational Audit**

- The audit identifies that in the past 30 years, VTC has grown beyond its means and capabilities without plans, benchmarks or targets to guide its development. This has resulted in inefficiency becoming embedded in the inherent nature of the organization.
- Analysis of schedules of authority and span of control indicate imbalances, overlap of responsibilities and unclear reporting relationships.
- VTC is essentially a paper-based organization with a low level of adoption of ICT in its management and communication procedures. This significantly impedes its operational efficiency.
- Staffing qualifications and occupational work experience are substantially below those required for the development of graduate skills consistent with the expectations of employers.
- The distribution of staff amongst the respective regions is imbalanced and trainee/staff ratios are unacceptably low as reflected in Table 8 below:
Table 8: VTC Trainee/Staff Ratios

<table>
<thead>
<tr>
<th></th>
<th>North Region</th>
<th>Middle Region</th>
<th>South Region</th>
<th>Institutes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trainees (FTE)</td>
<td>1,590</td>
<td>4,501</td>
<td>1,248</td>
<td>863</td>
<td>8,202</td>
</tr>
<tr>
<td>Number of technical staff</td>
<td>142</td>
<td>327</td>
<td>96</td>
<td>80</td>
<td>645</td>
</tr>
<tr>
<td>Number of admin. staff</td>
<td>123</td>
<td>226</td>
<td>168</td>
<td>117</td>
<td>634</td>
</tr>
<tr>
<td>Total number of staff</td>
<td>265</td>
<td>553</td>
<td>264</td>
<td>197</td>
<td>1,279</td>
</tr>
<tr>
<td>Trainee/technical staff</td>
<td>11.20</td>
<td>13.76</td>
<td>13</td>
<td>10.78</td>
<td>12.72</td>
</tr>
<tr>
<td>Trainee/admin staff</td>
<td>12.93</td>
<td>19.91</td>
<td>7.43</td>
<td>7.37</td>
<td>12.93</td>
</tr>
<tr>
<td>Trainee/total staff</td>
<td>6.00</td>
<td>8.14</td>
<td>4.73</td>
<td>4.38</td>
<td>6.41</td>
</tr>
</tbody>
</table>

Organizational Structure Related Recommendations

42. The organizational audit recommends a fundamental restructuring of the VTC to reflect the needs of a responsive, service based organization. This will include redefinition of the mandate, staffing levels and accountabilities of each functional unit. Management procedures would need to be restructured to reflect performance based principles and accountability. The staff qualification and experience profile would need to be adjusted through attrition, retrenchment and professional development.

Finance and Internal Efficiency

43. Finance and Internal Efficiency Issues Identified by the Organizational Audit:

- VTC financial resources are principally derived from the Government and in consequence follow government budgetary procedures. While the fiscal year follows the calendar year, budgetary allocations are not assigned until April or May. The Ministry of Finance subsequently requires all expenditures other than those for salaries to cease in August. These procedures severely constrain the organization from operating in a coherent or responsive manner.

- Budget preparation procedures are activity based and complex comprising a 10-step process involving the VTC DG, Regional Directors, Training Center Directors, ADG of Finance, Board of Directors, and the Budget Directorate of the Ministry of Finance. The output is presented in line item format that does not lend itself to performance-based management.

- In many training centers or Institutes, VTC operates well below its designed student capacity, resulting in high levels of variability in cost per trainee and internal efficiency levels as shown in the table below.

Table 9: Trainee Cost and Staff Student Ratio in Selected VTC Centers

<table>
<thead>
<tr>
<th>Training Center</th>
<th>Number of Trainees</th>
<th>Staff Number</th>
<th>Trainee to Staff Ratio</th>
<th>Trainee Cost Per Trainee (JD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Chemical Industries</td>
<td>23</td>
<td>28</td>
<td>0.82</td>
<td>6207</td>
</tr>
<tr>
<td>Salt Training Center</td>
<td>47</td>
<td>26</td>
<td>1.81</td>
<td>3485</td>
</tr>
<tr>
<td>Institute of Metal Industries</td>
<td>143</td>
<td>24</td>
<td>5.96</td>
<td>3382</td>
</tr>
<tr>
<td>Ma'an Training Center</td>
<td>50</td>
<td>15</td>
<td>3.33</td>
<td>3054</td>
</tr>
<tr>
<td>Sahab Training Center</td>
<td>1069</td>
<td>83</td>
<td>12.88</td>
<td>407</td>
</tr>
<tr>
<td>Ain Basha Training Center</td>
<td>871</td>
<td>92</td>
<td>9.47</td>
<td>448</td>
</tr>
<tr>
<td>Hashemieh Training Center</td>
<td>813</td>
<td>49</td>
<td>16.59</td>
<td>482</td>
</tr>
</tbody>
</table>
Finance and Internal Efficiency Related Recommendations

44. The Audit recommends that VTC move from activity based budgeting and management to performance based management based on the formulation and adoption of a Business Plan and agreed Medium-term Expenditure Framework. This would require immediate revision of financial management procedures and associated professional development for system users. The adoption of performance criteria would guide resource allocation and rationalize internal efficiency measures.

Students and Programs

45. Student and Program Issues Identified by the Organizational Audit

- Student intake is declining and significantly below capacity. Examples include: (i) Mafraq, 26.4 percent; (ii) Jerash, 37.8 percent; (iii) Irbid, 48.5 percent; (iv) Salt Handicraft, 22.4 percent; (v) Ma’an, 55.5 percent; (vi) Training and Development Institute, 5.5 percent; (vii) Safety and Occupational Health Institute, 8.0 percent; and (viii) Chemical Industries Institute, 11.5 percent.

- The academic standard of Grade 10 applicants is low. VTC administers a simple pre-registration test to applicants with 47 percent achieving a passing grade. All applicants are nevertheless admitted.

- Training programs are time-based with insufficient input from employers regarding content, outcomes or standards.

Student and Program Related Recommendations

46. The audit recognizes that the issue of the quality of student intake has deeply entrenched social linkages, as well as structural linkages within the education system. The audit recommends that the E-TVET Council take up these issues. With respect to programs, the audit recommends that the VTC adopt a sectoral approach and develop programs in a modular format that will allow trainees flexibility of access and move towards a life-long learning approach.

47. In order to address the issues identified by the organizational audit, the MoL and the VTC Executive Management Team, with support provided by the Project Preparation consultants have formulated a holistic reforms program for the organization. The program is built on a transformative approach that will: (i) enable the organization to operate autonomously with policy and governance guided by the employer community; (ii) operate in accord with sound business principles, guided by a business plan and performance based management practices; (iii) reconfigure the staff profile in accordance with revised operating and program delivery principles; and (iv) restructure programs into a modular format built on employer defined competencies and employability skills.
Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

Jordan: Employer Driven Skills Development Project

Related Bank Group Activities

Higher Education Development Project (US$34.7 million); Approval Date: 02/29/2000; Status: Closed. The objective of this Project was to initiate improvements in the quality, relevance and efficiency of Jordan's higher education, and to support the Kingdom's program to reform sector governance. The Project would: (i) establish system-wide modern information technology (IT), management information systems (MIS), and library infrastructure for higher education; (ii) support a Higher Education Development Fund that would provide grants to public universities for innovative and economically relevant sub-Projects and for improving teaching and learning; (iii) initiate reforms of higher education governance, including the introduction of formula-based allocation of higher education recurrent funding from the Government; and (iv) support the rationalization of the community college sub-sector through the new Al-Balqa' Applied University (BAU).

Education Reform for Knowledge Economy Program Project (US$120.0 million); IP: S; DO: S; Approval Date: 5/8/2003; Status: Under implementation. The Project objective is to transform the education system at the early childhood, basic and secondary levels to produce graduates with the skills necessary for the knowledge economy. The Project will: (i) re-orient education policy objectives and strategies through governance and administrative reform; (ii) transform education programs and practices for the knowledge economy; (iii) support provision of quality physical learning environments; and (iv) promote readiness for learning through early childhood education.

In addition to the above, several Projects and economic sector work are under preparation. A follow-up Project to the Education Reform for Knowledge Economy is underway, as well as a Higher Education Reform for Knowledge Economy Program. In addition, a Social Protection Enhancement Project is under preparation that will focus on re-engineering the Ministry of Social Development (MoSD) and subsidies to the poor. In parallel to the above, a programmatic economic and sector work is being carried out looking at a comprehensive approach to social insurance.

Other Donor Activities in the VT Sector

There are several donors implicated in the labor sector.

Canadian International Development Agency (CIDA) (CDN$3.0 million): CIDA has been involved primarily in the education sector of Jordan. Main activities focus on developing an electronic employment service system, including a web-based Professional Career Counseling system. These systems will link demand with supply, and help the higher education sector respond to market demands and development of labor market tools with a capacity building program focus. The activities generated under this program link with the proposed Project's E-TVET and VTC components. The Project is running from 2004 to 2008. Canadian CIDA have recently signed a new Project totaling US$6.0 million in support of the TEF Development (Component 3) and the MoL restructuring.

Japan International Cooperation Agency (JICA) (US$3.0 million): JICA is focusing on strengthening the training management capacity of the VTC, with the objective of establishing autonomy, decentralization, and management/administration strengthening. The Project will develop the above tools and new curriculum through pilot model centers. The duration is from 2006 to 2010.
**The European Commission (EC) (Euro 382,358):** The Project will focus on improving the vocational education in the MoE, by improving teacher training, capacity building for vocational directorate staff, and inclusion of vocational education for students with special needs. The Project timeframe is from 2007-2008. In addition, the EC is providing technical assistance to the MoL in view of strengthening organizational restructuring.

**The European Training Foundation (ETF):** ETF has been contracted by the EC to undertake feasibility assessments for E-TVET orientation, programme support, technical assistance to the MoL, support for a human resources information system (observatory function development), and the development of a national qualification framework. The implementation timeframe is from 2007 to 2008 for an estimated Euro 515,000.

**USAID:** USAID is financing the Sustainable Achievement of Business Expansion and Quality (SABEQ) to support the reform process by transforming the VTC system into model vocational education training centers using internationally recognized standards, and building the regional capacity of the MoL’s Regional Employment Offices. The Project is being implemented from 2007 to 2008 for an amount of US$786,000.

**International Labor Organization:** The ILO has been closely involved in the development of a decent workplace program and development of a policy unit inside the MoL.
Annex 3: Results Framework and Monitoring  
Jordan: Employer Driven Skills Development Project

<table>
<thead>
<tr>
<th>PDO</th>
<th>Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The development objective of the proposed Project is to:</strong></td>
<td></td>
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<tr>
<td>Realign policy formulation with E-TVET operational mechanisms through the development of employers' participation in (i) sector policy formulation, (ii) institutional development and reform, and (iii) skill development program design and delivery.</td>
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</tr>
<tr>
<td></td>
<td>• Functional E-TVET system (functional E-TVET Council; functional Secretariat).</td>
<td>• Decision on providing further support to the E-TVET Council and its Secretariat.</td>
</tr>
<tr>
<td></td>
<td>• Autonomous VTC (new business and training delivery model, increased percentage of linking financial resources with training centers' fulfillment of performance targets).</td>
<td>• Decisions on revising training programs delivered by new Skills Development Agency (VTC).</td>
</tr>
<tr>
<td></td>
<td>• Improved VTC's internal efficiency through increased trainee/instructor ratio (6.4 in 2006 to 10 in 2013) in restructured centers/programs.</td>
<td>• Feedback to training providers (including Skills Development Agency (VTC) on training needs).</td>
</tr>
<tr>
<td></td>
<td>• Increased number of firms receiving training through TEF.</td>
<td>• Feedback to strengthen the Fund's technical capacity for further employer-driven skills upgrading.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate Outcomes by Component</th>
<th>Intermediate Outcome Indicators</th>
<th>Use of Outcome Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: E-TVET System and Council Development</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Sub-Component 1.1: E-TVET Council Orientation and Capacity Development.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• A functional E-TVET Council.</td>
<td>• A functional E-TVET system.</td>
<td>• Provide further support to empower the E-TVET Council and its Secretariat.</td>
</tr>
<tr>
<td>• Established common understanding and knowledge of structures, practices and outcomes for Employer-Driven TVET System</td>
<td></td>
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<tr>
<td>• A functional secretariat with the capacity to guide the Council policy Agenda.</td>
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<tr>
<td>• A Council Agenda and action plan formulated in consultation with TVET Stakeholders (NCHRD, TEF, Private and public TVET training providers employers, and Federations/Chambers).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate Outcomes by Component</td>
<td>Intermediate Outcome Indicators</td>
<td>Use of Outcome Information</td>
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<tr>
<td><strong>Sub-Component 1.2: TVET Sector Policy, Planning, and Organizational Development.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Policy Objectives for the TVET stakeholders (NCHRD, TEF, private and public TVET training providers employers, and Federations/Chambers).</td>
<td>• Increased Employer-driven occupational profiles developed.</td>
<td>• Verify Occupational Profiles.</td>
</tr>
<tr>
<td>• Selected sectorial occupational profiles and labor/employment demand assessments developed.</td>
<td>• Increased number of restructured VTC training centers established performance indicators.</td>
<td>• Provide additional support for training providers to comply with performance indicators.</td>
</tr>
<tr>
<td>• Improved alignment of provided training profiles with employment demand.</td>
<td>• Financial resources increasingly allocated against actual performance indicators of restructured VTC training centers.</td>
<td>• Adjust mechanism and incentives for financial allocation.</td>
</tr>
<tr>
<td>• TVET stakeholder understanding of MTEF principles and procedures developed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Public training providers increasingly implementing performance based planning and management procedures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Financial resources increasingly allocated to public training providers against established performance indicators.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub-component 1.3: E-TVET System Performance Assessment.</strong></td>
<td></td>
</tr>
<tr>
<td>• Key TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers) reporting against established policy objectives.</td>
<td>• Policy Objectives defined through feedback from TVET Stakeholders.</td>
<td>• Adjust performance assessment mechanism.</td>
</tr>
<tr>
<td>• Performance assessment of TVET stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Resource allocations to TVET providers increasingly realigned.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• TVET system graduates increasingly meeting employer defined standards and expectations.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Sub-Component 1.4: E-TVET Sector Promotion and Awareness</strong></td>
<td></td>
</tr>
<tr>
<td>• Career awareness materials distributed to TVET stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).</td>
<td>• Enhanced understanding of occupational opportunities.</td>
<td>• Verify and adjust the promotional activities.</td>
</tr>
<tr>
<td>• National career awareness campaign implemented.</td>
<td></td>
<td>• Verify and adjust school to work programs.</td>
</tr>
<tr>
<td>Intermediate Outcomes by Component</td>
<td>Intermediate Outcome Indicators</td>
<td>Use of Outcome Information</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td><strong>Component 2: Restructuring of Vocational Training Corporation (VTC)</strong></td>
<td><strong>Sub-component 2.1 Establishment of the Mandate, Governance Structure, and Regulatory Framework for the Proposed New Skills Development Agency.</strong>&lt;br&gt; - New Law established.&lt;br&gt; - TVET Stakeholders' (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers understanding and support generated for the new organization.&lt;br&gt; - New business model (financing, staffing, and management) implemented.&lt;br&gt; - New board members oriented to the new organization.</td>
<td>• Functional restructured VTC/ Skills Development Agency established/ new business model (financing, staffing, and management).&lt;br&gt; • Adjust support provided to VTC's restructuring into the Skills Development Agency.&lt;br&gt; • Adjust restructuring approach.</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-component 2.2 Organizational Restructuring and Staff Development</strong>&lt;br&gt; - New Organization structure developed.&lt;br&gt; - An attrition and training plan developed&lt;br&gt; - Department heads for new organization appointed.&lt;br&gt; - Leadership skills developed.&lt;br&gt; - Operational Manuals in place.</td>
<td>• Autonomous governance model in place.&lt;br&gt; • Adjust organization restructuring mechanism.</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-component 2.3 Reorientation of the Training Delivery Model to Reflect Employer Defined Occupational Competencies.</strong>&lt;br&gt; - A business and training delivery model implemented for the 3 model vocational training centers.&lt;br&gt; - Occupational competencies implemented for selected trades (Reference the three model vocational training centers).&lt;br&gt; - New business and training delivery model developed.&lt;br&gt; - Occupational competencies, with close involvement of employers, under implementation in selected sectors.&lt;br&gt; - Training programs increasingly reoriented to meet employer expectations.&lt;br&gt; - Instructional resources increasingly realigned in accordance with the new business and training delivery model&lt;br&gt; - Instructor experience and qualification profile increasingly realigned in accordance with the requirements of the new training delivery model.</td>
<td>• Satisfaction of employers with the availability, quality and relevance of training being delivered through restructured VTC centers.&lt;br&gt; • Increased completion rate from 30 percent to 45 percent by 2013 in restructured centers.&lt;br&gt; • Increased enrollment rate from non-10th grade graduates in restructured centers/programs.&lt;br&gt; • Adjust mechanism for developing training programs.&lt;br&gt; • Adjust mechanism for trainers' deployment.</td>
</tr>
<tr>
<td><strong>Component 3: Training and Employment Fund</strong></td>
<td><strong>Institutional Development of the TEF</strong>&lt;br&gt; - An interim plan developed and implemented to support the realignment of TEF with E-TVET system reform.&lt;br&gt; - Delivery of employer-driven contracts.&lt;br&gt; - Revised operational manual realigned with TEF’s mandate for employer driven training delivery.</td>
<td>• Increased number of firms conducting training needs assessment through TEF.&lt;br&gt; • Increased number of Firms receiving training through TEF.&lt;br&gt; • Increase in the number of training contracts approved by TEF.&lt;br&gt; • Increased number of training providers (private, public and NGOs) delivering training through TEF.&lt;br&gt; • Adjust technical support mechanism.&lt;br&gt; • Adjust Operational Manual.&lt;br&gt; • Adjust mechanism towards enforcing the Operational Manual.</td>
</tr>
</tbody>
</table>
## Arrangements for Results Monitoring

<table>
<thead>
<tr>
<th>Project Indicators</th>
<th>Baselines</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Outcome Indicators</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional E-TVET system (functional E-TVET Council; functional Secretariat).</td>
<td>None</td>
<td>Staffing and training of the Secretariat.</td>
<td>Institutional capacity assessment tools implemented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Appointment of Board members.</td>
<td>Institutional capacity assessment tools implemented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Employer-driven orientation sessions conducted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Policy Agenda re-aligned.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Autonomous VTC (new business and training delivery model, increased percentage of linking financial resources with training centers’ fulfillment of performance targets).</td>
<td>None</td>
<td>Drafting of by-laws</td>
<td>Passing of the Law.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Model developed</td>
<td>1-3 Model Centers begin to adopt a new business model/outourcing to international consortium.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Model approved/tested.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1-3 Model Centers evaluated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lessons learnt used to revise model.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Financial resource allocation is linked to fulfillment of performance Targets in 10 Model Centers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Model implemented in selected centers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25% of VTC centers retain their income.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequency and Reports</th>
<th>Instruments</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>Tracer Study</td>
<td>DCU</td>
</tr>
<tr>
<td></td>
<td>E-TVET Council’s minutes of Meeting</td>
<td>Independent consultants contracted by DCU</td>
</tr>
<tr>
<td></td>
<td>Key Informant Interviews/ Qualitative Research</td>
<td>VTC</td>
</tr>
<tr>
<td>Annually</td>
<td>VTC MIS</td>
<td>VTC</td>
</tr>
<tr>
<td>Project Indicators</td>
<td>Baselines</td>
<td>Target Values</td>
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<tr>
<td>--------------------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td>Training Centers established performance targets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VTC centers eligible to retain part of their income.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial resource allocation is linked to fulfillment of performance targets in 1-3 Model Centers (tested).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved VTC’s internal efficiency through increased trainee/instructor ratio (6.4 in 2006 to 10 in 2013) in restructured centers/new programs.</td>
<td>6.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Increased number of Firms receiving training funding through TEF.</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

**Intermediate Outcome Indicators**

**Sub-component 1.1:** E-TVET Council Orientation and Capacity Development
### Project Indicators

<table>
<thead>
<tr>
<th>Project Indicators</th>
<th>Baselines</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Year 1</td>
<td>Year 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staffing and training of the Secretariat.</td>
<td>Employer-driven orientation sessions conducted.</td>
</tr>
</tbody>
</table>

### Sub-component 1.2: TVET Sector Policy, Planning, and Organizational Development.

<p>| Increased employer-driven occupational profiles developed. | Zero | Negligible | 5% increase | 5% increase | 10% increase | 10% increase | Annually | Project Files | DCU with the support of sub-contracted subject matter experts. |
| Increased number of the restructured VTC centers established performance indicators. | Zero | Negligible | 10% | 15% | 15% | 15% | Annually | Tracer Study of VTC training centers. | DCU |
| Financial resources increasingly allocated against actual performance indicators of the restructured VTC training centers. | Zero | Negligible | 10% | 15% | 15% | 15% | Annually | Tracer Study of VTC training centers and Annual Audit Reports. | VTC |</p>
<table>
<thead>
<tr>
<th>Project Indicators</th>
<th>Baselines</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
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<td></td>
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<td>Year 1</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-component 1.3: E-TVET System Performance Assessment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Objectives defined through feedback from TVET Stakeholders;</td>
<td>None</td>
<td>Performance Targets and timeline/ results framework for the TVET system. Xx workshops and seminars to TVET Stakeholders on the results framework.</td>
<td>Xx workshops and seminars to TVET Stakeholders on the results framework. Data gathering and data analysis tools developed.</td>
</tr>
<tr>
<td><strong>Sub-component 1.4: E-TVET Sector Promotion and Awareness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhanced understanding of occupational opportunities.</td>
<td>None</td>
<td>National program drafted/ phased. Awareness material introduced.</td>
<td>National program developed. Awareness Activities implemented. Baseline perception of TVET occupational opportunities (1-5 point scale) established.</td>
</tr>
<tr>
<td>Project Indicators</td>
<td>Baselines</td>
<td>Target Values</td>
<td>Data Collection and Reporting</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Year 1</td>
<td>Year 2</td>
</tr>
</tbody>
</table>

**Sub-component 2.1: Establishment of the Mandate, Governance Structure and Regulatory Framework for the Proposed New Skills Development Agency**
<table>
<thead>
<tr>
<th>Project Indicators</th>
<th>Baselines</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transition Plan launched.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Model Centers in place (or consortia contract launched for these).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>An Attrition and training plan being endorsed.</td>
<td></td>
</tr>
<tr>
<td>Autonomous Governance model in place.</td>
<td>None</td>
<td>New Model developed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>New organizational chart designed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>An Attrition and training plan developed.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Performance Appraisal System being developed.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>New Salary Structure System being developed tied to Performance level.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>New mode of operation designed</td>
<td></td>
</tr>
</tbody>
</table>

**Sub-component 2.3: Reorientation of the Training Delivery Model to Reflect Employer Defined Occupational Competencies**

<table>
<thead>
<tr>
<th>Satisfaction of employers with the availability, quality and relevance of training being delivered through VTC (new programs or restructured VTC centers).</th>
<th>Baseline</th>
<th>Baseline</th>
<th>Baseline + 0.1</th>
<th>Baseline + 0.2</th>
<th>Baseline + 0.5</th>
<th>Bi-Annual</th>
<th>Tracer Study VTC MIS Project Files</th>
<th>DCU and contracted independent consultants.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Employers satisfaction rating on scale of 1-5 (average score of the employers.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

43
<table>
<thead>
<tr>
<th>Project Indicators</th>
<th>Baselines</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
<th>Instruments</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
<td>Year 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
<td>Year 4</td>
</tr>
<tr>
<td>Increased completion rate from 30% to 45% by 2013 for revised programs or restructured centers.</td>
<td>satisfaction questionnaire; where 1 is the lowest and 5 is the highest.</td>
<td>30 percent</td>
<td>30%</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Increased percentage of non-leavers from 10th grade out of total enrolment (inter alia in-service workers, seasonal workers, and unemployed) in revised programs or restructured centers.</td>
<td>Zero</td>
<td>Zero</td>
<td>Zero</td>
<td>1% increase</td>
<td>5% increase</td>
</tr>
</tbody>
</table>

**Component 3: Strengthening of the Training and Employment Fund**

| Increased firms conducting training needs assessment through TEF. | Zero | Zero | 2 | 5% increase | 10% increase | 15% increase | Annual | TEF MISS | TEF |
| Increased number of firms receiving training funding through TEF. | 0 | 0 | 5 | 5% increase | 10% increase | 15% increase | Annual | TEF MISS | TEF |
| Increase in the number of training contracts approved by TEF from x to y [to be determined]. | 8 | 8 | 5% increase | 5% increase | 10% increase | 15% increase | Annual | TEF MISS | TEF |
| Increased number of training providers (private, public and NGOs) delivering training through TEF. | 5 | 5 | 5% increase | 5% increase | 5% increase | 5% increase | Quarterly / Annually | TEF MISS system | TEF |
Arrangements for Results Monitoring

1. The monitoring and evaluation (M&E) activities under the Project are designed to monitor whether the Project is moving towards achieving its development objective within the allocated resources, and to evaluate lessons learned from implementation to: (i) resolve arising issues; (ii) adapt to the dynamics of the environment; and (iii) redirect its directions timely and adequately. The M&E function provides stakeholders (E-TVET Council, TEF, Training Providers, the Private Sector, etc.) with tools to demonstrate results as part of their respective accountability in relation to overall system efficiency and effectiveness, means to plan and allocate resources, and to improve service delivery.

2. It shall ensure systematic measurements of inputs, processes, outputs and outcomes. Key Performance Indicators (KPIs) are designed to: (i) relate to the Project Developmental Objective (PDO) directly – output/outcome oriented; and (ii) measure status and progress in an objective manner. KPIs are measured and compared against their end of Project targets, to effectively monitor and evaluate progress. The M&E function adopts the following three approaches in fulfilling its mandate, whereby data is gathered along the different stages of the project implementation cycle:

   (i) **Tracer Studies/Structured Surveys**: These studies/surveys shall be conducted to track progress of implementation at the level of the respective entity (VTC and TEF). They shall reflect on results pertaining to employers, training providers, and trainees. They shall be presented in routine periodical reports to be presented to the E-TVET Council and widely distributed to the E-TVET stakeholders. Ad-hoc research and analysis shall be developed to present in-depth evaluation of specific issues, in which case questionnaires, tracer studies or any other adequate tool shall be adopted. Baseline data shall be developed during the first year of implementation. While each implementing agency shall be accountable for its own M&E, the DCU shall provide the related fiduciary support and shall be responsible for preparing consolidated progress reports (quarterly, bi-annual, and annual) in a harmonized manner that responds to the needs of the various stakeholders either at the level of the E-TVET set-up or that of the donors.

   (ii) **Key Informant Interviews/Focus Groups**: Qualitative research, with the use of structured and semi-structured questionnaires, shall be conducted to inform the stakeholders about success factors of the Project’s interventions over its life and the prospect of its sustainability after its closing.

   Content analysis of the minutes of meetings for E-TVET Council, Steering Committee, VTC’s Board meetings, and TEF’s Board meetings and shall guide the assessment of the institutional set-up’s progress.

   (iii) **Tracking Internal Processes**: The DCU shall develop an elaborate MIS system to constantly monitor timeliness and appropriateness of the Project’s processes against its respective agreed targets (for example periodical E-TVET Council meetings, submission of the Fund’s annual Work Plan to its Board, duration to deploy a training needs assessment specialist, duration to review and approve a training request, etc). A flag is triggered in case of delays for a remedial action to be taken in a timely manner.

3. A subset of the listed performance indicators/milestones will be selected for the project monitoring, reporting and implementation status and results (ISR) during the Project launch. This will be reflected in the operational manual and annual implementation/workplans.
Annex 4: Detailed Project Description
Jordan: Employer Driven Skills Development Project

Component 1: E-TVET System and Council Development with Employer Participation (total project cost US$1.90 million), including contingencies.

Under the Employment Support and Vocational Training theme, the National Agenda proposes to address 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.

The objective of this component is to support institutional development of the E-TVET Council and the Secretariat and operationalize key aspects of employment-related planning, development and training provision with the TVET Stakeholders (NCHRD, TEF, Private and public TVET training Providers employers, and Federations/Chambers) 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 employers’ participation; 1.3 E-TVET system performance assessment with active employers’ participation; and 1.4 E-TVET sector promotion and awareness among TVET Stakeholders.

The component will be managed by the Secretariat. This shall be in close coordination with NCHRD and other research related entities. Key activities will be implemented through TVET Stakeholders (NCHRD, TEF, private and public TVET training providers employers, and Federations/Chambers).

Expected outcomes from the component include: (i) a functional E-TVET system that establishes policy objectives with a clear voice and active participation of employers; (ii) a functional Secretariat; (iii) increased Employer- driven occupational profiles developed; (iv) increased number of VTC training centers establish performance indicators; (v) financial resources increasingly allocated against actual performance indicators; (vi) policy objectives defined through feedback from TVET Stakeholders; and (vii) enhanced understanding of occupational opportunities.

Sub-component 1.1: E-TVET Council Orientation and Capacity Development. The objective of this sub-component is to: (i) to build a common understanding of employment driven TVET systems, structures, and operational practices amongst the E-TVET Council members and TVET Stakeholders (NCHRD, TEF, Private and public TVET training Providers employers, and Federations/Chambers); and (ii) build the capacity of the Secretariat to provide policy options analysis in the TVET sector, and establish an agenda and action plan for the work of the Council, based on an analysis of its mandate and the surrounding regulatory framework.

Activities to be undertaken during implementation of the sub-component include:

- Passage of the Law establishing the E-TVET Council, TEF and Accreditation, Certification and vocational testing.
- Appointment of the members of the E-TVET Council in accordance with the provisions of the Law.
- Appointment of the Secretariat Staff.
- Design and deliver orientation activities for Council members, Secretariat staff, and TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
- Deliver professional development for Secretariat staff, NCHRD, and Advisory and Strategic Planning Unit to ensure efficient undertaking of assigned responsibilities.
- Establish roles, responsibilities, protocols, procedures, and communication mechanisms between the Council, Secretariat, and TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
- Review all laws and by-laws currently governing the institutions and agencies in the TVET sector in order to identify gaps and conflicts.
- Review the E-TVET sector strategy and formulate an action plan for the work of the Council and the Secretariat.
- Develop institutional capacity assessment tools and conduct a capacity assessment of those responsible for the implementation of the E-TVET Council action plan.
- Develop MIS/IT systems to support an operational E-TVET system (hardware funded off-project from MoL budget).

Inputs will include:
- Technical assistance for the services of a Policy Advisor, Management Advisor, and Employment and Industry Advisor.
- Financial resources for workshops and capacity building.
- Short-term professional development of Secretariat staff.
- Financial resources for outsourcing specialized expertise.
- MIS/IT systems development (hardware funded off-Project from MoL budget)
- Operational expenses and materials.

Outputs from the component will include:
- A functional E-TVET Council.
- Established common understanding and knowledge of structures, practices and outcomes for Employer-Driven TVET System.
- A Functional Secretariat with the capacity to guide the Council policy agenda.
- A Council agenda and action plan formulated in consultation with TVET Stakeholders (NCHRD, TEF, Private and public TVET training Providers employers, and Federations/Chambers).

**Sub-component 1.2: E-TVET Sector Policy, Planning and Organizational Development with Active Employers Participation.** Guided by national economic priorities and analysis of labor market dynamics in the country, the objective of this sub-component is to support the E-TVET Council and the Secretariat to: (i) formulate national policy directions for the TVET sector; (ii) establish and harmonize explicit policy objectives and accountabilities for the respective public and private TVET providers; (iii) initiate the establishment of common performance based planning and management procedures amongst public sector TVET providers within MTEF framework; (iv) recommend resource allocations for public TVET providers; and (v) progressively build the national qualification, certification and accreditation bodies and procedures.

Activities to be undertaken during implementation of the sub-component include:
- Identification of national economic development directions on a sectoral basis, together with a macro assessment of employment and skills implications.
- Preparation of selected sectorial occupational profile (For example Construction, Financial Sector) to quantify labor market demand and guide investments.
- Align macro level employment demand projections and occupational profiles to guide training provider planning.
- Implementation of the guiding principles adopting MTEF as a framework for performance based budgeting, management and accountability measures at the level of MoL, NCHRD, and VTC.
- Provision of professional development and operational guidance to TVET training providers in performance based planning and budgeting.
- Formulation of policy objectives and accountability measures for MoL, NCHRD, VTC and other public sector TVET providers.
- Provision of support for continuing development and implementation of the National Qualifications Framework.

Inputs will include:
- Contract services of a Policy Advisor, Management Advisor and Financial Advisor.
- Training in performance based budgeting and management procedures for staff in MoL, NCHRD, VTC and other public sector TVET providers.
- Financial resources for the design and delivery of stakeholder workshops.
- Contract services for the National Qualification Framework (NQF).
- Goods and materials.
- Operational expenses.

Outputs from the component will include:
- Policy Objectives for the TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
- Selected sectorial occupational profiles and labor/employment demand assessments developed.
- Improved alignment of provided training profiles with employment demand.
- TVET Stakeholder understanding of MTEF principles and procedures developed.
- Public training providers increasingly implementing performance based planning and management procedures.
- Financial resources increasingly allocated to Public training providers against established performance indicators.

Sub-component 1.3: E-TVET System Performance Assessment with Involvement of Training Providers and Employers. The objective of this sub-component is to build the capacity of the Secretariat and NCHRD as the Council’s technical arm to: (i) establish performance indicators for the E-TVET system derived from national policy objectives; (ii) design data gathering tools and reporting mechanisms; (iii) undertake performance analysis and recommend remedial action; and (iv) ensure feedback into the policy assessment cycle.

Activities to be undertaken during implementation of the sub-component include:
- Based on Council established policy objectives (sub-component 1.2), establish targets and timeline/results framework for the TVET system.
- Deliver workshops and seminars to TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers) on the results framework.
- Provide technical assistance to TVET Stakeholders (NCHRD, TEF, Private and public TVET training providers, employers, and Federations/Chambers) to ensure that management information systems and related performance monitoring procedures generate information products in a format that serves the national results framework.
- Develop data gathering and data analysis tools, to monitor the E-TVET system indicators; and adopt such tools to conduct performance analysis.
• Realign budget/resource allocations in accordance with the established objectives and targets/results framework.

Inputs will include:

• Contract services of a Policy advisor and M&E specialist (with strong TVET background).
• Workshops and seminars for TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
• Data gathering and data analysis tools.
• Employer Satisfaction and Tracer Studies.
• Goods and materials.
• Operational expenses.

Outputs from the Project component will include:

• All TVET Stakeholders (NCHRD, TEF, Private and public TVET training providers, employers, and Federations/Chambers) reporting against established policy objectives.
• Performance assessment of TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
• TVET system graduates increasingly meeting employer defined standards and expectations.

Sub-component 1.4: E-TVET Sector Promotion and Awareness among TVET Stakeholders. The objective of this sub-component is to engage employers and TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers) in enhancing and promoting understanding and awareness of occupational opportunities in the TVET sector. Activities to be undertaken during implementation of the sub-component include:

• Develop and implement a national program to enhance awareness of employment and career opportunities in the field of TVET sector.
• Develop employment and career development materials.
• Pilot active labor market programs.

Inputs will include:

• Contract services for the design of the promotion and awareness function.
• Resources for the production and distribution of awareness materials.
• Delivery of career awareness days.
• Goods, minor works and operational expenses.

Outputs from the Project component will include:

• Career awareness materials distributed to TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, and Federations/Chambers).
• National career awareness campaign implemented.

Component 2: Restructuring of Vocational Training Corporation (VTC) (total project cost US$6.14 million), including contingencies.

Detailed analysis of the VTC identifies that a fundamental reform and restructuring of the organization is required. This shall result in the replacement of VTC into a new autonomous organization founded on a mandate, legal framework, governance management and organizational structure, and new employer-driven business and training service delivery model. 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. Over time, the Government funding will decrease.

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 three sub-components: 2.1 Establishment of the Mandate, Governance Structure, and Regulatory Framework for the new Skills Development Agency; 2.2 Organizational Restructuring and Staff Development; and 2.3 Reorientation of the Training Delivery Model to Reflect Employer Defined Competencies.

Expected outcomes from this component include: (i) functional restructured VTC/New Skills Development Agency established/ new business model (financing, staffing, and management); (ii) autonomous Governance model in place; (iii) satisfaction of employers with the availability, quality and relevance of training being delivered through VTC; (iv) increased completion rate from 30 percent to 45 percent by 2013; and (v) increased percentage of non-leavers from 10th grade out of total enrolment (inter alia in-service workers, seasonal workers, and unemployed)

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 Board of Directors with employers’ participation will guide operational activities of the new organizational entity.

Sub-component 2.1: Establishment of the Mandate, Governance Structure, and Regulatory Framework for the new Skills Development Agency. The objective of this sub-component is to support the first phase of the reform program leading to the establishment and the implementation of the legal framework and governance structure of the new organization. Activities undertaken during the implementation of the sub-component will include:

- Establish a working group comprised of employer community representatives, VTC executive management team and relevant government departments including MoF, Civil Service Bureau, and MoL that will provide guidance on issues arising from the reform process.
- Review and validate the proposed VTC reform program and resultant training approach.
- Conduct workshops to obtain stakeholder feedback on the mandate, guiding principles and draft law for the proposed new organization.
- Finalize of relevant by-laws for ratification by the E-TVET Council.
- Draft and ratify the Law that establishes the new organizational entity and repeal existing VTC laws.
- Appoint the new Board of Directors and initiation of next steps of the reform program.

Inputs will include:

- Contract services to support the Director with all facets of drafting legislation, facilitating stakeholder understanding and support, and establishment and orientation of the Board of Directors of the new organization.
- Contracting of specialized professional services.
- Workshops and stakeholder awareness activities.
- Goods and materials.
Outcomes from the sub-component will include:

- New Law established.
- TVET Stakeholders’ (NCHRD, TEF, Private and public TVET training Providers, employers, and Federations/Chambers understanding and support generated for the new organization.
- New business model (financing, staffing, and management) implemented.
- New board members oriented to the new organization.

Sub-component 2.2: Organizational Restructuring and Staff Development. The objective of this sub-component is to support the development of an organizational structure, operational capability, and business plan consistent with the assigned purpose of the new organization. Activities undertaken during the implementation of the sub-component will include:

- Develop a structure for the new organization together with functionalities, operating procedures, staffing, reporting relationships and position descriptions for each organizational unit.
- Conduct an organizational audit of the current structure with a view of aligning staffing with the new organization and develop a training plan.
- Design and implement a transition plan from the existing VTC organization to the new organization.
- Develop an attrition and training plan to align existing VTC staff with the new organization.
- Obtain Board approval for the structure of the new organization.
- Develop Business Plan for the new organization, with performance indicators.
- Obtain E-TVET Council’s approval for the Business Plan and the new financial model.
- Develop an Operational Manual for technical, financial and administrative functions of the new organization.
- Design and deliver of training for the new management team and leaders of the respective functional units (including training centers’ management).
- Establish ICT infrastructure (design) for the new organization (including training centers) with possibility of linkages to TVET Stakeholders (NCHRD, TEF, private and public TVET training providers, employers, Federations/Chambers, and Electronic Labor Exchange).

Inputs will include:

- Contract services to support the management team and Board of Directors to establish and operationalize the new organization.
- Seminars and workshops.
- Organizational audit, training plan and transition plan.
- Staff training.
- ICT infrastructure design (hardware funded off-Project from VTC budget).

Outputs from the sub-component will include:

- New Organization structure developed for the new Skills Development Agency.
- An attrition, transition and training plan developed.
- Department heads for new organization appointed.
- Leadership skills developed.
- Operational Manuals in place.
Sub-component 2.3: Reorientation of the Training Delivery Model to Reflect Employer Defined Occupational Competencies. The objective of this sub-component is to support the development and implementation of an employer driven business and training service delivery model consistent with: (i) employer community expectations; (ii) the mandate assigned by the E-TVET Council; and (iii) the National Qualifications Framework currently under development.

Activities undertaken during the course of implementation of the sub-component will include:

- Establish sector committees in collaboration with Chambers of Industry and Commerce, syndicates, and employers.
- Design and develop a training service delivery model based on a modular approach (industry based expert practitioner input into curriculum development and the assessment of acquired occupational competencies).
- Develop and implement new business and training delivery model in 3 vocational training centers.

Inputs will include:

- Services to develop and implement a new business and training delivery model.
- Staff training on new business and training delivery model.
- Goods and materials.

Outputs will include:

- A business and training delivery model implemented for the 3 model vocational training centers.
- Occupational competencies implemented for selected trades (Reference the 3 model vocational training centers).
- New business and training delivery model developed.
- Occupational competencies, with close involvement of employers, under implementation in selected sectors.
- Training programs increasingly reoriented to meet employer expectations.
- Instructional resources increasingly realigned in accordance with the new business and training delivery model.
- Instructor experience and qualification profile increasingly realigned in accordance with the requirements of the new training delivery model.

Component 3: Strengthening the Training and Employment Fund (total project cost US$0.06 million), including contingencies (this component will be funded by CIDA).

The Training and Employment Fund (TEF) began operation in 2004, and has been collecting funds since 2002. During this period funds have been used to support the National Training and Employment Program (NTEP); Jordanian German University; MoL Inspection Project, and Projects initiated by the VTC. A revised Law has been drafted to restructure and clarify the mandate of the Technical and Vocational Education Fund into a Training and Employment Fund (TEF).

The objective of this component is to support the institutional capacity of the TEF in the fulfillment of its mandate to identify, finance, and facilitate the delivery of skill development initiatives that will enhance the operational efficiency of the productive sector. 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 Board of Directors will guide operational activities of the new organizational entity. This Component shall extensively be supported by CIDA through parallel financing with an amount of US$6.0 million. Thus, the Bank will only fund US$60,000.

Expected outcomes of this component include: (i) increased number of firms conducting training needs assessment through TEF; (ii) increased number of Firms receiving training through TEF; (iii) increase in the number of training contracts approved by TEF; and (iv) increased number of training providers (private, public and NGOs) delivering training through TEF.

Sub-component 3.1: Training and Employment Fund Development: Institutional Development of the TEF under the E-TVET System Reform. The objective of this component is to enhance the institutional capacity of the Training and Employment Fund in fulfillment of its mandate to identify, finance, and facilitate the delivery of skill development initiatives that will enhance the operational efficiency of the productive sector.

Activities undertaken during implementation of the sub-component will include:

- Support the Fund management in implementing new operational procedures linking employers to training delivery.
- Support the alignment of the Fund’s policies and procedures with TVET system reform development.
- Support TEF’s performance assessment, M&E, and reporting to the E-TVET Council.

Inputs will include:

- Contract services to support the Fund management team
- Goods and materials.

Outputs will include:

- An interim plan developed and implemented to support the realignment of TEF with E-TVET system reform.
- Delivery of employer-driven contracts.
- Revised operational manual realigned with TEF’s mandate for employer-driven training delivery.

CIDA shall finance the technical advisory services and related activities to support the following sub-components: (i) Awareness and Outreach; (ii) Institutional Development of TEF; (iii) MIS Development; (iv) Monitoring & Evaluation System; and (v) further development of Sector Councils, which are expanded partnerships among employers, training providers, labour and prospective employees.

Activities under this are as follows:

- Establish clear criteria for the appraisal and approval of the respective categories of skill development activity financed by TEF.
- Build the technical capacity of TEF to undertake training needs analysis, training program design, contracting and monitoring program delivery.
- Initiate an intensive outreach program through Chambers and individual employers; and Support implementation of program delivery.
- Contribute towards equipping TEF with the necessary financial, administrative and technical skills required for effective employer driven program delivery.
Inputs:

- Technical advisory services to develop and implement a communication strategy that creates a pro-lifelong learning orientation.
- Technical assistance to review existing organizational systems and propose new organizational set-up (including job descriptions and recruitment and training of up to 15 new staff).
- Revised operational manuals, including new financing criteria and employer-driven modus operandi.
- IT system/MIS.
- Technical assistance to establish an outcome-oriented Monitoring and Evaluation system to ensure enhanced efficiency of TEF.
- Study Tours, Workshops and Employer Forum.
- Support for Sector Council Development.

Outputs:

- A new organisational structure and a new modus operandi aligned with TEF’s mandate and the TVET’s system reform.
- Increasing number of TEF supported contracts directed towards employers/sector councils.
- Employers’ increasing satisfaction with TEF’s services.

Component 4: Project Management (total project cost US$0.70 million), including contingencies.

The objective of this component is to support project implementation arrangements. This component will fund key staff to be hired for the implementation of the proposed Project. This will, inter alia, include an Executive Director, Procurement Officer, Financial Management Officer, M&E Officer, and IT Specialist. The component will fund activities related to the overall Project implementation, including minor goods, materials and operational expenses and services.

Inputs will include:

- Contractual services and IT Consultant.
- Minor goods and materials.
- Project management/M&E system.

Outputs will include:

- Functional implementation team.
- Operational support.
Annex 5: Estimated Project Costs

Jordan: Employer Driven Skills Development Project

<table>
<thead>
<tr>
<th>Project Cost by Component and/or Activity</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. E-TVET Council and System Development</td>
<td>1.20</td>
<td>0.55</td>
<td>1.75</td>
</tr>
<tr>
<td>2. Restructuring of Vocational Training Corporation</td>
<td>3.98</td>
<td>1.35</td>
<td>5.33</td>
</tr>
<tr>
<td>3. Strengthening the Training and Employment Fund</td>
<td>0.05</td>
<td>0.01</td>
<td>0.06</td>
</tr>
<tr>
<td>4. Project Management</td>
<td>0.67</td>
<td>0.02</td>
<td>0.69</td>
</tr>
</tbody>
</table>

Total Baseline Cost | 5.90 | 1.93 | 7.83 |

Physical Contingencies | 0.46 | 0.15 | 0.61 |
Price Contingencies | 0.26 | 0.10 | 0.36 |

Total Project Costs\(^1\) | 6.62 | 2.18 | 8.80 |
Front-end Fee | - | - | 0.02 |
Total Financing Required | 6.62 | 2.18 | 8.80 |

\(^1\) Identifiable taxes and duties are US$1.3 million, and the total project cost, net of taxes, is US$7.5 million. Therefore, the share of project cost net of taxes is 85%.

Note: Numbers may not add up due to rounding.

Expediture Categories (% of Total)

<table>
<thead>
<tr>
<th>Exp Cat</th>
<th>Amount (US$)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance</td>
<td>1,700,000</td>
<td>20%</td>
</tr>
<tr>
<td>Services</td>
<td>3,644,000</td>
<td>41%</td>
</tr>
<tr>
<td>Training</td>
<td>1,395,000</td>
<td>16%</td>
</tr>
<tr>
<td>Goods &amp; Equipment</td>
<td>1,800,000</td>
<td>20%</td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td>160,000</td>
<td>2%</td>
</tr>
<tr>
<td>Audit</td>
<td>101,000</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>8,800,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (US$)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD</td>
<td>7,500,000</td>
<td>72%</td>
</tr>
<tr>
<td>GOJ</td>
<td>1,300,000</td>
<td>28%</td>
</tr>
</tbody>
</table>
Annex 6: Institutional and Implementation Arrangements

Jordan: Employer Driven Skills Development Project

1. The overall sector development policies will be guided by the E-TVET Council chaired by the Minister of Labor. As mentioned above, support for project implementation arrangements would comprise the fourth component of the Project.

Chart 1: Flow of Decision-Making Process and Authority

2. The E-TVET reform institutional set-up shall include: the E-TVET Council, the Steering Committee, the DCU, and the Secretariat (with strong linkages to NCHRD and other research/policy analysis entities).

- The **E-TVET Council** is chaired by H.E. the Minister of Labor and includes representation from various TVET stakeholders: Secretary General of Ministry of Labor, President of the National Centre for Human Resources Development, Secretary General of Ministry of Education for Educational and Technical Affairs, Secretary General of Ministry of Social affairs, representatives from Al-Balqa Applied University, Jordan Chamber of Industry, Jordan Chamber of commerce, the Armed Forces, the General Labor Union, and two members of the private sector named by the Chair. The Council shall provide overall policy guidance and decisions on policies and actions. The Council shall meet quarterly to approve policy decisions and actions that have previously been reviewed and endorsed by the Steering Committee. The passing of the Council’s establishing law is pending Cabinet and Parliament Approval.
The Steering Committee is a sub-committee from the E-TVET Council that is chaired by H.E. the Secretary General of the MoL. In this capacity, the Secretary General shall oversee the day-to-day implementation of the E-TVET reform. The Steering Committee includes representation from: President of the National Centre for Human Resources Development, Secretary General of Ministry of Education for Educational and Technical Affairs, representatives from Al-Balqa Applied University, Jordan Chamber of Industry, Jordan Chamber of commerce, the General Labor Union, and MoL’s Policy Advisors. The Committee shall meet regularly (monthly/as needs arise) and shall review and recommend policy decisions prior to the Council’s approval. It has also been agreed that Policy Advisors attached to H.E. the Minister of Labor shall be members of the Committee to ensure an effective decision making process that is based on consensus building among the various stakeholders.

The Secretariat’s Director has been appointed by H.E. the Minister of Labor. In the interim, it is being supported by a staff seconded from VTC. The Secretariat shall assume an administrative function. It shall prepare the Council’s Agenda, draft the Council’s minutes of meeting, and follow-up on E-TVET Council’s decisions in compliance with E-TVET Council’s Minutes of Meetings. The Secretariat shall closely coordinate with the NCHRD and other entities in outsourcing of research/studies, issue analysis, and system performance monitoring and evaluation to inform policy and implementation.

Development Coordination Unit (DCU). The DCU shall be placed in the Ministry of Labor and shall report to the Steering Committee. The DCU shall develop Terms of Reference for technical assistance and training activities, identification, selection and contracting of TA and training providers, and all related fiduciary issues. It shall support the implementation of the E-TVET sector reform with the adequate technical fiduciary and administrative functions. The DCU shall liaise with the Steering Committee, the Secretariat, E-TVET stakeholders (VTC, TEF, NCHRD, Chambers, Employers, and Donors). The structure and the staffing of the DCU shall be phased in according to level of activity. The TVET Council has already approved the full staffing totaling 16 positions, including the Executive Director.

The core team of the DCU will be recruited on a competitive basis. In the initial phase, this will include the Executive Director, the M&E Officer, Project Coordinators/Component Managers, the Procurement Officer, the Finance Officer, and the Administrative Officer. Technical Assistance (local and foreign) shall be recruited to support the work of the DCU in carrying out its mandate.

3. Funding. The DCU shall initially be funded through the World Bank-financed Project, except for civil servants. Long-term technical assistance will be funded by CIDA. In the longer term, the EU (expected around 2009-2010) shall provide extra sources of funding. Other donors may complement DCU’s sources of funds.

4. The DCU shall coordinate with all E-TVET stakeholders to ensure constant alignment with policy objectives set by the E-TVET Council. It shall review all new proposals either from implementing entities/agencies or from donors prior to relaying them to the Steering Committee through the Secretariat to ensure complementarity and to avoid overlap.
Notes:

➢ The Secretariat shall draw upon NCHRD and other entities for the outsourcing of research/studies to inform policy and implementation.
➢ The Development Coordination Unit (DCU) shall coordinate with Implementing Agencies in carrying out the actions and Annual Workplans.

5. Under the authority delegated to the DCU by the E-TVET Council, the DCU shall carry out the following functions:

➢ Facilitate the implementation of E-TVET Council’s policies and actions through providing technical support and fiduciary support to the implementing agencies/entities. This entails support in drafting TORs, processing of procurement, contracting, and processing of payments.
➢ Coordinate inputs from the implementing agencies/entities with regards to annual work plans, budgets, progress reports, and audit. Consolidate these inputs for the Steering Committee’s review prior to E-TVET Council’s approval.
➢ Prepare quarterly, bi-annual, ad hoc, and annual progress reports for the Steering Committee’s review, and prior to E-TVET Council’s presentation.
➢ Coordinate and participate in the various donors’ preparatory and supervision missions of respective Projects and interventions.
➢ Review new donors’ proposals/Projects prior to Steering Committee’s review, to ensure aligning with E-TVET policy objectives.
➢ Sustain DCU’s FM systems in accordance to GoJ and various donors’ fiduciary requirements.
➢ Arrange for annual independent audits of DCU’s accounts for Board’s and World Bank review.
Annex 7: Financial Management and Disbursement Arrangements
Jordan: Employer Driven Skills Development Project

Executive Summary

1. A financial management (FM) assessment was conducted in September 2007 for this Project in accordance with the requirements set in the “Financial Management Practices in World Bank-financed Operations” manual issued by the FM Sector Board in 2005. This manual requires that an FM assessment questionnaire and a risk assessment summary be prepared to assess the adequacy of the Borrower’s FM arrangements during the preparation of each operation and requires the Borrower to undertake appropriate measures, including institutional capacity strengthening, to mitigate risks posed by weaknesses that are identified. The results of this assessment are documented in the Financial Management Assessment report which is available in the Project files.

2. The overall risk level of the Project is considered to be moderate mainly due to: (i) generally weak FM capacity at the Ministry of Labor (MoL) with respect to staffing, accounting systems and auditing; (ii) number of parties involved in the Project and the division of implementation across several entities; and (iii) inherent risk associated with some Project activities, especially with respect to training and payment of per diems. Measures mitigating the above risks have been developed and include: (i) assigning, within the Development Coordination Unit (DCU), a Finance Officer to work with the MoL’s Finance Manager on all Project related matters; (ii) applying Government controls and procedures as well as fiduciary approval of the DCU for all payments; (iii) purchasing a ring-fenced accounting system to follow up and separately report on the Project; (iv) issuance of quarterly financial reports; (v) yearly audit by an independent auditor acceptable to the Bank; and (vi) adding to the existing Ministry financial manual a chapter describing the FM arrangements of the Project and defining the roles and responsibilities of each entity.

3. The Project will be implemented by various entities such as TVET stakeholders, VTC, TEF, and MoL. A DCU housed in MoL is responsible for the overall coordination of all development Projects implemented by MoL. The DCU will be headed by the Minister of Labor and will include a Financial Officer – among other members or consultants to be hired. The main FM focal point will be the Finance Manager of the MoL, while the Finance Officer (FO) within the DCU will handle all the Project’s FM arrangements and will report to the Ministry’s Finance Manager. The selection process for the FO has already started and the contract signature will take place upon approval of the Project by the Council of Ministers. The hiring of the FO is a condition for Project effectiveness.

4. The system in place at MoL is based on principles and procedures defined by the legal framework and operational decrees applicable to the public sector in Jordan. The MoL will be responsible for Project funds, while the DCU will be responsible for the all procurement and FM aspects of the proposed Bank-financed Project. The DCU’s FM responsibilities will include: (i) the overall project planning and budgeting; (ii) invoice clearing, and recording; (iii) maintaining the Project’s accounting software and reporting on the Project’s activities, including issuing quarterly financial reports; and (iv) acting as an intermediary between MoL, the ETIVET Council, NCHRJ, VTC and MOPIC.

5. The Project will follow the government-applied controls as stipulated in the local laws but these controls will be enhanced to separately and in a timely manner follow up and report on the Project’s activities. The loan and counterpart funds will be made available through the government budget allocated to the MoL. The Ministry has allocated around US$140,000 in its 2008 budget for the Project. Taking into consideration the expected project activities in the first year, this amount will be increased to US$400,000 through a budget annex to be issued upon need.
6. The Ministry uses a manual system to account for its expenditures and utilizes a simple system to compare expenditures to budget. Plans are underway in the MoF to develop and implement a GFMIS that will also be implemented in all the ministries. In the meantime and in order to allow the MoL/DCU to separately record and report on the project’s accounts, a local ring-fenced accounting system will be purchased and implemented at the DCU. The procurement process for purchasing the system is in its final stages. The related staff including the FO will be trained on the system which is expected to be in place by Project effectiveness.

7. The DCU will issue quarterly Interim Un-audited Financial Reports on sources and uses of funds, contracts expenditures as well as uses of funds by activity. The reporting package should also include a Designated Account (DA) statement from the Central Bank of Jordan together with a bank reconciliation report. These reports, which will be required, as reflected in the Project’s Loan Agreement, shall be submitted to the Bank 45 days following quarter end starting from the quarter when the first loan disbursement takes place.

8. The Project’s financial statements will be audited annually by an external independent auditor, acceptable to the Bank, in accordance with internationally accepted auditing standards and will be submitted to the Bank no later than six months following the closing of each fiscal year being audited. To ensure that funds are readily available for Project implementation, a US dollar DA will be opened at the Central Bank of Jordan and will be managed by MoL. All documents will be subject to the MoL controls before the payments from the DA may be issued. An FM action plan covering the Project’s FM activities for the next six months was developed and agreed with the Borrower. The Bank will intensively support and supervise the Project in its first year to ensure successful implementation of this plan.

<table>
<thead>
<tr>
<th>Action</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Assign a Finance Officer to work with the Finance Manager on the Project.</td>
<td>Condition of effectiveness</td>
</tr>
<tr>
<td>2 Purchase accounting software properly tested, staff adequately trained, and ready to use.</td>
<td>September 30, 2008</td>
</tr>
<tr>
<td>3 Add to the financial manual a chapter on the project FM arrangements.</td>
<td>September 30, 2008</td>
</tr>
<tr>
<td>4 Contract an external auditor. The selection process, audit TOR as well as the selected auditor should be acceptable to the Bank.</td>
<td>9 months before year end</td>
</tr>
<tr>
<td>5 Issue the first set of quarterly interim un-audited financial reports.</td>
<td>45 days after the first quarter end during which the first disbursement did take place.</td>
</tr>
</tbody>
</table>

Country Issues

9. According to an Economic and Sector Work (ESW) carried out in Jordan over the last few years, the country’s fiduciary risk is moderate. However, Jordan has been making significant progress in its public financial management where it has been able to: (i) improve its budget process through implementing a results-based budget for the year 2008; (ii) progress with the full implementation of a single treasury account with the Central Bank of Jordan; and (iii) modernize the spending procedures and accounting through adopting a new chart of account and developing the GFMIS to be implemented in the Ministry of Finance, Government Departments and the spending units. So far, the GFMIS is still work in progress and most of the ministries (including MoL) do not have an accounting and reporting system that can be used.
10. On the private sector level, a Report on the Observance of Standards and Codes – Accounting and Auditing was conducted in 2005 and came with a detailed analysis of systematic issues affecting application of the IAS/IFRS and IDA. The report concluded that strengthened enforcement mechanisms are needed to improve the quality of the corporate financial reporting. The report also identified areas for improvement with respect to professional education and training for practitioners and regulators.

**Risk Assessment and Mitigation**

11. A detailed financial management questionnaire was carried out and is included in the Project’s files. The risks identified and the mitigating measures addressing these risks are detailed in the table below.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Incorporated Risk Mitigating Measures (MM)</th>
<th>Risk rating after MM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inherent Risk (IR)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country Level</td>
<td>Moderate</td>
<td>According to a recent ESW, the financial risk in the Hashemite Kingdom of Jordan is moderate.</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Mitigating measures:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Ring fence the Project’s implementation &amp; flow of funds arrangements.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Hire an independent qualified private audit firm acceptable to the Bank to audit the Project annually.</td>
<td></td>
</tr>
<tr>
<td>Entity Level</td>
<td>High</td>
<td>The MoL does not have previous experience with the Bank and its current FM arrangements do not allow it to adequately handle the FM arrangements of the Project.</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Mitigating measures:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ The Project’s accounting, reporting and auditing arrangements will be ring-fenced.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ The Finance Manager at the MoL will be the main FM focal point for the Project and will be aided by a Financial Officer.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ MoL will purchase a ring-fenced accounting system to follow up and report on Project’s activities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ A separate DA will be opened and managed by the MoL for this Project.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Financial management and disbursement workshops will be conducted prior to Project’s effectiveness to build capacity at the ministry.</td>
<td></td>
</tr>
<tr>
<td>Project Level</td>
<td>High</td>
<td>The Project’s design is complex with respect to the number of implementing entities and the inherent risk associated with activities, including training and per diem payments.</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Mitigating measures:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ The Project’s fiduciary arrangements will be centrally handled by a DCU in MoL.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ The technical, M&amp;E roles and responsibilities will be clarified and documented in the FM manual.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Trainings and per diems in connection with Component 2 of the Project will be paid by the DCU according to a pre-approved list. Per diems will be paid by check or bank transfer.</td>
<td></td>
</tr>
<tr>
<td>Overall IR</td>
<td>High</td>
<td></td>
<td>Moderate</td>
</tr>
<tr>
<td>Control Risk (CR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budgeting</strong></td>
<td><strong>High</strong></td>
<td><strong>Moderate</strong></td>
<td></td>
</tr>
</tbody>
</table>
|                   | The Ministry’s budget includes allocation for the loan and counterpart funds related to the Project. However, no details on the specific activities are included or the details of the budget by implementing entity.  
**Mitigating measures:**  
- The Finance Officer in the DCU will be responsible for preparing a detailed Project budget based on the latest available procurement plans and agreeing on it with the management.  
- The Project’s accounting system will have a separate screen that allows posting and revision of the Project’s annual budget by implementing entity. |
| **Accounting**   | **High**         | **Moderate** |
|                   | Lack of an appropriate accounting system at the MoL level.  
**Mitigating measures:**  
- MoL will purchase a ring-fenced accounting system for the Project before its effectiveness. This system will be governed by its own detailed chart of account. |
| **Funds Flow**   | **Moderate**     | **Low**     |
|                   | Bank’s and counterpart funds needed for the Project may not be timely available.  
**Mitigating measures:**  
- The Project will open a DA for Bank funds in the Central Bank.  
- MoL included the Project in its budget. The budget can be increased by a budget annex issued during the year.  
- The flow of funds process will be included in a Financial Procedure Manual to be developed by the Project. |
| **Financial Reporting** | **High** | **Moderate** |
|                   | MoL does not have reports that can be used for the Project.  
**Mitigating measures:**  
- The format and details of the report have been discussed during appraisal and have been agreed with during negotiations.  
- The ring-fenced Project accounting system will be able to generate the needed reports. |
| **Auditing**     | **Moderate**     | **Low**     |
|                   | MoL’s accounts are post audited by the Government’s Audit Bureau.  
**Mitigating measure:**  
- The Project will engage a qualified independent private auditor acceptable to the Bank in accordance with agreed upon TORs to audit the Project on an annual basis. |
| **Overall CR**   | **High**         | **Moderate** |

**Implementing Entity and Staffing**

12. The Project will be implemented by various entities such as TVET stakeholders, VTC, TEF, and MoL. A DCU housed in MoL is responsible for the overall coordination of all development projects implemented by MoL. The DCU’s fiduciary staff will include a Project Finance Officer and a Procurement Officer, with a possibility of including support staff if needed. The Finance Officer will be selected and assigned by effectiveness. Workshops on FM and disbursement will be carried out prior to Project effectiveness.
13. To ensure that capacity is built in the Ministry and to ensure sustainability after the Project closes, the Finance Manager of the MoL will be the main focal point for the FM arrangements of the Project and will supervise the Finance Officer who will be part of the DCU.

**Internal Controls**

14. There are four levels of controls under this Project: (i) the implementing entity supervising the work which check the technical aspects of the work and approve the invoices; (ii) the DCU’s technical staff who approve the payment; (iii) the Finance Officer of the DCU who checks the accuracy and eligibility of the payment; and (iv) MoL’s Finance Manager, internal auditor as well as the MoF Financial Controller, who check the accuracy of the payment and its compliance with the laws applicable in Jordan.

15. A financial procedures manual is available for the MoF’s Department. A chapter related to the FM arrangements for the Project will be added and will include the Project’s flow of funds, reporting and auditing arrangements as well as the relationship between the various entities.

**Flow of Funds**

16. To ensure that funds are readily available for the Project’s implementation, a Designated Account denominated in US Dollars at the Central Bank of Jordan will be opened by the MoL. Deposits into and payments from the DA will be made in accordance with the disbursement letter. The task of preparing the replenishment applications throughout the implementation period, issuing payment requests to the Central Bank, and submitting the replenishment applications to the Bank will be the responsibility of the DCU/MoL.

**FLOW OF FUNDS**

- IBRD Loan Account
  - MoL/DC sends WA to the Bank
  - Bank replenishes DA
  - Project DA at Central Bank
    - Payment Request issued to CB
    - MoL/DCU reviews and authorizes the WA and Payment Request
    - Cheque issuance by MoL for counterpart funds
    - Payment
      - Consultants’/Contractors
      - Counterpart Funds
      - Accounting Entry Project System
      - Financial Reports

Invoices and Payment Requests are reviewed at the implementing entity by the technical people. They are sent to the DCU for approval and for MoL’s Finance Manager, MoF’s Financial Controller, and Internal Audit. The Finance Officer in the DCU records the transaction.
17. Payment for goods, services, and operating costs will be centralized within the MoL/DCU. Implementing entities such as NCHRD, VTC, and others will submit reviewed payment requests to MoL/DCU for payment authorization and execution. All invoices, whether for advance payments or for expenses incurred, will be subject to MoL controls and procedures as well as to the approval and authorization of the DCU and the MOF Financial Controller. The annual audit report issued by the Project's external independent auditor will include an opinion on all Project financial activities, including those related to the TEF, as well as on compliance with the eligibility criteria as defined in the legal agreements and the FM chapter added to the MoL financial manual.

Accounting

18. The system used in the MoL is mainly a manual system which uses registers and only relies on a basic system to report on monthly expenditures with respect to the budget. To be able to report on the Project's activities and to record expenditures made by implementing entity and component, the Project will purchase a new ring-fenced accounting system which will have three basic modules: budget module, procurement and contract module and accounting module. The FM and procurement aspects of the Project need to be integrated in the system so that the procurement and financial reports are consistent with each other. One of the key features of the system will be the generation of the budget and of interim financial reports. This system will be governed by a chart of account specifically developed for the Project. Access to the system will be given to the Finance Officer and the MoL’s Finance Manager. Other user profiles will be determined according to the Project’s needs. The system will include a contracts screen to record and report the Project’s commitments. This activity will be completed prior to effectiveness.

19. **Chart of account:** A detailed chart of account will be developed for this Project. Expenditures according to the Project’s chart of account will be broken down by category, component and implementing entity while sources of funds will be broken down by financing source.

20. **Budgeting:** The Project’s Finance Officer in coordination with the MoL’s Finance Manager will prepare an annual budget based on the procurement plan. This budget will be generated from the accounting module and will be monitored on a regular basis.

Financial Reporting

21. The Finance Department at the MoL generates monthly manual reports on the ministry’s budget performance as well as on spending. Such reports will show the amounts spent on the Project as a total but will not be broken down into further details. In order to report on the Project’s sources and uses of funds as well as on the uses of funds by activity, the Project’s chart of account will be broken down by category, component and activity, and one of the key features of the accounting system will be the automatic generation of these reports based on the chart of account. In line with the Bank guidelines, the following reports will be required under this Project:

   (a) **Quarterly:** The Project will be required to generate quarterly interim un-audited financial reports and submit them to the Bank as part of the Project’s progress report or separately. These reports are made up of:

   • **Financial reports:** To include a statement of sources and uses of funds, quarterly cash forecast, and expenditure report comparing actual and planned expenditures by activity in addition to a Designated Account reconciliation statement.

   • **Contracts listing:** To include a listing of all contracts showing amounts committed and disbursed under each.
As mentioned above, these reports will be system-generated and shall be remitted to the Bank within 45 days from the end of the quarter starting from the quarter where the first loan disbursement took place. The proposed format of the reports has been agreed upon during negotiations.

(b) **Annually:** Project Financial Statements (PFS) will be prepared annually. Audited PFS will be submitted to the Bank and will include:

- Statement of sources and uses of funds, indicating funds received from various sources and Project expenditures.
- Appropriate schedules classifying Project expenditures by component, showing yearly and cumulative balances.
- DA reconciliation statement reconciling opening and year end balances.
- Statement of payments made using Statement of Expenses (SOEs) procedures as defined in the legal agreement.
- Statement of project commitments, i.e., the unpaid balances under the Project signed contracts.

**Auditing**

22. The MoL accounts are post audited by the audit bureau. However, the Project’s financial statements will be audited by an Independent Auditor acceptable to the Bank. The external audit report shall encompass all Project activities and shall be in accordance with internationally accepted auditing standards. The annual audit report of the Project’s accounts shall include an opinion on the PFS, the DA transactions, and the eligibility of the expenditures reimbursed on basis of SOEs, and the exclusivity of the use of the DA for eligible expenditures as reflected in the PPS.

23. In addition to the audit reports, the auditor will prepare a management letter identifying any observations, comments and deficiencies, in the system and controls that the external Independent Auditor considers pertinent and shall provide recommendations for their improvements. The external auditor should be acceptable to the Bank and his TOR will be prepared and submitted for the Bank's no objection, at least 9 months prior to the end of the Project's fiscal year. The following audit reports will be due under this Project:

<table>
<thead>
<tr>
<th>Audit Report</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Project Specific Financial Statements</td>
<td>Annually: by June 30</td>
</tr>
<tr>
<td>2) Special Opinions (if specifically required)</td>
<td>Annually: by June 30</td>
</tr>
<tr>
<td>• SOE</td>
<td>Annually: by June 30</td>
</tr>
<tr>
<td>• Designated Account</td>
<td>Annually: by June 30</td>
</tr>
</tbody>
</table>
| • Other (specify)                                      | Upon request

**Financial Management Action Plan and Supervision Plan**

24. An FM action plan covering the Project’s FM activities for the first 6 months was developed and agreed with the Borrower (see Table on page 61). The Project will require intensive supervision during the start up phase to ensure timely implementation of this action plan, including the creation of the accounting module, development of the Project’s chart of account and the generation of the financial reports. The Project will be supervised every four months for the first eighteen months, then every six months thereafter, to ensure compliance with Bank requirements and to develop FM ratings.
Disbursement Arrangements

25. The proceeds of the Loan will be disbursed in accordance with the Bank's Disbursements Guidelines. Transaction based disbursement will be used under this Project. Accordingly, requests for payments from the loan account will be initiated through the use of withdrawal applications (WAs) either for Direct Payments, Reimbursements, Replenishments to the DA, or Issuance of Special Commitments. All WAs will include appropriate supporting documentation including detailed SOEs for reimbursements and replenishments to the DA. Authorized signatories, names and corresponding specimens of their signatures will be submitted to the Bank prior to the receipt of the first replenishment application.

26. Retroactive Financing: Withdrawals up to an aggregate amount not to exceed US$300,000 (three hundred thousand United States dollars) equivalent may be made and claimed as retroactive financing only if the payments are issued after March 1, 2008, and made for Eligible Expenditures under Categories (1) and (2).

Allocation of Loan Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>1,800,000</td>
<td>100% of Foreign Expenditures; 100% of Local Expenditures (ex-factory cost), and 90% of Local Expenditures for other items procured locally.</td>
</tr>
<tr>
<td>(2) Consultant Services and Training</td>
<td>4,881,000</td>
<td>90% for firms within territory of the Borrower; 95% for services of individual consultants within territory of the Borrower; and 100% of foreign expenditures.</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>18,750</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions.</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>800,250</td>
<td></td>
</tr>
<tr>
<td>Total Amount</td>
<td>7,500,000</td>
<td></td>
</tr>
</tbody>
</table>

27. Statement of Expenditures (SOE): During implementation, SOEs will be used for all expenditures relating to: (i) goods under contracts costing less than US$200,000; (ii) consulting services under consultant firms contracts costing less than US$100,000 equivalent each and under individual consultant contracts costing less than US$50,000 equivalent each; and (iii) training cost, under such terms and conditions as the Bank shall specify by notice to the Borrower. The supporting documentation will be maintained at MoL and will be made available for review by Bank supervision missions upon request. Documentation relating to SOEs would be retained for up to one year from the date the Bank receives the audit report for the fiscal year in which the last WA from the Loan account was made.

28. Designated Account (DA): To facilitate Project implementation and make timely payments, MoL will open a US$ DA at the Central Bank of Jordan. The authorized allocation will be US$500,000 (representing approximately four months of eligible expenditures financed by the Loan). The DA will be managed and administered by MoL which will also be responsible, through the DCU, for submitting the WAs with appropriate supporting documentation for expenditures incurred. Deposits into and payments from the DA to pay contractors, consultants, suppliers and others will be made in accordance with the provisions of the Loan Agreement and the Disbursement Letter. Replenishments of the DA would follow the Bank's procedures. The minimum value of applications is 20 percent of the amount advanced to the DA of this Project.
Annex 8: Procurement

Jordan: Employer Driven Skills Development Project

Context

1. Jordan's public procurement system is a centralized, well-defined system governed by a series of regulations. The Government Tenders Directorate (GTD) housed at the Ministry of Public Works and Housing (MoPWH) manages civil works and consultants' services and the General Supplies Department (GSD) at the Ministry of Finance (MoF) supplies and equipment. The system operates in a transparent environment where both the private sector and public officials are familiar and comply with the requirements of the regulations. Award of the majority of public contracts is based on competition with contract award generally being made on the basis of the lowest priced responsive offer. The overall risk associated with corrupt practices affecting public procurement in Jordan is considered low by both private and public participants. As the demands on the Government have continued to increase, the centralized procurement system has become overburdened and is understaffed, lacking specialized expertise for a growing range of procurement requirements. As a result, a number of exceptions have been made to create Special Tender Committees (STC) within ministries or autonomous authorities to handle procurement. STCs are formed for a particular Project, which is distinguished by its size, source of funding or other characteristics that require special attention. STCs are not restricted to any threshold and are used to expedite implementation of special Projects.

Implementation Arrangements and Procurement Capacity

2. The Executing Agency will be the Ministry of Labor (MoL). The primary responsibility for Project oversight will reside with E-TVET Council chaired by the MoL. The Development Coordination Unit (DCU) at MoL will be responsible for coordinating the implementation of the Project by carrying out the procurement processing, including reporting and liaising with the Bank. Coordination between the multiple donors and beneficiaries (ETF, VTC, NCHRD and MoL) is to be defined through an explicit coordination matrix to be endorsed and enforced. These implementation arrangements are detailed in the Annex 6.

3. The DCU shall be operating under the budget of MoL and Government proceeds of the Ministry of Planning and International Cooperation (MoPIC). It will be entrusted with all MoL fiduciary responsibilities, in order to build up a sustainable system not exclusively related to the World Bank Projects, or any funding source in particular. A new STC shall comprise all the beneficiaries of the program in accordance with procurement practices in Jordan and consistent with IBRD guidelines.

4. Staffing: Under the umbrella of the Finance Department in MoL, the Procurement Department is composed of: (i) one Department Head (Business management education- Consultant); (ii) one planning (3 months work experience in MoL and past experience 2-3 years in planning); and (iii) one person ensuring filing and program assistant position (appointed 3 months ago to this position). Some procurement capacity is being built through handling the PHRD Grant implementation process. The procurement staff has followed a 5-day training administered in Jordan (2007) by the World Bank. Additionally, the Department of Supplies in the MoL is headed by a Finance Staff who is very knowledgeable in Jordanian Procurement Law. Willingness to cooperate and learn among the staff is encouraging. Nevertheless, the current staffing cannot carry out procurement in the first year of implementation. Therefore, it was agreed that the Project will be managed by a Development Coordination Unit (DCU), which will be staffed by qualified Procurement Officer and FM Officer. The DCU will be supporting MoL in procurement. The Executive Director is expected to be appointed by August 2008.
5. **Record keeping**: The current filing in MoL is to be enhanced by setting up a consistent filing system and allocating a proper archive space for the lifetime of the Project and two years after its closing.

6. **Capacity Building**: Training and professional development will increase the performance of staff. Investment in staff development will have a positive impact on the Project. After appointment of the Procurement Officer, training on Bank Guidelines is recommended, if needed. The recruitment and training are to be completed by effectiveness of the Loan.

7. **Overall Procurement Risk Assessment**: The procurement risk is rated moderate, mitigated by appointing the DCU Procurement Officer. The Procurement Officer should be able to operate in English and shall be provided with appropriate procurement training prior to Project effectiveness.

**Use of Bank Guidelines and Standard Documents**

8. **Procurement of Goods** will be carried out in accordance with the Guidelines for Procurement under IBRD Loans and IDA Credits (May 2004 revised October 1, 2006). The Bank standard bidding documents will be used for procurement of Goods under International Competitive Bidding (ICB). The Bank’s Standard Bid Evaluation Form-Procurement of Goods will be used for bid evaluation reports. The Project will also use National Competitive Bidding (NCB) and Shopping procedures for purchase of Goods.

9. **Procurement of Services** will be carried out in accordance with the Guidelines for the Selection and Employment of Consultants by World Bank Borrowers (May 2004 revised October 1, 2006). The Standard Request for Proposals (RFP) for the Selection of Consultants (May 2004 revised October 1, 2006 and the Standard Form of Contracts will be used for contracts above US$200,000 equivalent. For the selection process of firms, the Sample Form of Evaluation Report for the Selection of Consultants (October 1999) will be used. Selection of individual consultants will be in accordance with Section V of the Guidelines using simplified forms of contracts that are acceptable to the Bank.

**Advertising**

10. A General Procurement Notice (GPN) is to be published online in the United Nations Development Business (UNDB), and the dgMarket by **Project effectiveness**. The GPN shall provide a description of the Project and a list of all major contracts for Goods to be awarded under ICB procedures and for consultancy services estimated at more than US$200,000.

**Procurement Methods**

11. **Goods**: Procurement of Goods will be conducted using ICB for all contracts estimated at US$250,000 and above, NCB for contracts estimated at US$100,000 and above, and shopping for the remaining.

12. **Consultancy and Training Services**. (a) Consultant Services for firms will be selected using the Quality-and Cost-Based Selection (QCBS). For assignments for consultant firms estimated at less than US$100,000 equivalent, the short list may be comprised entirely of national firms, provided at least three qualified local firms are available and competition including foreign consultants is not justified. However, international firms will not be excluded from consideration, if they have expressed interest; (b) Selection based on Consultants’ Qualifications, Fixed Based Selection and Least Cost Selection shall be used for assignments below US$100,000; and (c) Selection of Individual Consultants will be conducted in accordance with Section V of the Guidelines.
13. **Operating Costs.** The Loan will finance expenditures directly related to the management of the Project, such as: (a) maintenance of office equipment; (b) transportation and travel, including per diem allowances for Project staff in travel status; (c) rental of office space; (d) office supplies, utilities and office administration, including translation, printing and advertising; (e) fuel costs; (f) communication costs; (g) costs for production of bidding documents and drawings; (h) commercial bank charges; and (i) any other project management support costs as agreed by the Borrower and the Bank, but excluding salaries of the Borrower's civil servants. These items will be financed by the Project and will be procured using the Borrower administrative procedures for shopping, satisfactory to the Bank.

**Frequency of Procurement Supervision Missions**

14. Once every six months. The first year, however, will require three missions to ensure proper implementation start-up, with most procurement packages being launched and processed.

**Procurement Plan**

15. A procurement plan covering all of the Project components and activities has been developed, and its initial version is appended to this annex (see Annex 8.A). The plan details all activities prior to loan effectiveness, and through the first two years of Project implementation. Procurement of all goods and consultants services will be undertaken in accordance with this plan as approved by the Bank. The plan will be updated on a quarterly basis, or as appropriate.
Annex 8.A: Procurement Plan

Jordan: Employer Driven Skills Development Project

A. General

1. Project Information

Country: Hashemite Kingdom of Jordan
Borrower: Hashemite Kingdom of Jordan
Project Name: Employer Driven Skills Development Project
Project No.: P100534
Loan No.: LN xxx-JO
Loan Amount: US$7.5 million
Project Implementing Agency: Ministry of Labor (MoL)

2. Bank approval of the procurement plan: May 15, 2008
3. Date of General Procurement Notice: Will be posted in UNDB and dgMarket by Project effectiveness.
4. Period covered by this procurement plan: 24 months

B. Goods and Works and Non-Consulting Services

1. Prior Review Thresholds: Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

<table>
<thead>
<tr>
<th>Procurement Method</th>
<th>Threshold</th>
<th>Prior Review</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICB (Goods)</td>
<td>All</td>
<td>No threshold</td>
<td></td>
</tr>
<tr>
<td>2. NCB (Goods)</td>
<td>&gt;= US$100,000 and first contract irrespective of the value</td>
<td>&lt;= US$250,000</td>
<td></td>
</tr>
<tr>
<td>3. ICB (Works)</td>
<td>NA</td>
<td>No threshold</td>
<td></td>
</tr>
<tr>
<td>4. NCB (Works)</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>5. Shopping (goods)</td>
<td>&gt;= US$50,000 and first contract irrespective of the value.</td>
<td>&lt;=US$100,000</td>
<td></td>
</tr>
<tr>
<td>6. Shopping works</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>7. Direct contracting</td>
<td>All</td>
<td>No threshold</td>
<td></td>
</tr>
</tbody>
</table>

2. Prequalification: NA
3. Reference to (if any) Project Operational/Procurement Manual: NA.
4. Other Special Procurement Arrangements: None (to be discussed during negotiations)
5. Procurement Packages with Methods and Time Schedule: Presented in the attached Initial Procurement Plan Table.
C. Selection of Consultants

1. **Prior Review Threshold:** Selection decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

<table>
<thead>
<tr>
<th>Selection Method</th>
<th>Prior Review Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Competitive Methods (Firms)</td>
<td>$\geq$ US$100,000 and first contract irrespective of the value or the selection method</td>
</tr>
<tr>
<td>2. Single Source (Firms)</td>
<td>All</td>
</tr>
<tr>
<td>3. Individual Consultants</td>
<td>$\geq$ US$50,000</td>
</tr>
<tr>
<td>4. Single Source (Individual)</td>
<td>All</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selection Method</th>
<th>Method Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. QCBS (Firms)</td>
<td>No threshold</td>
</tr>
<tr>
<td>CQS, FBS, LCS</td>
<td>$&lt;100,000</td>
</tr>
<tr>
<td>2. Single Source (Firms)</td>
<td>No threshold</td>
</tr>
<tr>
<td>3. Individual Consultants</td>
<td>No threshold</td>
</tr>
<tr>
<td>4. Sole Source (Individual)</td>
<td>No threshold</td>
</tr>
</tbody>
</table>

2. **Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than US$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. **Any Other Special Selection Arrangements:** None

4. **Consultancy Assignments with Selection Methods and Time Schedule** are indicated in the attached Initial Procurement Plan.

D. Implementing Agency Capacity Building Activities with Time Schedule

1. The agreed capacity building activities are listed with time schedule.

<table>
<thead>
<tr>
<th>Expected outcome / Activity Description</th>
<th>Estimated Duration</th>
<th>Start Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training of Procurement staff.</td>
<td>Several training sessions, and on the job training during the Project’s implementation period</td>
<td>Effectiveness</td>
<td>Training activities are accounted for in the budget of the Project.</td>
</tr>
</tbody>
</table>
## Initial Procurement Plan: Services

<table>
<thead>
<tr>
<th>SN. #</th>
<th>Proc. System Ref. #</th>
<th>Location/Description of Assignment</th>
<th>Estimated Cost (US$ million)</th>
<th>Selection Method</th>
<th>Bank Rev.</th>
<th>TOR Start Preparation Date</th>
<th>Adv. for EOI end Date</th>
<th>NOL Date/Invitation for RFP</th>
<th>RFP Submission Date</th>
<th>Contract Signature Date</th>
<th>Execution in months</th>
<th>Completion Date (original)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>C11-FC-01</td>
<td>Council Orientation [Design Management Information System for E-TVET/decision support system]</td>
<td>0.1320</td>
<td>QCBS</td>
<td>PR</td>
<td>17-Aug-08</td>
<td>28-Sep-08</td>
<td>9-Nov-08</td>
<td>14-Dec-08</td>
<td>15-Feb-09</td>
<td>6</td>
<td>19-Aug-09</td>
</tr>
<tr>
<td>3</td>
<td>C11-12-13-21-FC-03</td>
<td>C1 [Council Orientation; Sector policy, TVET System Assmt [Orientation workshops, performance based plugin workshop, TVET Provider Trg Workshop]; C2 Establ of mandate [workshop].]</td>
<td>0.1100</td>
<td>QCBS</td>
<td>PR</td>
<td>17-Aug-08</td>
<td>28-Sep-09</td>
<td>9-Nov-08</td>
<td>14-Dec-08</td>
<td>15-Feb-09</td>
<td>36</td>
<td>20-Feb-12</td>
</tr>
<tr>
<td>4</td>
<td>C11-21-FC-04</td>
<td>C1 [Council Orientation [Review of laws and by laws for TVET sector], C2 VTC Mandate [Legal Expert to Draft Law for new VTC organizational entity]</td>
<td>0.0166</td>
<td>CQS</td>
<td>PR</td>
<td>13-Oct-08</td>
<td>24-Nov-08</td>
<td>31-Dec-08</td>
<td>28-Jan-09</td>
<td>28-Feb-09</td>
<td>6</td>
<td>01-Sep-09</td>
</tr>
<tr>
<td>5</td>
<td>C13-FC-05</td>
<td>TVET System Assmt [Tracer Studies]-Baseline in 2008</td>
<td>0.0066</td>
<td>CQS</td>
<td>PO</td>
<td>10-Sep-08</td>
<td>8-Oct-08</td>
<td>17-Oct-08</td>
<td>14-Nov-08</td>
<td>1-Dec-08</td>
<td>36</td>
<td>06-Dec-11</td>
</tr>
<tr>
<td>6</td>
<td>C11FC-06</td>
<td>Council Orientation [Capacity Audit on implementation of Council Action Plan]</td>
<td>0.0374</td>
<td>CQS</td>
<td>PO</td>
<td>25-Nov-08</td>
<td>23-Dec-08</td>
<td>1-Jan-09</td>
<td>29-Jan-09</td>
<td>15-Feb-09</td>
<td>36</td>
<td>20-Feb-12</td>
</tr>
<tr>
<td>7</td>
<td>C11-FC-07</td>
<td>Council Orientation [Professional Development of Technical Secretariat Staff]</td>
<td>0.0110</td>
<td>CQS</td>
<td>PO</td>
<td>24-Sep-08</td>
<td>22-Oct-08</td>
<td>31-Oct-08</td>
<td>28-Nov-08</td>
<td>15-Dec-08</td>
<td>12</td>
<td>18-Dec-09</td>
</tr>
<tr>
<td>8</td>
<td>C14-FC-08</td>
<td>TVET Awareness [TA for design of the promotion and awareness function, Career Awareness material and days]</td>
<td>0.5534</td>
<td>QCBS</td>
<td>PR</td>
<td>31-Aug-08</td>
<td>12-Oct-08</td>
<td>23-Nov-08</td>
<td>28-Dec-08</td>
<td>1-Mar-09</td>
<td>12</td>
<td>04-Mar-10</td>
</tr>
<tr>
<td>9</td>
<td>C22-FC-09</td>
<td>Organizational Audit/Dev trg plan/ Follow-up &amp; Evaluation of provided trg</td>
<td>0.5566</td>
<td>QCBS</td>
<td>PR</td>
<td>19-Sep-08</td>
<td>31-Oct-08</td>
<td>12-Dec-08</td>
<td>16-Jan-09</td>
<td>20-Mar-09</td>
<td>52.8</td>
<td>18-Aug-13</td>
</tr>
<tr>
<td>10</td>
<td>C21-22-FC-10</td>
<td>Implementation of Organizational restructuring in [Change Mngt, FM, TVET mngt, TA support, Design/delivery trg, Trg Fin.]</td>
<td>0.5830</td>
<td>QCBS</td>
<td>PR</td>
<td>1-Oct-08</td>
<td>12-Nov-08</td>
<td>24-Dec-08</td>
<td>28-Jan-09</td>
<td>1-Apr-09</td>
<td>48</td>
<td>06-Apr-13</td>
</tr>
<tr>
<td>11</td>
<td>C23-FC-11</td>
<td>Mngt Pilot Centers</td>
<td>2.7544</td>
<td>QCBS</td>
<td>PR</td>
<td>31-Aug-08</td>
<td>12-Oct-08</td>
<td>23-Nov-08</td>
<td>28-Dec-08</td>
<td>1-Mar-09</td>
<td>36</td>
<td>05-Mar-12</td>
</tr>
<tr>
<td>12</td>
<td>C22-FC-12</td>
<td>ICT Infrastructure Design and trg</td>
<td>0.1650</td>
<td>QCBS</td>
<td>PR</td>
<td>15-Oct-08</td>
<td>26-Nov-08</td>
<td>7-Jan-09</td>
<td>11-Feb-09</td>
<td>15-Apr-09</td>
<td>5</td>
<td>16-Sep-09</td>
</tr>
<tr>
<td>13</td>
<td>C23-FC-13</td>
<td>TVET Program Specialists (3 people)</td>
<td>0.2970</td>
<td>QCBS</td>
<td>PR</td>
<td>15-Oct-08</td>
<td>26-Nov-08</td>
<td>7-Jan-09</td>
<td>11-Feb-09</td>
<td>15-Apr-09</td>
<td>9</td>
<td>16-Jan-10</td>
</tr>
<tr>
<td>14</td>
<td>C23-FC-14</td>
<td>Staff Training on New Delivery Model</td>
<td>1.1000</td>
<td>QCBS</td>
<td>PR</td>
<td>17-Aug-08</td>
<td>28-Sep-08</td>
<td>9-Nov-08</td>
<td>14-Dec-08</td>
<td>15-Feb-09</td>
<td>48</td>
<td>20-Feb-13</td>
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<td>15</td>
<td>C41-FC-15</td>
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<td>26-Nov-08</td>
<td>7-Jan-09</td>
<td>11-Feb-09</td>
<td>15-Apr-09</td>
<td>48</td>
<td>20-Apr-13</td>
</tr>
</tbody>
</table>
HASHEMITE KINGDOM OF JORDAN  
Employer Driven Skills Development Project  

Initial Procurement Plan - Goods

<table>
<thead>
<tr>
<th>SN. #</th>
<th>Proc. System Ref. #</th>
<th>Location/ Description of Assignment</th>
<th>Estimated Cost (US$ million)</th>
<th>Selection Method</th>
<th>Bank Rev.</th>
<th>Bid. Doc/Specs prep.</th>
<th>Bid Opening Date</th>
<th>Contract Signature Date</th>
<th>Execution in months</th>
<th>Completion Date (original)</th>
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<tr>
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<td>Organz. Restrg-ICT Infrastructure Equipment (HW/SW)</td>
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<td>17-Apr-10</td>
<td>01-Jun-10</td>
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<td>02-Dec-10</td>
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<td>2</td>
<td>C14-PG-02</td>
<td>E-TVET Sect promotion [Active labor market programs piloting (satellite and others)]</td>
<td>0.2200</td>
<td>NCB</td>
<td>PR</td>
<td>18-Sep-08</td>
<td>31-Oct-08</td>
<td>15-Dec-08</td>
<td>4</td>
<td>01-May-09</td>
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</table>
Annex 9: Economic and Financial Analysis
Jordan: Employer Driven Skills Development Project

1. The economic analysis is divided into two sections. The first section is a summary of the key characteristics of the Jordan labor market and constraints to job creation focusing on the skills mismatch. This is based on the recent Bank Report (No. 39201-JO) “Resolving Jordan's Labor Market Paradox of Concurrent Economic Growth and High Unemployment” by Susan Razzaz who was part of the team. The second section focuses on the economic analysis of the proposed Project.

Characteristics of Jordan's Labor Market

2. Despite a situation of stable economic growth and the creation of many new jobs over the past five years, unemployment in Jordan has remained stubbornly high. A recent Labor Market Study “Resolving Jordan’s Labor Market Paradox of Concurrent Economic Growth and High Unemployment” found that the majority of new jobs have been filled by foreign workers. With only one-third of new jobs going to Jordanians, unemployment has remained at 14-15 percent of the labor force. This is an indication of a mismatch between the available jobs and the preferences of unemployed Jordanians.

Table 1: Economically Active Population, Jordan, 2005

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population aged 15 and above ('000)</td>
<td>1,665</td>
<td>1,834</td>
<td>3,343</td>
</tr>
<tr>
<td>Population in the labor force ('000)</td>
<td>195</td>
<td>1,181</td>
<td>1,280</td>
</tr>
<tr>
<td>Employed population ('000)</td>
<td>145</td>
<td>1,031</td>
<td>1,093</td>
</tr>
<tr>
<td>Labor force participation rate (%)</td>
<td>11.7%</td>
<td>64.4%</td>
<td>38.3%</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>25.9%</td>
<td>12.8%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

Source: Department of Statistics/Employment and Unemployment Survey-Annual Report 2005. Population data are from EDSTATS/UN.

3. The Study further identifies three key areas affecting employment in Jordan: (i) geographic mismatch with new jobs being created far from where unemployed workers live; (ii) workplace behavior and productivity mismatch resulting in employers often preferring foreign workers although Jordanian workers are not lacking in skills; and (iii) expectation mismatch, meaning that Jordanians maintain a false optimism about their earning potential and employment prospects (only about 40 percent of unemployed were found to be willing to take the types of jobs currently available in the labor market at prevailing wages).

4. Backward looking trends. Until now, the Jordanian labor market has been characterized by a fairly low rate of labor market participation, with only 38 percent of those aged 15 and above participating in the labor force. As shown in Figure 1 below, it is among the lowest in the world. Two factors contribute to the low rate of labor market participation: (i) only 12 percent of women are in the labor force; and (ii) the retirement age is relatively low, particularly for workers in the public sector. A second characteristic of the labor market has been the many Jordanians working abroad, mainly in high-skilled jobs in the Gulf, and a high number of foreign workers coming to Jordan to work.

---


6 The retirement age in the public sector is 60 years for men and 55 years for women.
5. Unemployment is a phenomenon of youth, both in the percentage of the unemployed and in unemployment rates (Figures 2 and 3). Unemployment rates are high among those aged 15 to 19 years; however, since only 12 percent of this age cohort participated in the labor force, this group constitutes only 16 percent of the unemployed. By contrast, the group aged 20 to 24 years constitutes a much larger share (38 percent) of the unemployed. Although their unemployment rate is somewhat lower (29 percent compared to 39 percent for the younger cohort), the labor force participation rate of 20 to 24 year olds is much higher (45 percent compared to only 12 percent for the younger cohort). Unemployment is relatively rare among those aged 40 years and over, a group that constitutes just 7 percent of the unemployed. Policy making must focus on youth.

6. Youth unemployment is not just a problem of finding a first job. Although high unemployment among young people may be related to lack of experience, 60 percent of the unemployed have previously held jobs, though far fewer young women than young men have done so. Youth unemployment is related to frequent episodes of job gains and losses, known as “churning.” Half of the unemployed have been unemployed for 6 months or less; 80 percent for 12 months or less. Churning usually indicates a healthy economy adjusting to changing circumstances through job creation and destruction. It is detrimental, however, if high turnover destroys incentives for workers and employers to invest in education and training or if churning pushes labor into less productive sectors. Younger workers are more susceptible to churning than older workers because they have had less time to develop firm-specific skills. Creating awareness and a culture of continuing training and access to quality training is important in this regard. This is one of the aspects being addressed under the proposed Project.

---

5. An examination of data from 2000 to 2005 shows no apparent trend in previous job experience of the unemployed or in the duration of unemployment.

6. About 20 percent of firms are created and destroyed each year in many countries, involving 10–20 percent of the workforce (World Bank 2005b, 2006b).
7. **Forward looking trends.** For both men and women, as described above, unemployment affects particularly the new entrants to the labor market, averaging 31 percent of the 15-24 year olds, despite the fact that the younger generations hold higher levels of education than any previous generations of workers in Jordan. What is more, due to the large number of children and youths in Jordan, the number of new entrants to the labor market will – for a number of years to come – by far exceed the number of people leaving the labor force for retirement. Thus, Jordan is facing a significant challenge to grow the number of jobs so young people can find jobs and lead productive lives. In the following, we will look at the most recent sectoral patterns of job growth in Jordan and identify the nature of the skills and expectations gaps.
8. From 2000 to 2004, the manufacturing and construction sectors created many jobs for Jordanians and even more jobs for foreign workers (Figure 4). There was a large increase of foreign workers in agriculture, while the number of Jordanians in the sector declined. The wholesale and retail trade sector created a significant number of jobs for Jordanians. Few foreigners work in that sector. Throughout this section, we examine net job creation. For lack of data on newly created and newly eliminated jobs, we use data on all jobs that exist at various points in time and examine the change over time. We use the terms “additional jobs” and “net job creation” interchangeably.

Figure 4: Net Job Creation, 2000–04


9. Job growth occurred more or less in line with sectoral output growth. Several of the sectors with the highest GDP growth from 2000 to 2004—agriculture, manufacturing, and construction (Figure 5)—created a large number of jobs, albeit low-skilled, low-paying jobs that were unattractive to Jordanian workers. Finance and transport also grew strongly, and these sectors tend to hire Jordanian rather than foreign workers, but they created very few jobs. Thus, GDP growth was more strongly correlated with growth in jobs for foreign workers than for Jordanian workers.

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9 This section addresses sectors following the International Standard Industrial Classification of economic activities (ISIC Rev 3) rather than in the sense of formal vs. informal sector. The vast majority of Jordanians work as paid employees, with only 10 percent self-employed and only 2 percent unpaid workers. There was very little change in these percentages between 2000 and 2005.

10 The data on Jordanian workers is based on the DOS Employment and Unemployment Surveys, weighted using the DOS 1994 and 2004 census. Because the DOS EUS does not report data for foreign workers, the MoL database of registered foreign workers is used as well. The industry classification of MoL is somewhat different from that of DOS. Specifically, MoL combines hotels/restaurants with wholesale and retail trade and combines real estate/business services with finance. For lack of better data, we divided the workers equally among the combined sectors.
Most job growth for Jordanians occurred at the highest and lowest ends of the occupational spectrum, whereas mid-level occupations saw little or negative growth (Figure 6). The implication of this pattern is that opportunities are expanding for workers with higher education (bachelor's degree and above) and for those with little education. However, opportunities for individuals with secondary education and intermediate diplomas are declining, relegating them to jobs that require no more than an elementary education. We present data on job growth among Jordanians only, because available data on the occupations of foreign workers use a nonstandard classification and cannot be combined with the data for Jordanians.

Figure 6: Average Annual Net Job Creation (Jordanians only), by Occupation, 2000–05

11. Adjustment to increased demand for labor has been reflected in wages as well as employment trends. Real wage growth was strongest in the sectors with highest growth in employment (and GDP). Likewise, real wage growth was strongest in the occupations with the highest growth in employment. Recent wage growth is likely to be unsustainable in some sectors, however, because the gains were not based on increased productivity. Changes in labor productivity are an important indicator of a country’s competitiveness and thus of its potential for job and wage growth. The growth rate of labor productivity in Jordan is higher than the average for the region but lower than that of many other emerging economies (Figure 3.4). Sustainable wage increases (wage increases supported by productivity increases) were observed in key sectors of manufacturing, construction, wholesale and retail trade, finance, and health (Table 3.1). However, wage increases in excess of productivity were observed in public administration, education, and hotels and restaurants, indicating lack of sustainability and decreased competitiveness.

**Employability: Technical Skills and Experience vs. Workplace Behavior and Productivity**

12. While the overall quality of vocational training is poor and with little relevance, Jordanians are not at a relative disadvantage vis-à-vis foreign workers in terms of quantity of education or vocational training – in other words, they may possess an equally poor level of training compared to the many foreign workers. The majority of unemployed Jordanians have educational qualifications that closely match those of foreign workers (Figure 7). Moreover, Jordanians have an advantage in having more on-the-job experience than their foreign counterparts. Jordanian workers have more experience both in their current job (an average of 5.1 years vs. 3.9 years for foreign workers) and in prior relevant experience (4.1 vs. 3.8). These facts are important given the widespread perception that foreign workers can be replaced by Jordanian workers as soon as Jordanian workers receive training.

**Figure 7: Educational Achievement of Jordanian and Foreign Workers, 2004**

![Figure 7: Educational Achievement of Jordanian and Foreign Workers, 2004](image)

Sources: Employment in Enterprise Survey 2004; EUS 2004 for unemployed.

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12. In the cases of manufacturing and finance, wage growth was far below productivity growth.
13. The figure likely overstates the educational status of foreign workers, because it includes only foreign workers in enterprises and excludes the many less-educated foreign workers with informal contracts.
13. Although foreign workers do not have an educational advantage over Jordanians, employers often prefer to hire them because foreign workers are perceived to be more "employable"—that is, to be more responsible, reliable, courteous, and attentive—thus work ethics and attitudes. According to the 2006 survey by the Center for Strategic Studies, 61 percent of employers believed that Jordanian workers were less valuable than foreign workers because they put in less effort, took less responsibility, worked less, and were absent more than foreign workers. Thus, attitudes need to be addressed in areas where Jordanians wish to compete for jobs.

14. Foreign workers may be more productive. The survey also indicates that foreign workers are perceived by employers to be more productive than Jordanian workers. Most evidence suggests that foreign workers are paid considerably less than Jordanian workers. But, even if foreign workers were paid the same as Jordanian workers, they could still be cheaper per unit of output. A member of the Executive Board of the Jordan Garment and Textile Exporters Enterprise Association was recently quoted as saying that "Jordanians produce 50 percent less" (Jordan Business, September 2006). If true, this would mean that foreigners would be cheaper per unit of output unless they were paid twice the wage paid to Jordanian workers.

15. While Jordanians are not at a disadvantage in terms of quantity of education, concerns persist about the quality of Jordanian education. In addition to deficits in the teaching of initiative and critical thinking, one hears concerns about the relevance of the fields of specialization of Jordanian workers. Before we look at technical and vocational education, we consider differences at the post-secondary level. Among university specializations, unemployment rates in agriculture, veterinary, and educational specializations have remained twice as high as those of engineers and health care workers. Some tension between supply and demand is inevitable in any dynamic economy, because of the time required to obtain skills and because needs for technical skills continue to change. An efficient labor market, however, should minimize the duration of such a mismatch. Persistent gaps, however, indicate that students lack accurate information about the current demand for the specializations from which they can choose. The skills mismatch among women is more pronounced than among men. Women have a higher propensity to enter specializations in low demand, such as education and humanities, and a lower propensity to enter specializations in high demand, such as engineering. These differences are not large, however, and educational specialization explains only a small part of gender differences in unemployment.

Expectations: False Optimism in a Changing Economy

16. Although individuals vary in the importance they place on various job characteristics, a high enough wage can usually compensate for undesirable features. The 2006 study by the Center for Strategic Studies cited in the previous section concluded that unemployed Jordanians would be willing to accept unpleasant jobs if they paid well enough. That is, there is no "culture of shame" in an absolute sense. The study surveyed unemployed Jordanians and asked them which jobs they would accept. By varying the hypothetical wages for a job, the study showed that if paid enough, most unemployed Jordanians would be willing to accept the jobs that have been created over the past five years in industry, agriculture, and construction.

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14 The World Bank's Investment Climate Survey (2006c) found that 58 percent of foreign workers worked overtime in the previous month, compared to 40 percent of Jordanian workers.

15 Wage data from the EUS and MoL databases indicate that, on average, foreign workers are paid considerably less than Jordanian workers per month. (The vast majority of foreign workers are identified in the MoL database as receiving minimum wage.) On the other hand, the Jordan Garment and Textile Exporters Enterprise Association has argued that foreign workers are slightly more expensive than Jordanians because employers pay for a round-trip plane ticket for the worker and for housing and meals.
17. But are unemployed Jordanians willing to accept the existing jobs at prevailing wages? By combining the survey findings described in the previous paragraph with information on prevailing wage rates for various occupations from labor force surveys, we can estimate the gap between the expectations of Jordanian workers and the compensation offered by available jobs. When unemployed Jordanian workers were asked about their willingness to accept jobs from a list of widely available jobs at prevailing wages, about 40 percent of respondents indicated a willingness to accept at least one of the jobs (Figure 8). (More precisely, 41 percent of the unemployed are willing to accept factory work (the job with the highest acceptance rate) while 59 percent were unwilling to accept this job at the prevailing wage of 154 JD.) The other 60 percent of unemployed Jordanians want to work, but not at available jobs—unless the pay were significantly more than presently offered. Labor economists refer to the second group as “voluntarily unemployed.” There is a limitation to this study. The list of available occupations used was not exhaustive; some of the 60 percent may have been willing to accept some other job at the prevailing wage (e.g., many unemployed persons are willing to accept civil service jobs at the prevailing civil service salary.) Nevertheless, the study is useful in distinguishing between the two groups of unemployed persons—the voluntarily and involuntarily unemployed—and the list does include many of the jobs that have grown strongly since 2000.

18. Government actions to reduce unemployment will be more effective if they distinguish between the voluntarily and involuntarily unemployed. A continuation of current investment-promotion policies may help the 40 percent who are involuntarily unemployed, but it will not work for the 60 percent who are voluntarily unemployed. To help the latter, a two-pronged approach is needed. First, the Government should aim to create an enabling environment for the creation of more high-wage jobs. Second, it should focus on enhancing incentives to work.

Figure 8: Share of Unemployed Jordanians who would Accept One of the Commonly Available Jobs at Prevailing Wages

<table>
<thead>
<tr>
<th>Job</th>
<th>Acceptance Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleaner (146 JD)</td>
<td>14%</td>
</tr>
<tr>
<td>Construction worker (164 JD)</td>
<td>22%</td>
</tr>
<tr>
<td>Fuel station worker (154 JD)</td>
<td>22%</td>
</tr>
<tr>
<td>Messenger (146 JD)</td>
<td>27%</td>
</tr>
<tr>
<td>Building watchman (162 JD)</td>
<td>28%</td>
</tr>
<tr>
<td>Waiter (162 JD)</td>
<td>30%</td>
</tr>
<tr>
<td>Agriculture worker (146 JD)</td>
<td>33%</td>
</tr>
<tr>
<td>Factory worker (154 JD)</td>
<td>41%</td>
</tr>
</tbody>
</table>

Sources: Center for Strategic Studies 2006b and Employment in Enterprises Survey 2005.
19. Focusing on the involuntarily unemployed should be a high priority.\textsuperscript{16} Most programs to assist the involuntarily unemployed combine employment services, training, and income support. But to set priorities and ensure good targeting, policy makers need more information about this group to determine the relative importance of geography, skills, and expectations in their decision making.

20. Solving the problem of the voluntarily unemployed is more politically contentious and requires more sensitive Government actions. Some argue that the Government should not waste scarce resources on those who are not needy enough to accept existing jobs, while others argue that this group is of utmost importance because their unemployment could have serious social and political repercussions.

21. The future of the voluntarily unemployed hinges on one question: Can Jordan compete internationally in high-wage products? The existing pattern of trade is the best indication of Jordan's comparative advantage. Jordan has had more success in low-wage, labor-intensive manufacturing than in services or high-tech products. This is an area dominated by technical and vocational skills and a need for continuing upgrading. Of course, the existing comparative advantage need not be seen as permanent. In the long term, governments can influence comparative advantage through various policies and by investing in the quality of the workforce. Nevertheless, it should be kept in mind that change takes time and that other countries are also changing. To be competitive, Jordan must not only improve, but move to the forefront. Even if Jordan can develop a comparative advantage in high-wage products in the long term, adjusting the expectations of the workforce will be necessary in the short term. Building an effective demand driven system for continuing quality training with active involvement of employers for both pre-service and in-service will be a critical part of this. The gains from the internal and external efficiency of improving training provision under the TVET system are analyzed in the following section.

II. The TVET System and Problems Addressed by the Project

22. \textbf{Current high unemployment among TVET graduates.} As described in Section I above, the situation of high unemployment also affects the graduates of the TVET system although much less is known. Figure 9 presents unemployment rates for different specializations within the TVET system. The unemployment rates are likely even higher for recent graduates: 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.\textsuperscript{17}

\textsuperscript{16} We do not have direct information on the characteristics of the involuntarily unemployed. If we assume this group coincides with the poorer 40 percent of the unemployed, we can identify certain characteristics that distinguish this group from the 60 percent voluntarily unemployed (assumed to be the wealthier 60 percent of the unemployed). First, the involuntarily unemployed are geographically dispersed, while the voluntarily unemployed are concentrated in Amman and Irbid. Second, the involuntarily unemployed have lower levels of education and are younger. Third, the involuntarily unemployed include a higher proportion of men.

\textsuperscript{17} Both tracer studies are summarized in "Technical-Vocational Education and Training in Jordan: Areas for Development Cooperation." 2006. European Training Foundation.
23. Employer driven TVET can help link unemployed with existing jobs. The ETF report on the TVET system concluded that its immediate priorities should be stronger labor market linkages, deeper employment involvement upstream in the training process, and greater flexibility and responsiveness to market changes. If that is achieved, the TVET system could be an important link between those unemployed who are willing to take a job at prevailing wages, and jobs.

24. But this will require restructuring and realignment of the TVET system. The TVET system has been found to be highly supply driven, overly specialized, and focusing on technical skills, rather than employability issues, such as teamwork. The TVET system is also suffering from high student dropout, leading to wastage of resources.

25. Objective of the Project. The Project will support four different initiatives aimed at reorienting the training provided in the TVET sector, to make it more employer driven, with the ultimate objective of increasing the employability and skills relevance of TVET graduates in future years and thus improving labor market outcomes. The following description identifies the expected benefits (and costs) of each of the three initiatives:

   Establish E-TVET Council and Develop System with Employer Participation

   The E-TVET Council will be a policy making body for the TVET sector. It will establish clear policy directives for a reorientation of the sector, with policy direction being provided primarily by the employer community. An expected outcome of this component is measurable change in the internal and external efficiency of TVET providers in Jordan.

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Restructuring of Vocational Training Corporation

Component 2 is targeted at reforming the main TVET provider, the VTC, including a reorientation of its training delivery model to reflect employer defined occupational competencies. Expected outputs include improved internal and external efficiency of the VTC.

Strengthening the Training and Employment Fund Development

This component (funded through CIDA) will support the institutional development of the TEF, by strengthening its technical functions, improving its coordination with other agencies, and supporting the development of a Communication Strategy for TEF. The Fund finances training and skills development for in-service employees. The benefits of the component will be better training delivered to employers, and thus higher productivity of in-service employees.

A final component will cover Project management.

26. **Rationale for public investment in TVET.** Jordan has a high level of unemployment among graduates from secondary and post-secondary education, resulting in significant migration of educated Jordanians to countries with more developed economies. Also, the growth in human capital in Jordan has not led to a significant economic growth so far: the GDP per capita in Jordan was around the same level in 1990 as in 2005, although the School Life Expectancy increased from about 9 years to 13 years over the same period. Furthermore, the Jordan TVET system is facing an absence of appropriate market mechanisms and capacity to delivery effective quality and demand driven training on a continuous basis.

27. **Supply failure:** On the supply side, public and private training providers have little or no incentives or funding (for private providers) to adapt training to the type of skills, quality standards and attitudes needed by employers. While Chambers and Associations have some incentives, they have been limited in their funding and capacity.

28. **Demand failure:** In Jordan most employers and workers see public training (VTC) as having low value (low relevance and quality). In addition, most workers and SMEs under-invest because they cannot meet the time or costs of training and because better skills are not necessarily rewarded by the labor market given the abundance of foreign labor. The current low return to human capital in Jordan indicates that there is no lack of human capital per se (if there were a lack of human capital, the return to human capital would be high). Then, why should the Government invest more in TVET?

29. The Project does not invest in producing more graduates of the same type as now. Rather, it aims at correcting the market failures leading to the situation of low employability of TVET graduates, by improving the relevance of their skills and their employability. The rationale for Government to be involved in this is that the E-TVET Council, which will be charged with the policy development for the sub-sector, is a natural government domain (you cannot charge for its services and the benefits are of a public good type and very long-term). The second and third project components concern the institutional development of two public institutions, also something that the private sector will not invest in.

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19 The School Life Expectancy is defined as the total number of years of schooling a child entering the education system can expect to receive, given the current enrollment rates at all levels. It shows the level of development of an educational system.
30. **Quantification of expected Project benefits: Internal and external efficiency gains.** The Project is expected to produce the following benefits:

- **External efficiency gain**: Future cohorts of TVET graduates are expected to have higher chances of finding employment, due to the higher relevance of their skills, including employability skills. This will translate into higher lifetime earnings. It is hard to make predictions on how many graduates will benefit from the Project in terms of improving their chances of employment. We limit our analysis to the graduates produced over a five-year period following the Project implementation, and we assume the number of graduates does not change because of the Project. It is possible that the Project may contribute to a slight increase in the wages earned by TVET graduates given that their skills will improve and the demand for their skills increase. On the other hand, the economic rate of return of education tends to decline over time, as the human capital becomes more abundant. These two effects work in opposite directions, thus we are assuming real wages remain the same.

- **Internal efficiency gain**: We expect the unit cost per graduate to be brought down, due to better functioning of the TVET system as a result of the reorganization, leading to a better completion rate and less wastage due to dropout. Students will also have higher incentives to finish their course, as their employment prospects will improve (because the rate of return on their investment is higher).

31. Table 2 indicates the level of benefits expected as a result of each component. Due to the uncertainty of the magnitude of these benefits, and in the absence of a pilot project to indicate the level of benefit we might expect, the table outlines three scenarios for improvement.

<table>
<thead>
<tr>
<th>Component No.</th>
<th>Description of Benefit</th>
<th>Indicator</th>
<th>Level of Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Scenario 1</td>
</tr>
<tr>
<td>1</td>
<td>Improvement in external efficiency (system wide).</td>
<td>Increase in employment rate for graduates.</td>
<td>0.2 percentage point</td>
</tr>
<tr>
<td></td>
<td>Improvement in internal efficiency (system wide)</td>
<td>Reduction in unit cost of all graduates.</td>
<td>1 percent</td>
</tr>
<tr>
<td>2</td>
<td>Improvement in external efficiency (VTC).</td>
<td>Increase in employment rate for VTC graduates.</td>
<td>0.5 percentage point</td>
</tr>
<tr>
<td></td>
<td>Improvement in internal efficiency (VTC)</td>
<td>Reduction in unit cost of VTC graduates.</td>
<td>2.5 percent</td>
</tr>
<tr>
<td>3</td>
<td>Improvement in productivity of in-service trainees.</td>
<td>No assessment of this benefit due to lack of data.</td>
<td></td>
</tr>
</tbody>
</table>

Note: For the VTC, the percentage improvements of Components 1 and 2 should be added together to get the total expected improvement, as VTC will be impacted by both components.
Cost-Benefit Analysis

32. **Data and assumptions.** In order to assess the Project benefits in monetary terms, we employ a simplified model of the system (simulation model). The model includes five types of vocational training as shown in Table 3. The Table also lists the assumptions used in the model on training costs, average wages earned by graduates, and number of graduates. In reality, both training costs and wages vary greatly according to the TVET specialization. This is not taken into account in the model, which will therefore mostly serve to illustrate the relation between number of graduates, costs, wages and economic rate of return.

### Table 3: Assumptions

<table>
<thead>
<tr>
<th>Level</th>
<th>Training Center</th>
<th>Secondary Level</th>
<th>Post-secondary Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MOE Secondary</td>
<td>Vocational</td>
<td>Community</td>
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<tr>
<td></td>
<td>Vocational</td>
<td>Training Centre</td>
<td>Colleges</td>
</tr>
<tr>
<td></td>
<td></td>
<td>skill (&lt;1 term)</td>
<td>(2-4 terms)</td>
</tr>
<tr>
<td>Unit cost per</td>
<td>535</td>
<td>719</td>
<td>719</td>
</tr>
<tr>
<td>student per year&lt;sup&gt;1)&lt;/sup&gt; (JD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Survival rate&lt;sup&gt;2)&lt;/sup&gt;</td>
<td>40 %</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Unit cost per</td>
<td>2,676</td>
<td>959</td>
<td>1,917</td>
</tr>
<tr>
<td>graduate&lt;sup&gt;2)&lt;/sup&gt; (JD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category/Level of</td>
<td>Less than</td>
<td>Less than</td>
<td>Secondary level:</td>
</tr>
<tr>
<td>wages upon admission&lt;sup&gt;3)&lt;/sup&gt;</td>
<td>secondary:</td>
<td>secondary:</td>
<td>206 JD/month</td>
</tr>
<tr>
<td></td>
<td>173 JD/month</td>
<td>173 JD/month</td>
<td></td>
</tr>
<tr>
<td>Category/Level of</td>
<td>Secondary level:</td>
<td>Less than</td>
<td>Secondary level:</td>
</tr>
<tr>
<td>wages upon graduation.</td>
<td>206 JD/month</td>
<td>secondary:</td>
<td>206 JD/month</td>
</tr>
<tr>
<td></td>
<td>173 JD/month</td>
<td>173 JD/month</td>
<td></td>
</tr>
<tr>
<td>Wage differential</td>
<td>33 JD/month</td>
<td>No difference</td>
<td>33 JD/month</td>
</tr>
<tr>
<td>Number of graduates per year</td>
<td>5,000</td>
<td>3,700</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Note: 1) Unit costs comprise public expenditure and private expenditure; 2) Share of intake or first year enrollment who will eventually graduate; 3) If there was no wastage due to student dropout, the cost per student per year would be close to the cost per graduate x length of degree in years. This calculation takes the survival rate into account; 4) Wages are expressed in 2005 prices.

Sources: Wages are based on data from Department of Statistics/Employment and Unemployment Survey- Annual Report 2005. Unit costs and number of graduates are based on information provided in ETF (2006)<sup>20</sup>.

33. At the moment, roughly 17,400 persons graduate from the TVET system each year. Of these, about 9,700 graduate from the VTC (breakdown by program is provided in Table 3). Using the simulation model, the benefits accruing to each type of student are calculated. The total benefits are then found by multiplying with the total number of students affected.

34. Table 4 presents the results of the calculation of Project benefits, by Project component and type of benefit. The benefits are calculated as the net present value of a future benefit stream, using a discount rate of 7 percent. The Table also compares total benefits with total Project costs, and computes a benefit/cost ratio for each scenario. Table 4 shows that, depending on the scenario chosen, the benefit/cost ratio of the Project varies between 2.0 and 4.0.

<sup>20</sup> TVET in Jordan: Areas for Development Cooperation, European Training Foundation (2006).
Table 4: Benefit/Cost Ratio of Project

<table>
<thead>
<tr>
<th>Component No.</th>
<th>NPV of Expected Benefits (US$ m)</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ext. efficiency: higher employment</td>
<td>9.2</td>
<td>9.2</td>
<td>18.4</td>
</tr>
<tr>
<td></td>
<td>Int. efficiency: lower costs</td>
<td>2.3</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>2</td>
<td>Ext. efficiency: higher employment</td>
<td>12.5</td>
<td>12.5</td>
<td>25.1</td>
</tr>
<tr>
<td></td>
<td>Int. efficiency: lower costs</td>
<td>2.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>3</td>
<td>No assessment</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Project benefit</td>
<td></td>
<td>26.5</td>
<td>31.3</td>
<td>53.1</td>
</tr>
<tr>
<td>Total Project cost</td>
<td></td>
<td>13.2</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Benefit/cost ratio</td>
<td></td>
<td>2.0</td>
<td>2.4</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Sensitivity Analysis

35. Due to the large number of assumptions made, sensitivity analyses were done to check which of the assumptions given in Table 3 mostly influence the result. Because the scenarios are formulated as improvements in indicators (e.g., reduction in unit cost and increase in employment rate), the assumptions regarding the base levels of those indicators do not influence the results. The assumptions that do influence the results, however, are: number of graduates per year, and wage differential, i.e., the increase in earning that is expected as a result of graduation. Thus, if the number of graduates produced in the TVET sub-sector declines, or if the earnings gain associated with holding a TVET degree drops, the benefits of the Project will likely be less than estimated here.

Externalities

36. Education research has identified many non-market benefits or externalities of education in all countries and settings. Because Jordan has a large non-market sector (a large proportion of adults - particularly women - work in the home, and take care of children, the elderly, food preparation, etc., services that in some other countries to a larger extent are “outsourced”), there is reason to believe that the impact of education on non-market productivity could be quite large. For example, someone with a completed vocational education in nursing, home economics or education who chooses to work in the home is likely to be more productive in her non-market activities, than she would otherwise have been. Further, there is research showing that more education of the mother has a positive impact on her children’s health, nutritional status and cognitive development, health of all family members, etc. These non-market benefits are not quantified in this economic analysis, but may well be quite significant.

Disparities

37. The level of unemployment is very unevenly distributed in Jordan, affecting 26 percent of economically active women but only 13 percent of men. In the case of women, the rate of unemployment increases, the higher the level of education. For men, the pattern is reversed, with unemployment highest among those with less than secondary education. Data on wages by educational level also indicate a wage gap of about 25 percent between men and women with similar levels of education. The TVET system can address the higher unemployment among female graduates by encouraging more women to enroll in specializations, for which there are good employment opportunities and good earning potential. This is an aspect to be taken into consideration by the E-TVET Council, the VTC and other TVET providers.

---

21 Haveman and Wolfe (1984) identified as many as 19 externalities, or non-market benefits of additional schooling suggesting that traditional approaches of economic analysis of education investments significantly understate the full value of schooling.

Annex 10: Safeguard Policy Issues

Jordan: Employer Driven Skills Development Project

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 located 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.
Annex 11: Project Preparation and Supervision

Jordan: Employer Driven Skills Development Project

<table>
<thead>
<tr>
<th></th>
<th>Planned</th>
<th>Actual</th>
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<tbody>
<tr>
<td>PCN review</td>
<td>April 5, 2007</td>
<td>April 5, 2007</td>
</tr>
<tr>
<td>Initial PID to PIC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial ISDS to PIC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiations</td>
<td>April 22, 2008</td>
<td>April 22-23, 2008</td>
</tr>
<tr>
<td>Board/RVP approval</td>
<td>June 5, 2008</td>
<td></td>
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<tr>
<td>Planned date of effectiveness</td>
<td>August 5, 2008</td>
<td></td>
</tr>
<tr>
<td>Planned date of mid-term review</td>
<td>June 15, 2011</td>
<td></td>
</tr>
<tr>
<td>Planned closing date</td>
<td>September 30, 2013</td>
<td></td>
</tr>
</tbody>
</table>

Key Institutions Responsible for the Preparation of the Project:

Ministry of Labor (responsible agency)
- Ministry of Planning and International Cooperation
- National Center for Human Resources Development (NCHR&D)
- Vocational Training Corporation (VTC)
- Training and Employment Fund (TEF)

Bank Staff and Consultants who Worked on the Project included:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soren Nellemann</td>
<td>Task Team Leader</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Mourad Ezzine</td>
<td>Education Sector Manager</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Haneen Sayed</td>
<td>Lead Operations Officer</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Roger Pearson</td>
<td>TVET Specialist-Consultant</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Linda English</td>
<td>Sr. Education Specialist/peer reviewer</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Eileen Sullivan</td>
<td>Operations Analyst</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Lina Fares</td>
<td>Procurement Specialist</td>
<td>MNAPR</td>
</tr>
<tr>
<td>Robert Bou Jaoude</td>
<td>Sr. Financial Management Specialist</td>
<td>MNAFM</td>
</tr>
<tr>
<td>Hyacinth Brown</td>
<td>Sr. Finance Officer</td>
<td>LOAFC</td>
</tr>
<tr>
<td>David Freese</td>
<td>Sr. Finance Officer</td>
<td>LOAFC</td>
</tr>
<tr>
<td>Kenneth Mwenda</td>
<td>Sr. Counsel</td>
<td>LEGEM</td>
</tr>
<tr>
<td>Arup Banerji</td>
<td>Sector Manager</td>
<td>ECSHD</td>
</tr>
<tr>
<td>Harry Patrinos</td>
<td>Lead Education Economist</td>
<td>HDNED</td>
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<td>Alexandria Valerio</td>
<td>Sr. Education Specialist</td>
<td>LCSHE</td>
</tr>
<tr>
<td>Arvil van Adams</td>
<td>TVET Consultant</td>
<td>MNSHD</td>
</tr>
<tr>
<td>Amira M. I. Kazem</td>
<td>TVET Consultant</td>
<td>MNSHD</td>
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<tr>
<td>Susan Razzaz</td>
<td>Sr. Economist</td>
<td>MNSED</td>
</tr>
<tr>
<td>Ai Chin Wee</td>
<td>Sr. Operations Officer</td>
<td>MNSSD</td>
</tr>
<tr>
<td>Kanta Kumari Rigaud</td>
<td>Sr. Environmental Specialist</td>
<td>MNSSD</td>
</tr>
<tr>
<td>Colin Scott</td>
<td>Lead Specialist</td>
<td>MNSSD</td>
</tr>
<tr>
<td>Sophie Warlop</td>
<td>Operations Analyst</td>
<td>MNC02</td>
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<tr>
<td>Alberto Rodriguez</td>
<td>Lead Education Specialist</td>
<td>LCSHE</td>
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<tr>
<td>Diana Masri</td>
<td>Financial Management Specialist</td>
<td>MNAFM</td>
</tr>
<tr>
<td>Kirsten Majgaard</td>
<td>Economist - Consultant</td>
<td>AFTHD</td>
</tr>
<tr>
<td>Afifa Alia Achsien</td>
<td>Sr. Program Assistant</td>
<td>MNSHD</td>
</tr>
</tbody>
</table>
QER Panel: Peter Buckland (Lead Education Specialist, HDNED), Aidan Mulkeen (Sr. Education Specialist, AFTH1), Andrei Markov (Sr. Human Development Specialist, ECSHD)

Bank funds expended to date on project preparation:
1. Bank resources: US$286,037
2. Trust funds: US$350,000
3. Total: US$622,074

Estimated Approval and Supervision costs:
1. Remaining costs to approval: US$95,702
2. Estimated annual supervision cost: US$85,000
Annex 12: Documents in the Project File

Jordan: Employer Driven Skills Development Project

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

Official Project Documents

- Aide-memoire of the October 2006 mission
- Aide-memoire of the January – February 2007 mission
- Aide-memoire of the September 2007 mission
- Aide-memoire of the December 2007 mission
- Minutes of Negotiations, April 2008.

Project Implementation

- PHRD Grant Reports
- Disbursement Letter

World Bank Assessment Reports

- Procurement Management Assessment Report
- Financial Management Assessment Report
### Annex 13: Statement of Loans and Credits

**Jordan: Employer Driven Skills Development Project**

<table>
<thead>
<tr>
<th>Project ID</th>
<th>FY</th>
<th>Purpose</th>
<th>Original Amount in US$ Millions</th>
<th>Difference between expected and actual disbursements</th>
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<td></td>
<td></td>
<td>IBRD</td>
<td>IDA</td>
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<tr>
<td>P070958</td>
<td>2007</td>
<td>JO-REGIONAL &amp; LOCAL DEVELOPMENT</td>
<td>20.00</td>
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</tr>
<tr>
<td>P081823</td>
<td>2007</td>
<td>JO-CULTURAL HERITAGE, TOURISM &amp; URBAN DEV</td>
<td>56.00</td>
<td>0.00</td>
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<tr>
<td>P091787</td>
<td>2005</td>
<td>JO: Public Sector Reform Capacity Bldg.</td>
<td>15.00</td>
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<tr>
<td>P081505</td>
<td>2004</td>
<td>JO-AMMAN DEVELOPMENT CORRIDOR</td>
<td>38.00</td>
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<tr>
<td>P075829</td>
<td>2003</td>
<td>JO-Education Reform for Knowledge Econ.1</td>
<td>120.00</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Total:</td>
<td>249.00</td>
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</table>

#### JORDAN

**STATEMENT OF IFC’s**

Held and Disbursed Portfolio in Millions of US Dollars

<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>IFC Committed</th>
<th>IFC Disbursed</th>
<th>Approvals Pending Commitment</th>
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<td></td>
<td>Loan</td>
<td>Equity</td>
<td>Quasi</td>
<td>Partic.</td>
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<tr>
<td>2003</td>
<td>Al-Hikma</td>
<td>10.25</td>
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<td>0.00</td>
</tr>
<tr>
<td>1997</td>
<td>BTC</td>
<td>1.34</td>
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</tr>
<tr>
<td>2001</td>
<td>Boscan Jordan</td>
<td>1.50</td>
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<tr>
<td>2006</td>
<td>CTI</td>
<td>15.00</td>
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<td></td>
<td>Hikma UK</td>
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<td>1999</td>
<td>MAICO</td>
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</tr>
<tr>
<td>2002</td>
<td>MEREN</td>
<td>4.40</td>
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<td>0.00</td>
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<td>2000</td>
<td>SGBJ</td>
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<td>2.09</td>
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<tr>
<td>1996</td>
<td>Zara</td>
<td>0.00</td>
<td>2.97</td>
<td>0.00</td>
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<td></td>
<td>Total portfolio:</td>
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<td>6.76</td>
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<tr>
<th>FY Approval</th>
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<th>Equity</th>
<th>Quasi</th>
<th>Partic.</th>
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<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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Total pending commitment: 0.00 0.00 0.00 0.00
Annex 14: Country at a Glance

Jordan: Employer Driven Skills Development Project

### Poverty and Social

<table>
<thead>
<tr>
<th>2006</th>
<th>Jordan</th>
<th>M. East &amp; North Africa</th>
<th>Lower-middle-income</th>
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<tbody>
<tr>
<td>Population, mid-year (millions)</td>
<td>5.6</td>
<td>31</td>
<td>2,276</td>
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<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>2,630</td>
<td>2,461</td>
<td>2,037</td>
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<tr>
<td>GNI (Atlas method, US$ billions)</td>
<td>14.7</td>
<td>771</td>
<td>4,635</td>
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</table>

**Average annual growth, 2000-06**

<table>
<thead>
<tr>
<th></th>
<th>Population (%)</th>
<th>Labor force (%)</th>
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</thead>
<tbody>
<tr>
<td>Jordan</td>
<td>2.5</td>
<td>1.8</td>
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<tr>
<td>Lower-middle-income</td>
<td>3.6</td>
<td>3.5</td>
</tr>
</tbody>
</table>

**Most recent estimate (latest year available, 2000-06)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Jordan</td>
<td>Urban population (%)</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Life expectancy at birth (years)</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>Infant mortality (per 1,000 live births)</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Child mortality (%)</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Access to an improved water source (% of population)</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Poverty (%)</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>Economic ratios.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Life expectancy at birth (years)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Infant mortality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Child mortality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Access to an improved water source</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Poverty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic ratios.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Life expectancy at birth (years)</td>
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<td>Infant mortality</td>
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<tr>
<td></td>
<td></td>
<td>Child mortality</td>
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<tr>
<td></td>
<td></td>
<td>Access to an improved water source</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Poverty</td>
</tr>
</tbody>
</table>

### Key Economic Ratios and Long-Term Trends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$ billions)</td>
<td>6.2</td>
<td>6.9</td>
<td>12.7</td>
</tr>
<tr>
<td>Gross capital formation/GDP</td>
<td>20.5</td>
<td>29.4</td>
<td>23.7</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>62.9</td>
<td>61.9</td>
<td>60.7</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>-5.6</td>
<td>-4.1</td>
<td>-17.9</td>
</tr>
<tr>
<td>Gross national savings/GDP</td>
<td>25.2</td>
<td>6.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>0.7</td>
<td>3.2</td>
<td>-17.0</td>
</tr>
<tr>
<td>Interest payments/GDP</td>
<td>3.5</td>
<td>4.9</td>
<td>13</td>
</tr>
<tr>
<td>Total debt/GDP</td>
<td>75.2</td>
<td>60.5</td>
<td>-</td>
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<tr>
<td>Total debt service/exports</td>
<td>16.2</td>
<td>6.5</td>
<td>-</td>
</tr>
<tr>
<td>Present value of debt/exports</td>
<td>70.3</td>
<td>58.3</td>
<td>-</td>
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<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (average annual growth)</td>
<td>2.8</td>
<td>5.1</td>
<td>7.2</td>
</tr>
<tr>
<td>GDP per capita (average annual growth)</td>
<td>2.5</td>
<td>2.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Exports of goods and services (average annual growth)</td>
<td>5.8</td>
<td>5.7</td>
<td>5.8</td>
</tr>
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</table>

### Structure of the Economy

<table>
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<tr>
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</thead>
<tbody>
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<td>Agriculture (% of GDP)</td>
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<td>3.5</td>
<td>2.8</td>
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<td>Industry (% of GDP)</td>
<td>24.4</td>
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<td>Manufacturing (% of GDP)</td>
<td>16.9</td>
<td>15.8</td>
<td>15.2</td>
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<td>Services (% of GDP)</td>
<td>66.3</td>
<td>70.0</td>
<td>67.9</td>
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<td>Household final consumption expenditure (% of GDP)</td>
<td>75.4</td>
<td>78.8</td>
<td>102.5</td>
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<td>General govt final consumption expenditure (% of GDP)</td>
<td>26.2</td>
<td>17.3</td>
<td>15.5</td>
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<tr>
<td>Imports of goods and services (% of GDP)</td>
<td>55.4</td>
<td>78.2</td>
<td>93.4</td>
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<td>5.7</td>
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<td>Industry (% of GDP)</td>
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<td>9.5</td>
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<td>Gross capital formation (% of GDP)</td>
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**Note:** 2006 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

*The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.*
Jordan

PRICES and GOVERNMENT FINANCE

Domestic prices (%change)

Consumer prices 0.0 8.5 3.5 8.3
Implicit GDP deflator 0.1 2.1 4.9 4.8

Government finance (% of GDP, includes current grants)

Current revenue 37.1 37.3 33.6 33.9
Current budget balance 9.7 9.7 9.7 4.1
Overall surplus/deficit -10 2.3 -4.8 -3.4

TRADE

(US$ millions)

Total exports (fob) 731 1879 4.289 4.911
Food and live animals 220 228 480 202
Phosphates 365 181 186 158
Manufactures 237 750 1827 1802
Total imports (cif) 2.429 4.340 10.468 11.941
Food 473 979 1571 2.185
Fuel and energy 317 531 2.328 2.671
Capital goods 404 1277 2.922 2.509
Export price index (2000=100) 83 117 511 164
Import price index (2000=100) 83 103 155 159
Terms of trade 100 113 84 85

BALANCE OF PAYMENTS

(US$ millions)

Exports of goods and services 1803 3.706 5.591 7.986
Imports of goods and services 3.316 4.479 1.673 15.421
Resource balance -1.570 -1.773 -5.281 -14.233
Net income -1.50 -304 376 273
Net current transfers 16.7 1.853 2.747 2.708
Financing items (net) 74 1.1 2.319 4.009
Changes in net reserves -26 212 -180 -755

Memo:
Reserves including gold (US$ millions) 641 1.957 5.17 6.582
Conversion rate (DEC, local/US$) 0.3 0.7 0.7 0.7

EXTERNAL DEBT and RESOURCE FLOWS

(US$ millions)

Total debt outstanding and disbursed 4.832 7.385 7.896
BRD 281 777 925 897
IDA 81 67 45 42
Total debt service 594 978 616
BRD 36 127 196 223
IDA 1 3 3 3

Composition of net resource flows
Offical grants 455 167 541
Official credits 161 405 -92
Private credits 434 -159 140
Foreign direct investment (net inflows) 23 16 1532
Portfolio equity (net inflows) 0 0 0
World Bank program
Commitments 78 180 15 0
Disbursements 83 159 48 43
Principal repayments 16 80 76 80
Net flows 67 89 -28 -38
Interest payments 22 49 33 45
Net transfers 45 40 -61 -83

Note: This table was produced from the Development Economics LDB database.
9/28/07
Annex 15: Map

Jordan: Employer Driven Skills Development Project