



Brussels, 26.8.2014
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COMMISSION IMPLEMENTING DECISION

of 26.8.2014

**on the Annual Action Programme and Umbrella Programme 2014 in favour of Jordan
to be financed from the general budget of the European Union**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action¹ and in particular Article 2 thereof,

Having regard to Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted a Single Support Framework for the period 2014-2017³, providing for the following priorities:
 - Reinforcing the rule of law for enhanced accountability and equity in public service delivery;
 - Employment and private sector development;
 - Renewable energy and energy efficiency.
- (2) The objective pursued by the Annual Action Programme and Umbrella Programme 2014 in favour of Jordan, to be financed under the European Neighbourhood Instrument⁴, is on the one hand to enhance government accountability and public service delivery, and on the other hand to support private sector development.
- (3) The overall objective of the action entitled "Skills for Employment and Social Inclusion" is to assist the Government of Jordan in enhancing social inclusion through increased employability⁵ and human resource development in line with the National Employment Strategy 2011-2020 and the Employment and Technical and Vocational Education and Training Strategy 2014-2020 (awaiting validation by the government) and their action plans.

¹ OJ L 77, 15.3.2014, p. 95.

² OJ L 298, 26.10.2012, p. 1.

³ C(2014) 5130 of 24.07.2014.

⁴ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument, OJ L 77, 15/03/2014, p. 27.

⁵ Employability is defined here as 'the combination of factors which enable individuals to progress towards getting into employment, staying in employment and progressing during their career'. This is based on the definition used in the European Commission Staff Working Paper "Development of Benchmarks on Education and Training for Employability and on Learning Mobility", SEC(2011) 670 of 24.05.2011.

- (4) The action entitled “Support to public finance and public administration reforms” has the purpose to directly support the specific objectives of the Ministry of Finance and its departments and of the Ministry of Public Sector Development, as stipulated in the "Comprehensive Reform of the Jordan’s Public Financial Management 2014-2017".
- (5) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union⁶.
- (6) To facilitate the implementation of the incentive-based approach set forth in the European Neighbourhood Instrument, the Commission establishes multi-country umbrella programmes that supplement the indicative financial allocations for country programmes. In 2014, Jordan is granted EUR 15 million through this mechanism that offers incentives to countries that make progress towards deep and sustainable democracy; this allocation contributes to the funding of the present measure in favour of Jordan for an amount of EUR 11 million.
- (7) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, EURATOM) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (8) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of Delegated Regulation (EU) No 1268/2012 to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (9) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by the basic act referred to in Recital 2,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The following Annual Action Programme and Umbrella Programme, constituted by the actions identified in the second paragraph and attached as annexes, is approved:

- Annual Action Programme and Umbrella Programme 2014 in favour of Jordan.

The actions constituting this measure are:

- Annex 1: Skills for Employment and Social Inclusion;
- Annex 2: Support to public finance and public administration reforms.

Article 2

Financial contribution

⁶ OJ L 362, 31.12.2012, p. 1.

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 99.5 million:

- EUR 88.5 million to be financed from budget line 21 03 01 02, and
- EUR 11 million to be financed from budget line 21 03 03 03

of the general budget of the European Union for 2014.

Article 3

Implementation modalities

Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of Delegated Regulation (EU) No 1268/2012.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20 % of the contribution referred to in Article 2, or cumulated changes to the allocations of specific actions not exceeding 20 % of that contribution shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions. The use of contingencies shall be taken into account in the ceiling referred to in this Article.

The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 26.8.2014

For the Commission

Štefan FÜLE

Member of the Commission

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ANNEX 1

of the Commission implementing Decision on the Annual Action Programme and Umbrella Programme 2014 in favour of Jordan

Action Document on Skills for Employment and Social Inclusion

1. IDENTIFICATION

Title/Number	Skills for Employment and Social Inclusion CRIS number: ENI/2014/033-672		
Total cost	Total amount of EU budget contribution: EUR 52 million (EUR 48.5 million from the Annual Action Programme 2014 and EUR 3.5 million from the Umbrella Programme), of which EUR 43 million for budget support; and EUR 9 million for complementary support		
Budget support			
Aid method / Management mode and type of financing	Direct management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers 16020, 11330, 11320	BSAR
DAC-code	51010 – General Budget Support	Sector Employment and education	
Complementary support			
Aid method / Management mode and type of financing	Direct management –project approach, grants and procurement of services		
DAC-code	16020, 11330, 11320	Sector	Employment and education

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The overall objective of this Sector Reform Contract (SRC) is to assist the Government of Jordan to enhance social inclusion through increased employability¹

¹ Employability is defined here as ‘the combination of factors which enable individuals to progress towards getting into employment, staying in employment and progressing during their career’. This is based on the definition used

and human resource development (HRD) in line with the National Employment Strategy 2011-2020 and the Employment and Technical and Vocational Education and Training Strategy 2014-2020 (awaiting validation by the government) and their action plans. The new SRC will be implemented during the period 2015 to 2018. The programme has four purposes:

Purpose 1: To support policy making, planning and financial resource allocation in a coordinated way across different line ministries (Ministry of Education (MoE), Ministry of Labour (MoL), Ministry of Higher Education (MoHE), other institutions of the Technical and Vocational Education and Training (TVET) system and social partners.

Purpose 2: To improve relevance, quality, effectiveness and attractiveness of technical and vocational education and training for employability.

Purpose 3: To increase the number of people in education and training and other Active Labour Market Measures (ALMMs)– in particular women, youth and people with disabilities.

Purpose 4: To enhance the role of social partners and civil society organisations in promoting employment and human resource development.

This programme will ensure continuation of earlier budget support programmes provided for the education reform and for employment and technical and vocational education and training reforms. This will include extension of support for the Technical and Vocational Education and Training (TVET) sector governance to become more private sector driven and co-financed, improved institutionalisation of social partnership and tripartite dialogue, relevance and quality of TVET, building on the initiated approach with the private business economic sector teams involvement in development of programmes. Earlier support to increased participation of women in the labour market, which has not led to sufficient progress, will be extended to support a number of disadvantaged groups, such as women, youth, people with disabilities and informal economy workforce. Increased attention will be placed on the reform of vocational and technical streams of the Ministry of Education and the Ministry of Higher Education as the related progress has not been sufficient so far based on a joint donor evaluation. Key reform elements related to development of a national qualification framework, improved accreditation and quality assurance are also planned to be further assisted. Earlier support to development of capacities of local employment, training and career guidance services will be continued but focused on support to expand the one stop shop model and develop links with the social protection services to enhance social inclusion.

This programme will be complemented directly by another EU intervention planned under the same focal sector of the Single Strategic Framework (SSF) concerning employment and private sector development, which will concentrate on the demand side of the labour market as a continuation of the on-going EU assistance to private sector development in Jordan.

by the European Commission Staff Working Paper, “*Development of Benchmarks on Education and Training for Employability and on Learning Mobility*” SEC(2011) 670.

The scope of the programme could be further complemented by additional funding and activities of similar nature targeting specifically host communities and Syrian refugees, which could be defined in detail in a later stage in consultation with the relevant counterparts of the Government of Jordan and possibly linked with specific local economic development plans.

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

Jordan's economy grew steadily from 1999 to 2006, when Gross Domestic Product (GDP) growth peaked at 8.0%. This period of growth led to a subsequent drop in poverty rates from 1997 (9.8%) to 2006 (6.1%), due in part to income gains but mostly as a result of Government of Jordan actions to provide subsidies and social protection measures to ensure the well-being of its population. However, in recent years, a number of forces have combined to threaten the sustainability of these gains. The global financial and economic crisis that began in late 2007 led to a sharp drop in global demand, which negatively impacted Jordan's exports. Virtually every class of goods and services exported from Jordan saw a significant drop in export volume between 2008 and 2009. Despite a number of positive policy changes in response to the worsening crisis, remittances and foreign direct investment shrank. In addition, following the advent of the Arab Spring, tourism revenues, Jordan's second largest contributor to GDP, dropped by roughly USD 568 million (16.5%), reflecting a 20% decline in the number of visitors. At the same time, regular supply of cheap natural gas from Egypt that long provided 80% of Jordan's electricity needs was severely interrupted by repeated detonations of the gas pipeline, with each interruption costing Jordan USD 3-5 million per day as the Government of Jordan was forced to find alternate and more costly fuel sources.

Despite Jordan's relatively high score on the Human Development Index (HDI) the Kingdom's Gross National Income (GNI) is below the average for medium HDI country. In terms of poverty reduction, the related Millennium Development Goal is considered achieved, even exceeded. However, income inequality and the widening poverty gap remain a concern (GINI² increased between 2008 and 2010 to 35.4).

Due to sluggish domestic growth³, high energy/food subsidies and a bloated public sector workforce, Jordan usually runs annual budget deficits⁴ which is partially offset by direct budget support by the international community. Despite these challenges, Jordan has made substantial progress in terms of human development. This is based on consistent levels of spending on human development like education,² health, pensions, and social protection (more than 25% of the GDP). Its HDI value⁵ for 2013 is 0.7 positioning the country at 100 out of 187 countries and territories and above the average of other countries in the lower middle-income group.

The absolute poverty rate in the Kingdom stood at 14.2% in 2002, dropped to 13% in 2006, and rose to 13.3% in 2008. In 2010, it was 14.4% but due to a change in the calculation methodology, it cannot be compared with previous years. With

² <http://data.worldbank.org/indicator/SI.POV.GINI>.

³ In October 2014, the IMF forecasted GDP growth of 2.9% in 2013, rising to 3.5% in 2014.

⁴ Total public debt is USD 25 billion.

⁵ <http://hdr.undp.org/en/countries/profiles/JOR>.

population growth, the total number of households falling under the absolute poverty line has actually increased. Moreover, while incidence of poverty is higher in rural areas (16.8%) compared to urban areas (13.9%), there are in fact vastly greater numbers of poor in urban areas (80%) compared to rural areas (20%). This means significant regional disparities persist: the benefits of growth have been concentrated mainly in the capital and a few large cities. Jordan's economic participation rates among the lowest globally, with only 35-40 % of the population above the age of 15 economically active and one of the lowest employment-to-population ratios. Merely 14% of women participate in the labour force, in comparison to 65% of men.

With 70% of Jordan's population under 30 years of age, it is estimated that 80,000 new jobs will be needed each year to avoid higher levels of unemployment and poverty. The unemployment rate among youth aged 15-24 years is estimated at nearly 60%. The unresolved issues of poverty, inequality and ineffectiveness of social policy highlight shortcomings and omissions that have been accumulating over the past years, the major ones being a lack of a coherent policy to reduce poverty, promote employability and limited public sector capacity. The 'working poor' represent 55.2% of the working-age poor population. The share of working poor is higher in urban areas (57.7%), than in rural areas (44.9%).

The private sector is constituted mostly of micro, small and medium enterprises (MSMEs), with 99% of enterprises having less than 50 employees. They are concentrated in a few geographic centres (notably Amman) and on a limited number of economic activities. The sector struggles to unleash its potential due to lack of access to credit and to a business environment that is not conducive to start-ups and expansion. The factors outlined above are compounded by the migration pattern that sent the best and brightest Jordanians to work in the Gulf, and opened doors for unskilled foreign workers to enter Jordan. The private sector thus was faced with a Jordanian workforce that is not prepared for private sector work, and a foreign workforce that is unskilled. Private sector investment is therefore tilted towards the low skill, low wage, and low productivity sectors.

Syrian refugee inflows and rerouting of regional tourism to Jordan contributed to boosting domestic demand and supporting the recovery of tourism and the growth of related services. This significantly increased pressure on public service provision and worsened public finances further. Public finances have also been negatively impacted by the conflict and the associated surge in refugees to Jordan. According to the latest United Nations High Commissioner for Refugees (UNHCR)⁶ data over 589,000 Syrian refugees are in Jordan in host communities and refugee camps. The agencies predict that there will be 800,000 refugees from Syria in Jordan by the end of 2014. Presently there are 308,084 children in the age group 0 to 18, and more than one third of the children currently go to school in schools in host communities or in refugee camp schools⁷.

2.2.2. *Fundamental values of democracy, human rights and the rule of law*

As underlined in the European Neighbourhood Policy (ENP) Progress Report 2013, Jordan advanced on a number of issues but also faces still some unresolved challenges. Parliamentary elections which took place in January 2013 were well

⁶ See Jordan assessment <http://data.unhcr.org/syrianrefugees/country.php?id=107> (assessed 15 April 2014).

⁷ UNICEF Syria Regional Crises Humanitarian Situation Report, 22nd March 2014.

administered and carried out in a transparent manner, governed by the electoral law amended in 2012. A number of shortcomings of this law do however undermine the protection of universally accepted principles, such as the equality of votes and universal suffrage. In early January 2014, Parliament amended the State Security Court (SSC) law, which restricts the scope of action of this military court, but does not eliminate the possibility of civilians being tried before it. The amendments to the press and publications law, adopted in September 2012, entered into force in early June 2013. They introduced a number of requirements relating to the operation of online news portals, which the media and civil society view as a way of imposing limits on freedom of expression and adding liabilities for the editors in-chief and owners for the content posted on the sites.

2.3. Eligibility for budget support

2.3.1. Public policy

On the basis of the following assessment, the Delegation concludes that the National Employment Strategy (NES) 2011-2020 and the 2014-2020 Technical and Vocational Education and Training (TVET) strategy (approved by the TVET Council in April 2014) are considered sufficiently relevant and credible for the use of the budget support modality. The orientation towards inclusive social and economic growth and democratic governance involving social partnerships in TVET are clearly prioritised in the sector strategies. The proposed budget support addresses key challenges identified in the sector strategies, which are detailed below.

The development of TVET and ALMMs have been for the last two decades a major concern and priority of the Government of the Hashemite Kingdom of Jordan. The draft TVET strategy (2014-2020) is based on the NES (2011-2020), recognises that the previous TVET strategy (2007-2013) – which focused on a results-oriented approach towards TVET sector governance, performance based funding of initial and continuous training, quality of TVET, the role of the private sector in planning TVET, and adapting the status of Jordan E-TVET to regional and international challenges – did not achieve its full potential. This is partly due to the fact that landscape for the TVET Sector has changed. The recent influx of Syrian refugees has added to the competition for jobs, and the recent downturn in the economy has decreased the capacity of the Government of Jordan to fund the TVET Reform.

a) Brief description of the main features of the public policy

The Government of Jordan approved its **National Employment Strategy (NES)** in 2011. Subsequently, the Ministry of Labour (MoL) was assigned responsibility for coordinating and monitoring the implementation of NES, and under the patronage of his majesty King Abdulla II, the NES was officially launched in June 2012. The NES derives its vision from the National Agenda (NA) 2006-2015, albeit with a focus on employment generation: improving the standard of living for Jordanians, through increased employment, wages, and benefits and productivity improvements. The main goal of the NES is about facilitating a common understanding of the existing employment challenges, the need for collaborative efforts addressing them, and identifies a way forward for addressing specific objectives. The NES contains an Action Plan and outlines each policy area, with strategic goal, existing constraints,

proposed actions and a responsible body⁸. The Action plan - is further elaborated into an “implementation Plan”. The National Employment Strategy Unit (NESU) has launched 51 projects under the NES which cover a broad range of initiatives – including the development of laws and regulation, the development a national employment portal, establishing the Centre for Accreditation and Quality assurance (CAQA), increasing access to microfinance etc.

The NES has provided the framework for the new Jordan TVET Strategy (2014-2020). The new TVET strategy is one of the main outputs of the current EU funded 2010-2014 TVET Sector Budget Support Programme. The new TVET strategy, which has been developed with the active support and involvement of members of the TVET Council, is clustered into five pillars, which incorporate results achieved during the 2007-2013 TVET Strategy, and advance areas requiring further development. The five pillars, which form the core objectives of the strategy, are: (a) Governance; (b) Relevance of Education and Training for Employability; (c) Increased Inclusiveness of the TVET System; (d) Performance Measurement; (e) Sustainable and Effective Funding.

The broad-based consultation processes that have underpinned the NES and TVET strategies are important milestones in promoting a truly inclusive TVET system for Jordan. Most key stakeholders are represented in the TVET Council - including MoL, MoE, MoHE and Ministry of Social Development (MoSD), the National Centre for Human Resource Development, Al Balqa Applied University (administering community colleges), Vocational Training Corporation, Trade Unions and the private sector. The TVET Council is chaired by the Ministry of Labour and co-chaired by the private sector representative; it is supported by a Council Secretariat. All these institutions and agencies in addition to Ministry of Planning and International Cooperation (MoPIC), the National Aid Fund and the Development and Employment Fund – were actively involved in the design of the NES and the TVET strategies.

The existence of an action plan of the NES and an action plan of the ETVET Strategy (to be finalised this year) are important elements to monitor progress and give a sense of direction. Finally, national expertise in TVET and ALMMs is rapidly increasing.

b) Policy relevance

The NES and the 2014-2020 TVET strategy are aligned with: (a) the **Poverty Reduction Strategy (PRS) for 2013-2020**. Employability and employment is emphasised in 3 of the 5 pillars of the PRS i.e., the pillar on social welfare and gender, the pillar on employment and entrepreneurship, and the pillar on pro-poor agriculture, environment and rural development. Across the strategy the key policy and technical issues include creating mechanisms for integrating able-bodied poor people of working age into the labour market and income generation activities through labour activation measures – such as ALMMs; support for TVET; support to Small medium enterprises (SMEs) and microfinance, and measures for people with special needs; (b) **The Jordanian National Policy Framework for Microfinance (NPFM)**. Its main goal is to "increase household income and economic security,

build assets and reduce vulnerability, create demand for other goods and services (especially nutrition, education and healthcare) and stimulate local economies"; and (c) with the Government of Jordan's response to the impact of the Syrian crisis on Jordanian host communities and the Jordanian economy which is set out in the **National Resilience Plan (NRP) 2014-2016**. The NRP places emphasis on critical investments livelihoods and employment (USD 140.8 million) and social protection (USD314.0 million).

The NES addresses three critical challenges facing employability and employment in Jordan namely, structural dysfunctions in the labour market, the nexus between poverty and employment, and structural features of employment in the informal and formal economies, and does so in a comprehensive way.

Structural Dysfunctions

The NES recognises that job creation is a crucial issue for Jordan, and draws attention to the fact the task is more critical in Jordan because more than half of the population is under twenty years of age, and more people enter the job market than leave it each year. Youth unemployment rates have remained in the double digits for more than a decade, and women's participation in the labour market is among the lowest in the world. Moreover, periods of strong growth have not resulted in strong job creation for Jordanians. There are 1.2 million Jordanians⁹ working to support a total population of 6 million. The last decade has proven that Jordan cannot achieve its goals of higher rates of growth, translated into more jobs, better wages, and lower poverty and income disparities, without directly tackling the structural issue of low labour participation and its underlying causes. The factors outlined above are compounded by the migration pattern that sent the best and brightest Jordanians to work in the Gulf, and opened doors for unskilled foreign workers to enter Jordan. Private sector investment is therefore tilted towards the low skill, low wage, and low productivity sectors.

The NES draws the attention of policy makers and donors to the employment prospects for women and youth and people with disabilities are considerably worse than for the population at large. The country's already high unemployment rate further deteriorated, from 12.5% at end-2012 to 12.8% in the first quarter of 2013, with unemployment levels particularly high among women and youth. The integration of persons with disabilities in training and education in Jordan remains very low. In 2011, 158 persons with disabilities were enrolled in Vocational Training Corporation (VTC) programmes - 1.5% of the student body.

The Nexus between Poverty, Employability and Unemployment

The NES focuses on the nexus between poverty, employability and unemployment in urban and rural areas. The NES highlights that understanding this relationship, and the potential negative impacts upon the welfare of the Jordanian population, is required for the development of effective policies to reduce poverty and inequality and to improve employability.

⁹. Public administration and defence are the biggest employers, sectors that employ almost a third of the Jordanian workforce. Moreover, 45% of public sector employees are female, while in the private sector the figure is only 13%.

Evidence shows that a majority of the poor in Jordan are working poor¹⁰. These households remain poor due to low productivity, reflected in low wages, and compounded by large families and high dependency ratios. However, the National Aid Fund (NAF) excludes the working poor from receiving assistance. This subgroup of the poor are therefore largely left unsupported in Jordan.

The Structural Features of Employment in the Formal and Informal Economies

The NES draws attention to the informal employment (also in formal economy), which in 2010 stood at around 44% of the total employment in the Jordanian economy¹¹, whereby the percentage of informal employment in the private sector reached 55% of the total employment. Furthermore, the percentage of informal employment amongst working males stood at around 23% compared with about 15% of informal employment amongst working females.

Governance and Social Partnerships

The draft TVET strategy acknowledges the need to enhance the mandate of the TVET Council in the coordination the TVET sector, and to give greater voice to social partnerships. These measures are based on two important steps taken by the Government of Jordan towards institutionalising the social dialogue: establishment of the ECOSOC in 2010 as a consultative body to the government with private, labour, civil society and public sector representatives, and institutionalisation of the Tripartite Committee (TC) representing the business sector, labour union representatives and the government as a means of addressing labour disputes and other decisions, such as minimum wage adjustment. However, effectiveness of the tripartite dialogue still requires improvement and capacities of the social partners in this regard need to be developed.

c) Policy credibility

The NES (2011-2020) forms the foundation for the TVET strategy (2014-2020). The latter recognises that the previous TVET strategy (2007-2013) – which focused on a results-oriented approach towards TVET sector governance, performance based funding of Initial and continuous training, quality of TVET, the role of the private sector in planning TVET, and adapting the status of Jordan TVET to regional and international challenges – did not achieve its full potential.

Implementation of the NES received an extra boost in 2013 through an agreement between the MoL and the King Abdallah II Fund for Development (KAFFD) to provide assistance to MoL in the overall coordination and monitoring and evaluation of the strategy. The prospects for implementation of the new TVET strategy (2014-2020), which dovetails the NES, are therefore good. The work on the implementation plan of the TVET Strategy and cost estimations are planned to be finalised during summer 2014. After that the ETVET Strategy will be reflected on the medium term expenditure framework (MTEF) in the sector and selected key institutions, which will be covered under this action will be assisted in results oriented budgeting for 2015 to ensure smooth start of the strategy implementation.

¹⁰ ESCWA (2012). *Profile of the Working Poor in the Hashemite kingdom of Jordan*, Beirut: ESCWA.

¹¹ Figures from The Informal Sector in the Jordanian Economy. UNDP Survey based on Jordan Labour Market Panel Survey of 2010.

The Ministry of Education (MoE) informed about its intention to extend the current 2 year vocational education to be complemented by in-company training. Furthermore, the MoE initiated revision to the composition of the Educational Board, which includes improving representation of social partners or establishing a special Vocational Education Council. The Ministry of Higher Education (MoHE) has also recently submitted a draft by-law aimed at establishing Polytechnic Colleges¹² offering practice based learning according to the demand of the industry. The main aim of the Polytechnic Colleges would be to offer Diploma graduates practical skills increasing their employability as technicians, which is in high demand on the labour market.

The Balqa Applied University, which manages community colleges in Jordan and has more than 31,000 students in 42 colleges spread all over Jordan has plans to reform efficiency of financing and to revise the programme offer of technical colleges.

There is also greater consideration by the MoL, VTC, NAF and Development & Employment Fund (DEF) being granted to a range of active labour market measures for women, youth and people with disabilities – including those in receipt of social assistance benefits.

Implementation of the NES and the new TVET strategy relies heavily on the existence of strong coordinating bodies. For the NES it is the MoL NES Unit strengthened by the KAFD, and in the case of TVET it is the TVET Council and its Secretariat¹³. As per the draft TVET strategy “the TVET Council, its Secretariat and the Executive Sub-Committee a platform for active participation and coordination of TVET stakeholders at National level has been created” The strategy supports restructuring of the vocational training sector, increasing its efficiency and effectiveness (quality of outputs) and effective linkages with the dynamically changing labour market. Technical support will be provided to TVET and other stakeholders to facilitate the action planning process and effectively monitor implementation of the strategy. Coordinating the role of the TVET Council with NESU (which has oversight of the NES) will become critical going forward.

Data and Evidence Base

Jordan’s overall statistical indicator for quality, timeliness and scope in 2012 (76) is above the average for countries benefiting from International development association (IDA) (61) and Middle East & North Africa (MENA) countries (62). The main shortcoming recognised are vital population registration system, which is incomplete, and the frequency of poverty and health surveys, which is longer than international standards¹⁴. These shortcomings are addressed by an on-going twinning programme in the Department of statistics. The absence of annual flagship report on employment means that there is no regular participatory process for assessing employment and re-evaluating qualitative trends and qualitative features that can be used make a major contribution to planning and policy making, the identification of

¹² Based on the French Polytechnic Institutes, German Fachhochschule and the ‘old’ British Polytechnic Colleges /
¹³ The Council has a comprehensive mandate as per the regulatory framework (notably Law 46/ 2008).

¹⁴ MEDSTAT II, Country Statistical Situation Report – Jordan, 2009, available at http://epp.eurostat.ec.europa.eu/portal/page/portal/european_neighbourhood_policy/publications/reports. Data update available at <http://bbsc.worldbank.org/bbsc/SearchEngine?parameter=byCountry>.

strategic priorities that need to be incorporated into the MTEF, or making regular adjustments to policies across economic and social fields.

2.3.2. *Macroeconomic policy*

Based on the most recent International Monetary Fund (IMF) review missions (for the 3rd and 4th reviews) and the latest Article IV consultations which took place in March 2014, and covered the whole of 2013 and forward looking measures, it is concluded that the authorities pursue a credible and relevant stability-oriented macroeconomic policy in the present circumstances aiming at restoring fiscal and economic stability in the medium term and moving towards sustainability in the long term. Progressive economic growth is apparent as growth for 2013 increased by 0.1% from 2012 to reach 2.8%. Trade, finance and insurance, and a recovery in construction were the key growth drivers. However, the fiscal position remains vulnerable and the high amount of grants went a long way to help stabilise public finances in 2013. The rising inflation trend for 2013 reflected the removal of fuel subsidies; inflation rose notably since end 2012 and was very much affected by the liberalisation of fuel prices and higher international food prices. The current account deficit reached 10.03% of GDP in 2013 (down from 16.8% in 2012), helped by lower energy imports, higher transfers, and private receipts. The monetary policy remains strong with a much improved environment as reserves climbed to comfortable levels. However, unemployment remained elevated at 12.6%.

As regards the risk of instability due to the slow rate of global economic recovery and the increased energy bill arising from unstable gas supplies from Egypt, those are being mitigated through adopted measures under the Stand-By Arrangement which aims to reduce the losses of the national electricity company and to maintain fiscal stability. The Government has demonstrated its commitment since end 2012 and adopted difficult policies to address main current challenges to the budget. Moreover, domestic revenue mobilisation measures for 2014 were agreed with the IMF and the 2014 budget is considered appropriate. As regards regional political instability with the additional cost to the government due to the hosting of an increasing number of Syrian refugees, those are being mitigated by National Resilience Plan 2014-2016 which includes priority responses to mitigate the impact of the Syrian crises on Jordan and on host communities.

Some of these results were facilitated by the sustained Public Finance Management (PFM) reform programme that has consolidated the budget, installed a Government Financial Information System (GFMIS), improved commitment control and cash management, and implemented medium term expenditure frameworks (MTEF) and results oriented budgeting (ROB) procedures. Reforms aimed at revenue mobilisation have included the better use of technology and employees along with revised procedures to improve audit efficiency, increase tax compliance, and improve the quality of the tax department's service and transparency.

2.3.3. *Public financial management*

The 2013 PFM annual monitoring report completed in October 2013 reviewed progress in PFM reform implementation. It concluded that the Government of Jordan continues to make sound progress in the implementation of its PFM reform programme and that the PFM system in Jordan is sufficiently well-functioning to ensure the proper utilisation of donor funds, including budget support. Jordan has an

integrated and well-functioning PFM system that has been strengthened over the last years through an on-going reform process supported by several donors. A number of key specific reforms were introduced in the last years such as the medium-term expenditure framework (MTEF) in 2008, a new Chart of Accounts (CoA) compliant with the 2001 Government Finance Statistics Manual (GFSM 2001), a revised budget preparation calendar, the gradual reinforcement of internal control units, and the adoption of the Treasury Single Account (TSA). In addition, the Public Expenditure Framework Agreement (PEFA) assessment of 2011 compared progress since the first PEFA in 2007 and noted that the overall change trended in a positive direction during the four-year period. The 2013 PFM annual monitoring report confirmed the positive trend, including progress in efforts to expand the use of the GFMIS further, improve the budget preparation, improve Audit Bureau reports, improve debt management, modernise internal controls and audit, and apply new information technology systems to improve the collection of tax arrears. Weaknesses persist in budget analysis, confusion remains between the concepts of internal control and internal audit, capacity building for pilot internal control units was not targeted enough and require a plan, and the revised new legislative basis for the Supreme Audit Institutions is yet to be approved by Parliament. Three of the above mentioned weaknesses are targeted in the present programme.

2.3.4. *Budget transparency and oversight of the budget*

The government of Jordan continues to make significant strides in improving financial information transparency and oversight. As per the EU Budget Support Guidelines of September 2012, the entry point for the fourth eligibility criteria – transparency and oversight of the budget – has been met as the Government of the Hashemite Kingdom of Jordan has published the enacted budget of the past budget cycle (2012/2013) within the respective fiscal year, and that the draft budget for 2014 was published on the internet for wider public reference and use before the end of 2013.

The latest Open Budget Index (OBI) from 2012 places Jordan at 57, much above the 18 OBI for Middle East and North African countries, and the highest index among its Middle East and North African neighbours, and well above the world wide average. The PEFA assessment of 2011 also confirmed notable progress in this area. The General Budget is published and accessible to the general public on the General Budget Department's website since 2009, in draft and final form once approved by Parliament, in Arabic and English. Efforts to improve the information presented in the General Budget include the new and more detailed classification of the Chart of Accounts into the General Budget preparation since 2008. Since 2010, the new Chart of Accounts classification is applied to capital expenditure, which was therefore expressed in terms of the programmes and activities to be funded; in 2011 this was applied also to current expenditure, and for the first time the final accounts were published, which inform on the actual budget expenditure. Moreover, in response to popular requests for greater transparency and accountability, the General Budget Department developed two documents aimed at making the General Budget more accessible to the general public: the General Budget Brief which summarises the 2011 budget in a user-friendly manner; and the Citizen's guide which explains the main features of the General Budget Law and its content and it is written in a language suitable for wide public access.

2.4. Lessons learnt

Despite the strong boost that has been given to improving employability – through TVET and ALMMs - and the substantial amount of resources they absorb, there is a general lack of information even on their basic features, such as budgets, the number and characteristics of beneficiaries, and dropout rates, and particularly in relation to the follow-up of beneficiaries and evaluation of the policies' effectiveness in terms of job placement rates, impact on duration of unemployment and quality of employment (e.g. average earnings, formality). To date there has been no systematic data collection on TVET and ALMMs, whether at national or regional level. The limited evidence that does exist suggests there is: (a) a multiplicity of schemes, often overlapping, without proper coordination between them (and often managed by different institutions), leading to a waste of resources; (b) a strong concentration of TVET and ALMMs on unemployed males and on urban areas and (c) often the most qualified applicants among the unemployed population are targeted for programme participation in order to boost effectiveness, this poses an equity problem, and leaves behind the hard-to-place groups who are most vulnerable. Thus policy makers, governments and donors have little insight into real economic and social effects of TVET and ALMMs as a tool for economic growth and social inclusion.

Assessing the impact of TVET and ALMMs for enhancing employability and employment, and identifying what works, is a daunting endeavour. In Jordan, the World Bank has undertaken the first steps towards identifying what works – using a small randomised experiment based on a cohort in Jordan designed to assist female community college graduates find employment - but at relatively high costs that beyond the means of most Government of Jordan institutions. This programme also draws lessons from the Results Oriented Monitoring (ROM) of the current TVET Sector Budget Support (SBS), which strongly recommended that the Technical Assistance (TA) project is launched preferably at the same time as the SRC or at least with a minimum time lag.

Increasing women participation in the labour market proved to be very challenging, however the European Training Foundation through its Torinet Project will be working on providing policy advice on this issue.

2.5. Complementary actions

Prospects to align donor resources with the NES 2011-2020 and new TVET strategy 2014-2020 to complement the insufficient funding on the side of the government are good. Donors have been regularly consulted during the formulation of the TVET strategy, though there is room for donors – such as the World Bank, United States Agency for International Development (USAID), Gesellschaft für Internationale Zusammenarbeit (GIZ), International Finance Corporation (IFC) to act in unison in supporting the Government's intention to establish the Higher Council for Human Resource Development (HCHRD) chaired by the Prime Minister and the chairman of the National Centre for Human Resources Development (NCHRD) with the aim of reducing the risk of fragmentation of TVET provision and for marshalling technical and financial resources to address future employment and employability challenges – including challenges posed by the inflow of refugees from Syria. Meeting important strategic goals in the NES and the new TVET strategy will require time consistency, continuity and frequent monitoring and evaluation.

The focus of existing EU policy dialogue - on the micro-finance SBS which focuses on financial inclusion and expanding outreach, the ongoing EU twinning project in DoS (Department of Statistics) which focuses on improving data quality across a number of fields, the ETF supported Torino Process in Jordan, the EU twinning project in the MoSD on promoting the rights of vulnerable families, women and children, and the on-going education SBS - are all salient to this new SRC. The new SRC and the TA builds on the NES platform and already achieved results generating synergy and avoiding overlapping with ongoing and planned programmes and projects in the interest of ensuring aid effectiveness and donor coordination. Therefore, the SRC and the TA will be coordinated continuously with complementary activities financed by the international donors like European Training Foundation (ETF), International labour Organisation (ILO), USAID, WB, United Nation development programme (UNDP) to avoid overlapping and maximise synergy.

This programme will be complemented directly by another EU intervention planned under the same focal sector of the SSF concerning employment and private sector development, which will concentrate on the demand side of the labour market as a continuation of the on-going EU assistance to private sector development in Jordan.

The programme Erasmus+ will support the mobility of Jordan students and finance the modernisation of higher education institutions through capacity building projects therefore contributing to a better employability of students. Furthermore, grassroots cultural operators/organisations that are part of the civil society will be eligible for support as they can contribute to inclusive development, good governance and social cohesion.

2.6. Risk management framework

2.6.1. Global risks

As per the Risk Management Framework updated in March 2014, overall average risk levels remains moderate with an average inherent risk of 1.89 (lower than 1.96 from the 2013 assessment) and an average residual risk of 1.83. Risk is somewhat stabilised from the previous assessment of September 2013. Though substantial risks prevail i.e. the legal framework does not provide full protection of human rights, civil society and media; insufficient separation of powers and independence of judiciary; exclusion of some parts of the population, spill over effects of the Syrian crisis; and for corruption legal, regulatory and institutional framework is not effectively enforced.

The identified risks are mitigated through political and policy dialogue through Association Agreement committees and steering committees and targeted assistance and using efficiently all the tools the EU has at its disposal, in particular the broad range of on-going programmes. In particular assistance to media and gender equality issues; support to further develop the legislative/regulatory frame for the implementation of the new political laws. Support for the Parliament and to implement the adopted political reforms and assistance to the judiciary. A solid monitoring framework for fiscal consolidation through the IMF's Stand-By Arrangement and EU Macro-financial Assistance also monitors and mitigates risks, as does the EU Budget Support (BS) and assistance on energy efficiency and renewable energy. The additional EU support in 2013 of EUR 60 million (and potential new funding in 2014) to alleviate the impact of the refugee influx from

Syria, addresses some medium and longer-term needs of both refugees and host communities in particular in the needs of education.

2.6.2. Risks pertaining to the operation

Structure of the labour market: Structural dysfunctions in the labour market are accentuated by the following features: (a) Remittances from the 350,000 Jordanian workers abroad account for more than a fifth of the country's GDP making Jordan sixth among the ten most remittance-dependent countries; (b) foreign workers account for over 20% off the labour force; (c) Jordan and the US assigned the Qualified Industrial Zone (QIZ) Agreement which gives free access to US market of goods produced in approved enclaves in Jordan on condition that the exports have at least 8% Israeli content, 11.7% Jordanian content, and a total amount from Israel, Jordan, West Bank and Gaza and the US of at least 35%; and (d) only a third of new jobs created in the QIZ are filled by Jordanian since the entire QIZ output is exported to the US by transportation through Israel, and no indirect employment is created in Jordan through the forward linkages.

Regional Instability: Syrian refugees constitute a long term risk as the number of Syrian refugees in Jordan now approximately over 0.5 million (0.6 million according to the Ministry of Interior). The additional costs of hosting Syrian refugees will, however, continue to weigh on the general budget and they refugees will continue to compete for jobs with Jordanians.

Weakness of implementing institutions to fulfil their roles may affect overall policy implementation: Policy coordination has been a long term challenge in the TVET sector and high level dialogue on this issue has been advanced in 2014.

Main mitigating measures to prevent these risks will include continuous policy dialogue (through the Steering Committee, and other channels) and targeted technical assistance, as well as continuous and close coordination with donors involved in the TVET sector

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The **overall objective** of the programme is: "To enhance social inclusion through improving employability and human resource development in Jordan", through four specific purposes. Furthermore the programme will also be based on the results of the 2014 assessment of the implementation of the "Small Business Act" (SBA) for Europe in the Mediterranean Middle East and North Africa in Jordan. The assessment conclusions were endorsed by Jordan's authorities at the 9th ministerial meeting on Euro-Mediterranean industrial cooperation¹⁵. The assessment has yielded recommendations on how to progress in the areas of entrepreneurial learning and skills development (Principles 1 and 8 of the SBA).

Purpose 1: To support policy making, planning and financial resource allocation in a coordinated way across different line ministries (Ministry of Education (MoE),

¹⁵ Brussels, 19 February 2014.

Ministry of Trade and Industry, their implementing agencies, other institutions of the TVET system, social partners and civil society organisations operating in the TVET sector.

Purpose 2: To improve relevance, effectiveness and attractiveness of technical and vocational education and training for employability.

Purpose 3: To increase the number of people in education and training and other ALMMs – including women, youth and people with disabilities.

Purpose 4: To enhance the role of social partners and civil society organisations in promoting employment and human resource development.

3.2. Cross cutting issues

Governance – The proposed programme shall provide for continuation of the EU support to improved governance of the TVET sector such as cross-sectoral institutional capacities and coordination at policies and implementation levels, including policy development, planning, financing mechanisms, public finance management at the sector level with enhanced results oriented budgeting, monitoring and evaluation, and increased involvement of social partners and civil society.

Gender - Jordan possesses one of the lowest female workforce participation rates in the world combined with a high unemployment rate for women. While educational levels of women have increased considerably and almost equal those of men, this has not translated into similar trends of increase in female labour force participation. Females are overall underrepresented in TVET (except in Community Colleges). Measures supporting increased numbers of women in education and training have been supported under the current budget support. This approach will be maintained in the new programme with added emphasis on increasing the number of women in education and training to improve their employability and employment prospects.

Youth – Unemployment affects particularly young people. The share of 15-29 age group formed 30% of the population but 75% of the unemployed in 2012. Indeed, around 75 thousand young people enter every year into labour market, while the number of new jobs created does not exceed 45 thousand annually. Youth are one of the target groups for which ALMMs are planned to increase their employment rates and to support their social inclusion. The programme intends also to address the inadequate quality and relevance of the education and training, the mismatch between individuals' skills and employers' needs, and the weak school-to-work transition systems.

Environment and climate change -Promoting increased participation in the labour market could be connected to increased opportunities in green businesses and specifically to the planned EU intervention in the focal sector concerning renewable energies and energy efficiency. Further investments in those sectors applied at household, commercial, industrial, water and public transport sectors, reflecting the implementation of the Climate Change Policy of the Hashemite Kingdom of Jordan 2013-2020, and the National Energy Efficiency Action Plan, will have an impact on both business development and employment in the medium and long perspective.

3.3. Expected results

Results have been defined through dialogue with stakeholders in relation to the 4 main purposes.

Purpose 1: To support policy making, planning and financial resource allocation in a coordinated way across different line ministries (Ministry of Education (MoE), Ministry of Labour (MoL), Ministry of Higher Education (MoHE)), other institutions of the TVET system and social partners.

Results:

- a. Enhancing cross-sectoral mechanisms for policy making, planning, performance based financing, monitoring and evaluation to support employment and human resource development is enhanced;
- b. The cross-sectoral mandate of the TVET Council and its secretariat is legally empowered, enhanced and its capacities further developed (incl. result oriented budgeting);
- c. Coherence between the TVET system, the labour market demand and the socio- economic growth policies is improved;
- d. Tripartite dialogue enhanced and Social Partners are fully integrated in the governance of the TVET system and the related legislation/regulations is revised to reflect clearly on their role.
- e. A model elaborated for employer financing of the work based learning, which is attractive to the employers.
- f. A comprehensive policy framework has been developed building on good practices to ensure entrepreneurship is recognised as a key competence taught from primary to tertiary school level.
- g. Mechanisms have been set up for systematic analysis of SMEs skills needs to better tailor training services.

Purpose 2: To improve relevance, quality, effectiveness and attractiveness of technical and vocational education and training for employability.

Results:

- a. Technical stream of the higher education, vocational stream of secondary education and vocational training reformed in close cooperation with social partners involved in economic sector teams and advisory committees for education and training programmes (including development of demand driven programmes, mainstreaming of core skills such as entrepreneurial learning, capacity development of management and teachers, up-grading of equipment and maintenance of facilities);
- b. Framework of technical and vocational qualifications, allowing for recognition of all forms of learning and skills development is set up and operational and establishment of links between qualification frameworks of

secondary, vocational and higher education are ensured within the TVET system;

- c. Common accreditation principles and approaches for the whole TVET sector of curricula that respond to the needs of the economy, the society and individuals in line with international good practices, and broad spectrum of courses developed;
- d. An inclusive approach to the non-formal economic sectors (i.e. access to active labour market programmes and recognition of all forms of learning) established. Continuous technical and vocational education and training is developed and improved for both formally and informally employed and unemployed;
- e. Phase II of the TVET awareness and promotion campaign implemented targeting different segments of society (with particular attention to women) and regions of the country, with involvement of civil society organisations.

Purpose 3: To increase the number of people in education and training and other ALMMs– in particular women, youth and people with disabilities.

Results:

- a. Revised administrative arrangements and fiscal incentives in place to support employment, education and training - including women, youth and people with special needs;
- b. Cost effective Active Labour Market Measures (such as training and career guidance, job search assistance, labour market training) implemented for disadvantaged target groups and regions– and delivered by state and non-state actors across the formal and informal economies;
- c. Improved linkages between the employment, social protection and microfinance services developed, focusing on disadvantaged groups such as people with disabilities (PWDs), and long-term economically inactive people depending on cash assistance.

Purpose 4: To enhance the role of social partners and civil society organisations in promoting employment and human resource development.

Results:

- a. The capacity of social partners and CSOs is enhanced to cooperate effectively with national authorities on issues related to inclusive access to employment and HRD;
- b. Employers are better involved in the design and implementation of active labour market programmes and in in promotion and implementation of apprenticeship, internship and placement;
- c. CSOs are empowered and enabled to contribute to enhancing participation in TVET and other ALMMs and employment of target groups (i.e. women, PWDs and youth, incl. informally employed);

- d. CSOs partnership with MoL is increased, including in local employment, training and career guidance service to enhance inclusion of disadvantaged target groups (including informally employed) in local communities and in particular to facilitate recognition of prior learning.

The expected results are coherent with the National Employment Strategy (NES) and the draft TVET strategy which focus on increased employability, improved education and training, poverty reduction. NES provides information about difficulties in the Jordanian labour market and present acceptable proposals for overcoming these, particularly in relation to women, youth and people with disabilities.

Results for the capacity development component will include assistance in: policy dialogue, capacity building for social dialogue; the production of templates for apprenticeships and internships; development of occupational standards and new curricula; drafting regulations for private employers to contribute to TVET fund; improving TVET MTEF based on performance criteria and financial allocations for TVET and ALMMs based on results; improved referral systems and guidance on pathways for access to ALMMs and TVET, training, microfinance, SME development and employment service; capacity development to increase number of NAF clients participating in welfare-to-work measures; and support development of evidence-based annual report on employability and employment. In addition support is foreseen in management of grants for civil society.

Results from the Call for Proposals for Civil Society and Business Associations include Enhanced livelihoods of target groups at national or regional level; improved resilience/risk reduction and greater equity for marginalised groups; marginalised people and people dependent on the formal economy are better represented at national and local (sub-national) levels; government is better informed about people dependent on the informal economy and marginalised groups; and citizens are better informed about their rights in the framework of existing legislation and programmes.

3.4. Rationale for the amounts allocated for budget support

The indicative total amount allocated to the second focal sector "Employment and Private Sector development" under the Single Support Framework 2014-2017 is between (EUR 93.6 million and EUR 114.6 million) of which between 47.1% and 57.6% is to be provided under the present budget support programme divided as in the table below.

	EU contribution (million EUR)	Implementation Mode / Aid modality	Total amount (million EUR)
Budget Support	43	Centralised	43
Technical Assistance	6	Centralised – Services	6
Support to Social Partners and Civil Society	2	Centralised – Grants	2

Audit and Evaluation	0.3	Centralised – Services	0.3
Visibility	0.3	Centralised- Services	0.3
Contingencies	0.4	Centralised	0.4
Total	52.0		52.0

The initial allocation of EUR 48.5 million from the Annual Action Programme has been complemented by EUR 3.5 million from the Umbrella Programme based on agreement with the Government of Jordan and the satisfactory earlier absorption capacities of EU BS of 3 key line ministries targeted in this programme (MoL, MoE and MoHE). The additional amount shall help in accelerating development of demand driven TVET programme offers and recognition of prior learning in non-formal employment.

This amount is based on the following considerations: The ongoing financial constraints have hampered the implementation of the NES and it is expected that without budgetary support it will also be difficult to implement key elements of the new TVET strategy 2014 to 2020 – especially the elements of upgrading the educational and training programmes and making them demand oriented with more weight on practical skills training, which will require re-training of teachers and purchase of new equipment and possible expansion of workshops where needed.

With the proposed EUR 52 million budget envelope for the new budget support spread over 4 years of implementation the programme shall have a significant impact on the sector reform. The TVET budget in 2013 amounted to JOD 65 million: Ministry of Labour - 3.663 Million, Ministry of Education - 25.641 million, TVET Fund - 22.809 million, Vocational Training Corporation - 13.079 million and Centre of Accreditation and Quality assurance - 0.117 million. Forecasts for years 2014 and 15 present a very minor increase (based on Jordan Budget Law).

The EU has provided EUR 30 million of budget support to the Ministry of Education with an initial timeframe of 2011–2014, to support the education reform strategy (Educational reform for knowledge economy - ERfKE II) in the areas of: school construction, pre-service teacher training, increasing the enrolment rate in pre-school education in underprivileged areas and strengthening of special need education. The Ministry of Education is very well capable to absorb and implement BS programmes. Since 2012 the Ministry provides evidence within the ERfKE II programme on the performance delivery of the different indicators and sub-indicators which determine the release of the flexible tranches. Only one tranche payment related to the unrealistic school building plan has a delay of 1 year until 2015. Support to the education of Syrian children in Jordan is channelled through the EU budget support (additional EUR 30 million).

The on-going EU BS to the TVET reforms 2010-2014, has been absorbed with some delays. One additional disbursement is foreseen in 2014 in relation to the delayed progress on some indicators of 2013. The on-going complementary capacity development project extended to a number of employment and education and training institutions amounts to around EUR 3 million over 2 years.

With the current EU TA the resource allocation at the sector level and the related capacities for results oriented budgeting are currently further developed, which together with the growing ownership of the budget support shall facilitate the implementation of the new programme. The new budget support component will mainly focus on some targeted capital expenditures of different institutions.

3.5. Main activities

The main activities to implement this budget support package are: continuation of the policy dialogue on key sector challenges (across employment, education, professional training and social assistance fields) and relevant inputs to the dialogue on structural and macroeconomic policies, gradual financial transfer based on performance assessment, capacity development, reporting and a grant scheme for civil society actors, including business associations. High emphasis will be placed on policy dialogue that focuses on the important links between policy, planning and on results oriented budgeting in the TVET sector. Furthermore, under the capacity building component of the new BS it is foreseen to support development of an annual analytical report on employment and unemployment to feed into policy development at sectoral, structural and macro-economic levels.

3.5.1. Budget Support

Jordan has made continuous progress in meeting the general conditions for a budget support programme and is considered eligible for such support. With 51 projects in 23 implementing entities, the National Employment Strategy 2011-20 provides a valid and good quality policy framework for the TVET sector, which implementation is on-going. The general conditionalities related to the stability of the macro-economic framework, efficiency of PFM and transparency and budget oversight are met, Human rights based approach is reflected in the focus on the needs of such target groups as women, people with disabilities and youth with a view to support their inclusion in the labour market.

The Ministry of Planning and International Cooperation (MoPIC) will be the signatory of the Financing Agreement, with an overall coordination responsibility and for facilitation of the programme monitoring and appraisal missions.

A Programme Steering Committee will be formed and meet at least twice a year to endorse strategic orientations and to oversee programme execution. Its meetings shall provide a framework for a policy dialogue, which is intended to feed into the broader EU-Jordan dialogue under the ENP sub-committee on Social Affairs. The Committee will be chaired by the MoPIC and will comprise of members of the TVET Council, including Social Partners and in an observer status the EU and ETF representatives.

A Technical Committee, chaired by the TVET Council Secretariat, will be set reporting to the Steering Committee to facilitate implementation of the activities (including technical and financial planning). The composition will reflect the variety of stakeholders in the TVET reform effort. It will include at least one representative of each of the following institutions: Ministry of Labour, Ministry of Education, Ministry of Higher Education and Scientific Research, Ministry of Social Development, Ministry of Finance/GBD, Social Security Corporation, Private sector (represented by the Co-Chair of TVET Council), Workers (represented by the General Federation of Jordanian Trade Unions), Vocational Training Corporation,

National Centre for Human Resources Development (NCHRD), and the Economic and Social Council. The EU technical assistance will participate in the Technical Committee as an observer.

The disbursement of funds under the budget support component is proposed to be split in 4 yearly tranches. The tranches will be EUR 10 million (fixed), and linked to progress on programme benchmarks EUR 9 million, EUR 12 million and EUR 12 million respectively bringing the total to EUR 43 million.

3.5.2. Complementary support

The complementary support will be provided through about 3 year capacity building component intended to be provided to a number of institutions of 3 line ministries (MoL, MoE and MoHE), NAF, DEF, DOS, social partners and CSOs and shall amount to EUR 6 million. Programme monitoring, evaluation and visibility together with contingencies shall amount to EUR 1 million. The Technical Assistance team (TA) will involve a number of long and short term international experts, supported by local experts with matching qualifications, experience and working periods.

The TA complementary activities financed by this contract will include assistance to social dialogue; capacity building of stakeholders; improved allocative and technical efficiency in financial and human resource; general agreement on private sector co-financing of the TVET system; inclusion of specific target groups in TVET and other types of ALMMs; production of annual employability and employment report and performance assessment; development of occupational standards and educational programmes; enhanced Quality Assurance of the TVET provision

Under the Call for **project proposals targeting civil society including business associations** the following indicative activities will be supported: Strengthening of rights at work and adaptation of national and local policies to the conditions and needs of people dependent on the informal economy; Increasing the employability and productivity of people dependent on the informal economy; Strengthening interest organisations of people dependent on the informal economy and their participation in national policy processes; Extension and strengthening of social protection and social dialogue systems and programme; Cooperation with MoL local employment, training and career guidance services to support inclusion of disadvantaged segments of local societies;

3.6. Donor coordination

The MoPIC is responsible for donor coordination. Only one coordination meeting organised by MoPIC took place in 2013, however the Ministry of Labour took also initiative to organise one donor coordination workshop in 2013 supported by the EU technical assistance. The most active donors in the TVET sector are the EU, ETF, the World Bank, USAID and the ILO. The role of USAID has been to focus on various programs to stimulate the tourism training sector. Separately, CIDA is active in the field of education (under ERfKE II).The donor coordination unit (DCU) of the Ministry of Education (MOE) is effective and efficient in the implementation of all donor funded projects. The EU Delegation coordinates also closely with ETF on implementation of their complementary regional and national level programmes linked to: (a) *Torino Process* bi-annual assessment of the TVET sector reforms (2014) that builds M&E capacities of the TVET stakeholders; (b) *Projecting Reform*

Impact in VET (PRIME) that builds on the *Torino Process* and the *ETF Torinet* project 2013 in Jordan for monitoring TVET.

3.7. Stakeholders

The key sector stakeholders of the programme include MoPIC with overall coordination responsibility. It is also responsible for facilitating the monitoring and appraisal missions to be conducted in the framework of this programme. The NES is closely monitored by the National Employment Strategy Unit (NESU) of the MoL with assistance of the King Abdullah II Fund for Development (KAFD) and financial support of the TVET Fund. The task of the NESU is to monitor the progress in the implementation of the NES projects and to support coordination among the line ministries to implement the NES projects on time. The NESU is headed by a Steering Committee (NESSC) reporting directly to the Cabinet of Ministers. Legally NESU only have the power to access all involved line ministries and obtain data for the monitoring of the progress. However, NESU via its support from KAFD and direct reporting to the Cabinet of Ministers processes strong soft powers to an efficient implementation of the NES. The Employment and Technical and Vocational Education and Training Council chaired by the Ministry of Labour has a key coordinating role of the TVET sector. Its members include all the mains TVET sector representatives including social partners. It is co-chaired by a private sector representative.

Other key stakeholders from various line ministries, private sector and other social partners include: Ministry of Labour, Ministry of Education, Ministry of Higher Education and Scientific Research, Ministry of Social Development, Ministry of Finance/GBD, Workers (represented by the General Federation of Jordanian Trade Unions), National Aid Fund, Development and Employment Fund, Department of Statistics, Vocational Training Corporation, National Centre for Human Resources Development (NCHRD), social partners (private sector, trade unions and CSOs).

3.8. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

An unreformed TVET sector could lead to higher levels of unemployment and in particular to very high levels of unemployment among women and youth. This would inevitably contribute to social tensions as poor (out of work) and low income people (in work) will continue to have limited access to TVET and ALMMs. As observed in other countries in the MENA region, expansion of TVET and ALMMs has taken place against the backdrop of weak institutional structures, and poor evaluation systems to determine what works, and what is cost effective. Only by focusing on the issues covered in the 4 purposes of this SRC can these matters be effectively rectified and TVET in Jordan made more market relevant, socially inclusive, and placed on platform for ensuring financial sustainability.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Budget Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the NES and 2014-2020 TVET Strategies, and continued credibility and relevance thereof;
- Implementation of a credible and relevant stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of Public Financial Management Reform;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information

In order to access the progress made, the overall policy dialogue should be substantiated with the minute/report related to relevant meetings held with respective stake holders.

Performance benchmarks to be used to confirm progress of the reform being a pre-condition of disbursements for three variable tranches, follow the intervention logic of the programme (3.2., 3.3. above) and are fully coherent with the NES and the TVET strategies. They cover the following areas

- Improved policy, planning, financing and performance based resource allocation in TVET and ALMMs in cooperation with Social Partners;
- Improved access, relevance for employability and quality of TVET, "dead ends" eliminated and progression pathways facilitated to highest levels of profession;
- Enhanced attractiveness and quality assurance of public and private TVET providers, and accelerated recognition and validation of all forms of formal and non-formal learning;
- Inclusiveness and employability strengthened by improving MoLs strategic and operational links with organisations managing social assistance, SMEs development, micro loans and ALMMs;
- Tripartite dialogue enhanced and measures undertaken to activate cooperation between the Government of Jordan, social partners and CSOs in implementation and evaluation of labour market programmes.

Each of the benchmarks will be assessed using a mix of output and process indicators, which will be defined in detail before the signature of the Financing

Agreement and will include clear yearly targets for each involved institution to support effective results oriented allocation of financial resources. Progress indicators will be based on indicators of the TVET Strategy. The disbursement will therefore depend on compliance with the general and specific conditions stipulated in the Financing Agreement. Amount of the variable tranches will be decreased in case of partial compliance or non-compliance, in proportion of the weight specified in the Financial Agreement for each condition. Yearly assessment of the degree of compliance with the general and specific conditions will be performed by the EU in coordination with the Government of Jordan. Baseline for the indicators will depend on the progress on key reform issues tabled for 2014.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country.

Country fiscal year	Year 1				Year 2				Year 3				Year 4				Total
	Q 1	Q 2	Q 3	Q 4	Q1	Q 2	Q 3	Q 4	Q1	Q 2	Q 3	Q 4	Q1	Q 2	Q 3	Q 4	
Base tranche	10																10
Variable tranche					9				12				12				33
Total	10				9				12				12				43

4.4. Details on complementary support

4.4.1. Grants: call for proposal Social Inclusion: Skills for Employability (direct centralised management)

Support to Social Partners and civil Society will be provided through a call for proposals - EUR 2 million – to be entitled ‘*Social Inclusion: Skills for Employability*’, which will be under direct centralised management. The grant will focus on Empowerment through active labour market measures and technical and vocational education and training for vulnerable persons and people dependent on the informal economy

a) Objectives of the Grant, fields of intervention, priorities of the year and expected results

The objectives of the Call for proposals will be in line with the NES and 2014-2020 TVET strategy.

The specific objectives of the Call for Proposals under the framework of this grant are to support for the enhancement of livelihoods of people dependent on the informal economy, including skills development and vocational and education training and support to initiatives aimed at developing self-employment and job creation/improvement, and to support for the social inclusion of vulnerable groups through access to job fairs, apprenticeships in partnership with central and local

government agencies and to support for empowerment of women through education and training, better employability and improving the image of working women, in particular in rural areas and areas of high female unemployment.

b) Eligibility conditions:

The potential applicants for funding shall be Non-Governmental Organisations (NGOs), CSOs and business associations.

c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

d) Maximum rate of co-financing

The maximum possible rate of co-financing for the grants is 80% of the eligible cost of the action.

If full funding is essential for carrying out the action, the maximum rate of co-financing may be as high as 100% pursuant to Article 192 of the Financial Regulation. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

e) Indicative trimester to launch the call

The Call for proposals will be launched indicatively in the first quarter of 2015.

f) Exception to the non-retroactivity of costs

N/A

4.4.2. Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
1. Capacity development and technical assistance to the Government of Jordan in implementation of the programme	Services	1	2015
2. Monitoring and evaluation	Services	2	2015-2017
3. Communication and visibility	Services	1	2015

4.5. Scope of geographical eligibility for procurement

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR millions	Third party contribution
3.3. – Budget Support Sector Reform Contract	43.0	N.A.
4.4.1. – Call For Proposals for civil society including business associations	2.0	N.A.
4.4.2. – Procurement (direct management) Technical Assistance	6.0	N.A.
4.8. – Audit, Monitoring and Evaluation	0.3	N.A.
4.9. – Communication and visibility	0.3	N.A.
Contingencies	0.4	N.A.
Totals	52.0	N.A.

4.7. Performance monitoring

The MoPIC is entrusted with monitoring the implementation of the Sector Budget Support Programme. Support has been provided during the formulation phase to develop a monitoring framework, including recommendations for process, output and outcome indicators as well as relevant baselines, which detailed definitions will be finalised before the signature of the Financing Agreement. The approval of such a framework by the Programme Steering Committee is one of the indicators set for disbursing the first base tranche.

Reviews of the implementation of the SRC Plan shall take place indicatively on a 12-monthly basis, with the first one planned in 2015. ETF will perform monitoring and evaluations related to the disbursement of funds. MoPIC will continue to be responsible for documenting policy dialogue taking place within the framework of the Employment and Human Resource Development Steering Committee and the related donor coordination meetings. The programme will be subject to the Commission's ROM.

4.8. Evaluation and audit

The Sector Budget Support programme will be subject to annual reviews to assess compliance with general and specific conditions before the disbursement of any instalment and to a mid-term and final external evaluation, managed by the EU Delegation to Jordan. Audit of complementary project approach activities will be

implemented through the contractors of activities. Additional audit can be contracted by the EU Delegation when necessary using framework contracts.

4.9. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented by a contractor mobilised by the EU Delegation, and in cooperation with the partner country.

The programme will follow the orientations of the Communication and Visibility Manual for the EU External Actions. Professional services will be procured to ensure communication and visibility of the programme in coordination with the key stakeholders of the Government of Jordan social partners and civil society.

EN

ANNEX 2

of the Commission implementing Decision on the Annual Action Programme and Umbrella Programme 2014 in favour of Jordan

Action Document for Support to public finance and public administration reforms

1. IDENTIFICATION

Title/Number	Support to public finance and public administration reforms CRIS number: 2014/033-664		
Total cost	Total amount of EU budget contribution EUR 47.5 million (EUR 40 million from the Annual Action Programme 2014 and EUR 7.5 million from the Umbrella Programme 2014), of which EUR 40 million for budget support EUR 7.5 million for complementary support		
Budget support			
Aid method / Management mode and type of financing	Direct management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	15110 15111	Public sector policy and administrative management Public Finance Management	
Complementary support			
Aid method / Management mode and type of financing	Procurement of services Direct management		
DAC-code	15110 15111	Sector	Public sector policy and administrative management Public Finance Management

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The present programme provides sector budget support and complementary support for public finance and public administration reforms to aid the Government of Jordan continue its programme of Public Financial Management Reform and the new programme for Public Administration Reform over the period 2015 to 2017. It aims to enhance accountability and public service delivery through improved Government of Jordan performance. This will contribute to the objective of "Reinforcing the rule of law for enhanced accountability and equity in public service delivery" in the component 1 of the Single Support Framework (SSF) 2014-2017.

2.2. Country context

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

Jordan is a stable country in a troubled region. It is a small economy with no oil or gas resources and an estimated population of approximately 7 million, augmented by a growing number of refugees from Syria. It is classified as an upper middle-income country, with a widening gap in income distribution. The GINI coefficient has worsened slightly 35.4 (2010), down from 33.8 in 2008. The top 20% of citizens in 2013 accounted for 43.6% of income or consumption, while the bottom 40% accounted for 10.3%. Jordan had a per capita Gross National Income (GNI) of USD 4,670¹ in 2010. Gross Domestic Product (GDP) growth is only slowly recovering to 2.8% in 2013, only 0.1% higher than the rate of economic growth achieved in 2012. GDP growth was spurred by increased consumption and investment, but limited by pressures from the external environment and the limited fiscal space of the government. GDP growth is expected to reach "only" 4.5% in 2017. This growth rate, although favourable, is slower than expected and is much below the demographic growth rate, and insufficient to reduce unemployment, according to International Monetary Fund (IMF) estimates. There is general and widespread discontent with the government's perceived inability to promote growth and to address its poor economic performance, increasing corruption, poor job growth and rising prices.

The country continues to face challenges in its achievement of a stable fiscal environment. These include: increasing demands from the population for reforms in the light of the Arab Spring that resulted in the Government of Jordan increasing subsidies; the slow rate of global economic recovery that restricted the government's capacity to stimulate economic activity and employment; recurrent disruptions to the natural gas supply from Egypt that affect the cost of energy; and regional political instability leading to the dramatic growth in Syrian refugees in the country. These factors contribute to growing public debt, (86% of GDP in 2013), substantial losses in the water and electricity utilities, and 2013 government subsidies amounting to 1% of GDP. A 36-month USD 2 billion IMF Stand-by Assistance loan has been assisting the government since August 2012 in stabilising its fiscal environment. Assistance has also been received from the Gulf States, the United States, the World Bank, and the European Union.

Faced with increasingly limited public resources, greater Government of Jordan efficiency is called for. Moreover, following the Arab Spring the Government is aiming to improve service delivery to respond to citizen's concerns. To address these and other issues, the government continues its focus on enhancing public finance

¹ In current USD, Atlas method, Source: <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>.

management, improving government planning, spending and collection, trimming government business unit losses, and improving the accountability of institutions for improved service delivery and efficiency. The present programme aims to support some of those objectives.

2.2.2. *Fundamental values*

As underlined in the European Neighbourhood Policy (ENP) Progress Report 2013, Jordan advanced on a number of issues but also faces still some unresolved challenges. Parliamentary elections which took place in January 2013 were well administered and carried out in a transparent manner, governed by the electoral law amended in 2012. A number of shortcomings of this law do however undermine the protection of universally accepted principles, such as the equality of votes and universal suffrage. In early January 2014, Parliament amended the State Security Court (SSC) law, which restricts the scope of action of this military court, but does not eliminate the possibility of civilians being tried before it. The amendments to the press and publications law, adopted in September 2012, entered into force in early June 2013. They introduced a number of requirements relating to the operation of online news portals, which the media and civil society view as a way of imposing limits on freedom of expression and adding liabilities for the editors in-chief and owners for the content posted on the sites.

2.3. **Eligibility for budget support**

Jordan continues to be eligible for sector budget support and is also expected to maintain these conditions during the current programme implementation. It has already received and successfully managed a previous Public Finance Management Sector Budget Support (PFM) (SBS) programme. The risk of non-utilisation of this SBS is very limited. The conclusions on the four eligibility criteria for budget support follow:

- (1) The analysis of the public finance and of the public administration sector policy strategies confirms that well-defined policies and strategies that respond to the challenges faced by Jordan have been prepared and are under implementation. Sound Strategic and Action Plans for 2010-2013 were prepared and then 2014-2017 and discussed with the formulation mission. Considerable progress has been achieved in recent years as a result of significant donor assistance and strong government commitments to reform. Thus, the sector policy is considered appropriate for the provision of EU SBS.
- (2) The analysis of the macroeconomic framework and the macroeconomic forecasts provided by the latest IMF Article IV Consultation and Stand-By Arrangement review mission to Jordan which took place in March 2014, confirmed the positive assessment. It may be concluded that the Government's macroeconomic policy provides an appropriate basis for providing SBS to Jordan.
- (3) An extensive analysis of PFM reform implementation was undertaken in the Delegation's 2013 PFM annual monitoring report completed in October 2013. The report concluded that the Government of Jordan continues to make sound progress in the implementation of its PFM reform programme and that the PFM system in Jordan is sufficiently well-functioning to ensure the proper utilisation of donor funds, including budget support.

- (4) Finally, the entry point for the transparency and oversight of the budget was met as the draft budget continues to be published in a timely manner and for wide public access.

2.3.1. *Public policy*

At the broadest level, the government-wide public finance and public administration strategies continue to be based on the National Agenda and the “*We are all Jordan*” initiatives. The National Agenda 2006-2015 is a high-level plan of the Government of Jordan based on inputs from the Agenda Steering Committee. This Committee consulted widely, with representatives from the Government, Parliament, civil society, the private sector, media and political parties. The National Agenda is implemented through the Executive Development Programme (EDP), government units and their annual action plans. Their strategic plans assist in the achievement of the goals of the National Agenda. Most ministries and organisations are involved in implementing the Executive Development Programme and report periodic progress to Ministry of Planning and International Co-operation (MoPIC). Moreover a recent reform initiative was launched as part of the IMF’s Stand-by Arrangement initiated in 2012 with a value of approximately USD 2 billion over a three-year period. Its reform programme was designed to assist the government in addressing its problems in fiscal stability. These are discussed in more detail in a following section.

The latest overarching initiative in public sector and public finance reforms is the National Integrity System Charter and Executive Plan completed in December 2013. It was also based on extensive consultation and brings together a comprehensive reform process linking the next round of economic and public sector reforms. While the proposed timelines for its execution are optimistic, it has great value. The plan focuses on identified actions that, when taken together, are designed to significantly improve the integrity of government operating transparency, efficiency and effectiveness. It also includes measures to improve the integrity of citizens and the private sector in the context of their dealings with government. The Integrity Charter and Executive Plan appear to have strong support of the King and civil society. It provides strong direction and guidance for public finance and public administration related reforms for the future and a number of the key areas therein have specific benchmarks contained in this proposed programme.

As regards specific strategic plans for public finance and public administration reforms, both the Ministry of Finance and the Ministry of Public Sector Development are responsible for leading, monitoring or supporting reforms which have cross-cutting effects across all government institutions. Moreover, both Ministries have as their ultimate goal to improve the efficiency of service delivery, as well as improving the strategic allocation of scarce financial resources across the government. The sector strategies of both ministries are therefore highly relevant for the current proposed sector reform programme. The Ministry of Public Sector Development had its Government Performance Development Programme 2013-2016 approved by the Cabinet in December 2013 with a wider array of public sector reforms. The Ministry of Finance has recently developed its "Comprehensive Reform of Jordan's Public Financial Management 2014-2017".

Policy Relevance

The consolidated set of government policies described above is matched by more precise plans and processes in the individual government units. This provides a linkage from the programme proposed to these higher objectives. Because these policies are directed at increasing the fiscal stability of the country, they provide the

processes that are designed to promote economic growth, creating the necessary funds for expanded education, health and social programs, poverty reduction, and improved services to Jordanians.

Policy Credibility

The policies developed by the government are generally well-conceived and reflect a strong desire on the part of all stakeholders to address the multiple challenges faced in the country. Limited staff capacity to perform new tasks requires on-going capacity development and training. This is complicated by the chronic budget deficit, the inability to fund the full range of projects that present themselves and the hiring freeze since 2012. Donor assistance provides support during development and implementation: the continuing challenge for the government is to assume operating responsibility for projects when the donor programme financing has been completed.

Despite these challenges, the government has made good progress in advancing its public finance reform agenda and developing its public administration reform targets. The Government achieved the vast majority of the previous EU PFM programme's budget support benchmarks. For instance Public Expenditure Framework Agreement (PEFA) budget performance indicators have been highly rated in the two past surveys. The preponderance of evidence supports a conclusion that there is a credible and relevant national and PFM-sector and public administration development strategy that supports the objectives of poverty reduction, sustainable and inclusive growth, and democratic governance.

2.3.2. Macroeconomic policy

Based on the most recent IMF review missions (for the 3rd and 4th reviews) and the latest Article IV consultations which took place in March 2014, and covered the whole of 2013 and forward looking measures, it is concluded that the authorities pursue a credible and relevant stability-oriented macroeconomic policy in the present circumstances aiming at restoring fiscal and economic stability in the medium term and moving towards sustainability in the long term. Progressive economic growth is apparent as growth for 2013 increased by 0.1% from 2012 to reach 2.8%. Trade, finance and insurance, and a recovery in construction were the key growth drivers. However, the fiscal position remains vulnerable and the high amount of grants went a long way to help stabilise public finances in 2013. The rising inflation trend for 2013 reflected the removal of fuel subsidies; inflation rose notably since end 2012 and was very much affected by the liberalisation of fuel prices and higher international food prices. The current account deficit reached 10.03% of GDP in 2013 (down from 16.8% in 2012), helped by lower energy imports, higher transfers, and private receipts. The monetary policy remains strong with a much improved environment as reserves climbed to comfortable levels. However, unemployment remained elevated at 12.6%.

As regards the risk of instability due to the slow rate of global economic recovery and the increased energy bill arising from unstable gas supplies from Egypt, those are being mitigated through adopted measures under the Stand-By Arrangement which aims to reduce the losses of the national electricity company and to maintain fiscal stability. The Government has demonstrated its commitment since end 2012 and adopted difficult policies to address main current challenges to the budget. Moreover, domestic revenue mobilisation measures for 2014 were agreed with the IMF and the 2014 budget is considered appropriate. As regards regional political instability with the additional cost to the government due to the hosting of an increasing number of Syrian refugees, those are being mitigated by National

Resilience Plan 2014-2016 which includes priority responses to mitigate the impact of the Syrian crises on Jordan and on host communities.

Some of these results were facilitated by the sustained PFM reform programme that has consolidated the budget, installed a Government Financial Management Information System (GFMIS), improved commitment control and cash management, and implemented medium term expenditure frameworks (MTEF) and results oriented budgeting (ROB) procedures. Reforms aimed at revenue mobilisation have included the better use of technology and employees along with revised procedures to improve audit efficiency, increase tax compliance, and improve the quality of the tax department's service and transparency.

2.3.3. Public financial management

The 2013 PFM annual monitoring report completed in October 2013 reviewed progress in PFM reform implementation. It concluded that the Government of Jordan continues to make sound progress in the implementation of its PFM reform programme and that the PFM system in Jordan is sufficiently well-functioning to ensure the proper utilisation of donor funds, including budget support. Jordan has an integrated and well-functioning PFM system that has been strengthened over the last years through an on-going reform process supported by several donors. A number of key specific reforms were introduced in the last years such as the medium-term expenditure framework (MTEF) in 2008, a new Chart of Accounts (CoA) compliant with the 2001 Government Finance Statistics Manual (GFSM 2001), a revised budget preparation calendar, the gradual reinforcement of internal control units, and the adoption of the Treasury Single Account (TSA). In addition, the PEFA assessment of 2011 compared progress since the first PEFA in 2007 and noted that the overall change trended in a positive direction during the four-year period. The 2013 PFM annual monitoring report confirmed the positive trend, including progress in efforts to expand the use of the GFMIS further, improve the budget preparation, improve Audit Bureau reports, improve debt management, modernise internal controls and audit, and apply new information technology systems to improve the collection of tax arrears. Weaknesses persist in budget analysis, confusion remains between the concepts of internal control and internal audit, capacity building for pilot internal control units was not targeted enough and require a plan, and the revised new legislative basis for the Supreme Audit Institutions is yet to be approved by Parliament. Three of the above mentioned weaknesses are targeted in the present programme.

2.3.4. Budget transparency and oversight of the budget

The government of Jordan continues to make significant strides in improving financial information transparency and oversight. As per the EU Budget Support Guidelines of September 2012, the entry point for the fourth eligibility criteria – transparency and oversight of the budget – has been met as the Government of the Hashemite Kingdom of Jordan has published the enacted budget of the past budget cycle (2012/2013) within the respective fiscal year, and that the draft budget for 2014 was published on the internet for wider public reference and use before the end of 2013.

The latest Open Budget Index (OBI) from 2012 places Jordan at 57, much above the 18 OBI for Middle East and North African countries, and the highest index among its Middle East and North African neighbours, and well above the world wide average. The PEFA assessment of 2011 also confirmed notable progress in this area. The General Budget is published and accessible to the general public on the General

Budget Department's website since 2009, in draft and final form once approved by Parliament, in Arabic and English. Efforts to improve the information presented in the General Budget include the new and more detailed classification of the Chart of Accounts into the General Budget preparation since 2008. Since 2010, the new Chart of Accounts classification is applied to capital expenditure, which was therefore expressed in terms of the programmes and activities to be funded; in 2011 this was applied also to current expenditure, and for the first time the final accounts were published, which inform on the actual budget expenditure. Moreover, in response to popular requests for greater transparency and accountability, the General Budget Department developed two documents aimed at making the General Budget more accessible to the general public: the General Budget Brief which summarises the 2011 budget in a user-friendly manner; and the Citizen's guide which explains the main features of the General Budget Law and its content and it is written in a language suitable for wide public access.

2.4. Lessons Learnt

The Government of Jordan has been following a programme of continuous improvement and assessment of PFM by a variety of external experts both as a condition of grants and loans and also as the government recognises its importance and utility. Positive assessments of PFM, the macroeconomic condition, and numerous reviews of specific reform efforts have concluded that the government continues to make good progress, although suggestions for improvement are always made and generally accepted.

The PFM sector, led by the Ministry of Finance, has made noticeable progress in implementing new systems across all the stakeholder organisations. However, successful new systems and processes also require changes in the culture of the affected organisations, changes that can require years to fully embed. The initiative to implement internal financial control - which started under the EU budget support programme - represents one example of major culture change where the transition of working culture is occurring gradually. Systems and processes must be implemented by supportive management and staff possessing the analytical skills and judgment to inform decisions on strategy and policy. Increased transparency in all financial transactions contributes to reductions in the opportunities for fraud and corrupt behaviour. Processes have been initiated but improvements in PFM need to move outwards from the Ministry of Finance to line ministries.

Organisations must be analysed and restructured to accommodate systemic changes and to ensure the most efficient and effective use of budget resources – this is targeted through one of the activities of the present programme. Personnel policies must be adjusted to support the demands for greater staff capacities. These further changes also assist the stakeholders in better linking policy to budgets and monitoring results.

Donor financial and technical assistance has been vital to the achievement of many of the reforms to date, especially with regards to large projects like GFMIS, results-oriented budgeting, and MTEF. Continuing assistance is necessary to further the reform process, especially at the present time when Government attention is focused more on pressing issues related to the Arab Spring and the hosting of an increasing number of Syrian refugees.

2.5. Complementary actions

EU actions:

- 1) Twinning project for "Strengthening the Capacities of the Audit Bureau of Jordan" from September 2013 to June 2015;
- 2) Sector budget support programmes tied to a number of Government strategic reform initiatives, such as Public Financial Management (2010-2014), Technical, Vocational and Education Training (TVET), and Justice;
- 3) Technical assistance in medium-term budget reforms to the Ministry of Education;
- 4) Support for Improvement in Governance and Management (SIGMA) support missions for audit and internal control reform.

Donor and technical assistance from other donors includes:

- 1) United States Agency for International Development (USAID) technical assistance (of about USD 38 million programme) including resident advisors to the Ministry of Finance, General Budget Department and Income and Sales Tax Department, working extensively in helping establish the macro-fiscal unit, tax policy and administration reforms, results-oriented budgeting, and GFMIS. Technical assistance to the Ministry of Public Sector Development is working on staff capacity development; improve allocation of staff, manuals of code of conduct, setting up the complaint system for citizens and a document management system. The USAID programme terminates in October 2014. It might be extended for an additional year in a reduced form. It is yet unclear whether there will be a fully-fledged follow up programme.
- 2) Gesellschaft für Internationale Zusammenarbeit (GIZ) technical assistance (of about USD 3 million) included resident advisors and supported the macro-fiscal unit and budget reforms including MTEF, sectoral expenditure review, budget classification, chart of accounts, and results-oriented budgeting. The GIZ technical assistance has recently completed its assistance and no follow up programme is foreseen as GIZ will focus more exclusively on water.
- 3) The IMF Fiscal Affairs Department and the Middle East Regional Technical Assistance Centre (METAC) in Lebanon provide ad hoc week long technical advice on treasury issues, revenue generation capacity and effectiveness.
- 4) The World Bank has just provided a second Development Policy Loan for USD 250 million to Jordan in support of Government's efforts to address economic and social consequences of the current global financial crisis and economic slowdown while improving resilience of the economy to adverse shocks. It also supports a range of reform initiatives such as a joint expenditure review, developing macro-fiscal modelling capacities, Medium Term Expenditure Framework and policy development.
- 5) The IMF and the World Bank have provided ad hoc technical advice through joint assessments of the PFM system in 2004, 2009 and 2011.

2.6. Risk management framework

As per the Risk Management Framework updated in March 2014, overall average risk levels remains moderate with an average inherent risk of 1.89 (lower than 1.96 from the 2013 assessment) and an average residual risk of 1.83. Risk is somewhat stabilised from the previous assessment of September 2013. Though substantial risks prevail i.e. the legal framework does not provide full protection of human rights, civil society and media; insufficient separation of powers and independence of judiciary; exclusion of some parts of the population, spill over effects of the Syrian

crisis; and for corruption legal, regulatory and institutional framework is not effectively enforced.

The identified risks are mitigated through political and policy dialogue through Association Agreement committees and steering committees and targeted assistance and using efficiently all the tools the EU has at its disposal, in particular the broad range of on-going programmes. In particular assistance to media and gender equality issues; support to further develop the legislative/regulatory frame for the implementation of the new political laws. Support for the Parliament and to implement the adopted political reforms and assistance to the judiciary. A solid monitoring framework for fiscal consolidation through the IMF's Stand-By Arrangement and EU Macro-financial Assistance also monitors and mitigates risks, as does the EU Budget Support (BS) and assistance on energy efficiency and renewable energy. The additional EU support in 2013 of EUR 60 million (and potential new funding in 2014) to alleviate the impact of the refugee influx from Syria, addresses some medium and longer-term needs of both refugees and host communities in particular in the needs of education.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The present programme targets public finance and public administration reforms and aims to enhance accountability and public service delivery through improved Government performance. This will contribute to the objective of ‘Reinforcing the rule of law for enhanced accountability and equity in public service delivery’ in the component 1 of the Single Support Framework (SSF) 2014-2017.

These directly support the specific objectives of the Ministry of Finance and its departments and of the Ministry of Public Sector Development. As stipulated in the "Comprehensive Reform of the Jordan's Public Financial Management 2014-2017", its main objectives are to: 1. secure long term aggregated fiscal discipline 2. Foster policy-based budgeting 3. Enhance the role of the private sector as the main driving force of sustainable economic growth 4. Give due consideration to citizens' concerns – the present programme contributes to 1, 2 and 4 of these. And the public administration reform "Government Performance Development Programme" 2013-2016 aims at enhancing public services provided to citizens, enhancing transparency and accountability and performance in the public sector. Of the six pillars of the Ministry of Public Sector Development's programme, the present programme proposes to support the following: Second Pillar: Government streamlining, Third Pillar: developing government services and simplifying procedures, and Fourth Pillar: Strengthening supervision, regulation, accountability and transparency.

3.2. Expected results

Expected results of the proposed budget support programme include:

- a) Enhanced public service delivery;
- b) Increased transparency, accountability and prevention of corruption in the use of public funds, with particular emphasis on independent Government Units, internal control and audit, external audit and their rationalisation;
- c) Enhanced domestic revenue mobilisation; and
- d) Improved tax arrears payment discipline, and increased levels of tax collection.

In the case of complementary support (technical assistance), the following specific results in the area of capacity development are expected:

- a) Enhanced financial and programme analysis during budget preparation;
- b) Enhanced rationalisation of the internal audit and control and the external audit functions;
- c) Improved service delivery in several sectors; and
- d) Increased tax revenues and reduced tax arrears.

3.3. Rationale for the amounts allocated for budget support

The indicative total amount allocated to the Annual Action Programme 2014 under the Single Support Framework 2014-2017 is between EUR 93.6 million and EUR 114.6 million, of which between 50.7% and 41.4% is to be provided under the present budget support programme.

The allocation of EUR 40 million from the Annual Action Programme (AAP) for the present programme will be complemented by EUR 7.5 million from the Umbrella Programme. During the formulation mission it became obvious that the technical assistance needs from the Ministry of Public Sector Development were higher than expected, in particular as this is a relatively recent ministry set up in 2007 with a relatively small number of staff and requiring expert technical advice on a number of reforms. Moreover, it is become apparent that the institutions dealing with public finance reforms also require technical assistance as they will receive less support than before. The two donors who were providing long-term advisors are completing their programmes and only one of them (the USAID) is likely to continue and if so from 2016 at best, given their programming cycle and procurement timetables. Thus the additional allocation from the Umbrella Programme would focus on expanding in particular the public administration reforms, and in particular the capacity building component. The additional funds are also aimed to support the capacity of public finance institutions. Given the small size of the Ministry of Public Sector Development and that only one donor is currently supporting the Ministry of Public Sector Development until 2015 there was scope to raise technical assistance to this ministry. There was also scope to increase the budget support component for specific reform benchmarks for public administration reforms and to improving service delivery.

The use of budget support as the primary instrument to support the reforms is based on the following considerations:

- Budget support is an important component of EU assistance to Jordan. It provides the government budget flexibility to allocate the support to high-priority areas and at the same time, provides an incentive to focus on improving key public finance and public administration weaknesses. The present EUR 47.5 million in sector budget support represents approximately 0.7% of total government revenues and 0.18% GDP.
- Jordan is in dire need of and receives from a broad range of donors (Gulf States, EU, World Bank, IMF, and United States) financial assistance for even the basic needs of the government (see discussion of fiscal environment). In this environment, incentives to maintain its commitment to ongoing and new reforms are critical.
- Jordan's commitment to a range of ROB-related budget techniques (performance budgeting, MTEF, Medium Term Financial Framework (MTFF)

ensures that spending of own resources and budget support are allocated to high priority activities. Multi-donor and bilateral discussions ensure that support from all sources is targeted to high priority reform activities.

- Benchmarks for budget support are negotiated with stakeholders based on key strategic documents including this year the new comprehensive strategic plan and a new document having the direct support of the King, “The Integrity Charter and Executive Plan”. Achievement of many of the benchmarks will have a marked impact on such areas as increased revenues, reduced arrears, greater accountability, and more responsiveness to citizens' needs. These have long been goals of the government and will have an impact well beyond the effect of simply spending the amounts of the SBS.
- The government has a significant track record of success in meeting its benchmarks. Any failures are generally related to technical issues, rather than a lack of will. With budget resources and staff for the key stakeholders limited, the absorptive capacity and appetite is quite high.
- The government PFM system is now results based. In addition to the monitoring provided by the SBS, the ministries are responsible for monitoring of all of their programmes and activities, and the Ministry of Planning and International Cooperation provides ongoing monitoring of the specific benchmarks.

A costing exercise was also done and established that the total cost to the Government over three years to undertake the activities of the public finance and public administration reforms are estimated at JOD 155,180,000 (indicatively EUR 159 million). That is an average cost per year of JOD 51,726,666 (indicatively EUR 53 million). The EU budget support (of EUR 40 million) component would cover 25% of the total cost.

3.4. Main activities

3.4.1. Budget Support

The expected activities of the budget support component include the fulfilment of the overall budget support requirement related to the satisfactory progress made in the implementation of the four eligibility criteria. Specific reforms benchmarks are foreseen to achieve the following:

- Develop the capacity of internal control units at ministries, departments and agencies to conduct ex-ante (pre-audit) controls and build a professional Financial Controller community throughout the Government;
- Implement the withdrawal of the Audit Bureau from pre-audit;
- Launch a focused initiative to lower the total stock of tax arrears;
- Increase the collection rate of new imposed taxes;
- Increase tax assessment quality;
- Increase transparency of Government Units' Budgets;
- Implement a revised chart of accounts for government unit functional expenditures;
- Implement improvement initiatives for the delivery of streamlined and faster services to citizens;

- Implement a system of quarterly feedback on the follow up of complaints on the Complaints Management Call Centre;
- Implement a system of ‘Undisclosed’ Site Visits’ to selected ministries, departments and agencies.

The budget support specific reform benchmarks are based on the two strategies, the "Comprehensive Reform of the Jordan's Public Financial Management 2014-2017" and the "Government Performance Development Programme" 2013-2016. Some benchmarks were also drawn from the National Integrity System Charter and Executive Plan completed in December 2013, in particular the internal controls benchmark. Benchmarks were selected following the "results" already indicated in the Identification Fiche. Out of the 10 specific reform benchmarks, two specific reform benchmarks are related to the modernisation of internal control and external audit functions; those follow from the previous programme. Specific reform benchmark 3 also partly follows from the previous SBS as it focuses on reducing the stock of tax arrears and the previous SBS supported the development and adoption of IT systems which records and classifies arrears. All the other 7 reform benchmarks are new, in particular those related to the Ministry of Public Sector Development as we will be supporting this institution for the first time.

3.4.2. *Complementary Support*

Technical assistance:

The Government of Jordan has made significant progress in PFM and has also started some public administration reforms in the past decade. But each step of the reform programme's progress has been accomplished through the infusion of significant amounts of donor funding and technical assistance.

The Government is now even more strained in terms of financing and staff, as budget resources are more stretched due to external and internal pressures, and as the result of a hiring freeze and the departure of many skilled staff for higher salaries elsewhere, human resources are inadequate for ongoing operations and for expanding responsibilities.

Yet further reform is necessary. Reduced financial resources make it all the more important to achieve the objectives of the reforms programmes, including collecting maximum revenue, auditing programmes and processes to ensure the reduction of inefficient public spending and fraud, budgets must be better targeted at high priorities, and unnecessary spending for programmes and subsidies reduced or eliminated. Finally, the streamlining of duplicative, cumbersome functions and agencies is critical to efficient and effective government, as is the streamlining of service delivery to citizens.

Due to a lack of “in house” expertise, technical assistance is often crucial to enabling the stakeholders achieve their priority benchmarks and other initiatives of interest. In the past, technical assistance from the EU and other donors has enabled the implementation of major PFM reforms.

Jordan currently needs enhanced public service delivery; increased budget transparency, improved accountability and prevention of corruption in the use of public funds, enhancing capacities in internal controls, internal and external audit; enhanced domestic revenue mobilisation; improved arrears payment discipline; and improved monitoring of tax collection.

During the formulation phase the Government of Jordan institutions were highly motivated and demonstrated a strong interest in the programme and very good cooperation during formulation. Government ownership of the reforms was apparent with institutions working daily and closely with the formulation experts on the various areas.

The technical assistance (TA) needs were strongly expressed by the various institutions and cross-checked by the formulation consultants' assessment of Government capacities, by an IMF-World Bank diagnosis report on needed TA, by the PEFA, by discussions with donors and by the EU Delegation's assessment based on previous experience. Following extensive discussions on a number of reforms, selected areas for TA were chosen depending on whether they were relevant i.e. related to improving government performance and aimed at improving public service delivery, and whether they are cost efficient related to the programme (e.g. GFMIS was excluded due to its high cost, estimated at about EUR 15 million which would cover only some needs).

Relevant TA needs are estimated to cost EUR 2.767 million for public finance related reforms and EUR 2.890 million for public administration reforms over a three year period. The total comes to an estimated EUR 5.657 million, to this should be added an amount for audit, evaluation, contingencies and visibility which is how the estimate of EUR 6.5 million was reached for the estimated required capacity building.

The following technical assistance for public finance and public administration reforms are foreseen:

Activities related to result 1: Enhanced financial and programme analysis during budget preparation

- Assistance to integrate and develop cash and debt management systems into the Government Financial Management Information System;
- Assistance in planning and establishing an analytical unit at the General Budget Department and preparing and conducting their training in analytical techniques;
- Assistance to extend the Chart of Accounts from three characters to four characters for government units;
- Capacity building for the Ministry of Finance's revenue department.

Activities related to result 2: Enhanced rationalisation of the internal audit and control and the external audit functions

- Support and advice on the planning and implementation of the agreed Ministry of Finance (MoF) / Audit Bureau (AB) pre-audit withdrawal implementation plan. Enhance capacity in internal control, internal audit, and external audit MOF and AB. The aim is to strengthen internal controls and internal audit units and achieve an internal controls system (independent from the Audit Bureau) that is transparent and effective in reducing the opportunities for fraud and corruption.

Activities related to result 3: Improved service delivery in several sectors

- Support for restructuring of selected ministries, departments and agencies;
- Assistance in planning the rationalisation of regulatory commissions;

- Reengineer and redesign selected public services;
- Implement an awareness raising campaign for citizens on existing avenues for citizens to voice their concerns to Government;

Activities related to result 4: Increased tax revenues and reduced tax arrears

- Support the Income and Sales Tax Department to adopt techniques to increase collection of income and sales taxes, and enhance the capacity of Income and Sales Tax staff.

3.5. Donor Coordination

Bilateral coordination among donors and with Government has been productive and regular. The main donors providing support for finance reforms - the EU, USAID, GIZ, World Bank, IMF and METAC – have regular coordination meetings among donors and with government. In 2011 a specific Government-led donor coordination group on public finance reform issues was created by the Ministry of Planning and International Cooperation upon EU request and three meetings took place so far. The absence of IMF and World Bank offices in Jordan and the inconsistent participation of USAID to wider donor meetings have impacted the effectiveness of large donor meetings led by the Government; nonetheless the level of bilateral cooperation has been very productive. There has been an agreed division and complementarity in donors' support, with EU budget support and technical assistance by main donors complementing each other, with technical assistance working on the quality improvement and reviewing systems and the budget support supporting specific milestones in terms of results. As regards direct support to the Ministry of Public Sector Development, the USAID is the only donor providing some ad hoc technical assistance.

3.6. Stakeholders

The main stakeholders are the MoF, the General Budget Department (GBD), the Income and Sales Tax Department (ISTD), the AB, and the Ministry of Public Sector Development (MOPSD).

3.7. Conclusions on the balance between risks (2.6) and expected benefits/results (3.2)

Expected benefits/results will be both intangible and tangible. Intangible results will occur inside and outside the government. For instance, as a result of more transparency through increased access on the internet of the budget, financial results and the tax system, citizens should have more knowledge and confidence in government programmes, a better understanding of its functions and performance and easier access to tax filing and information. Within the government, there will be better planning, budgeting, and analysis. Leadership should be better able to make more informed decisions. The government should function more efficiently and effectively.

Tangible benefits will include targeted increases in tax revenues and in reduced arrears, internal audit and control will combat misuse of public resources and inefficiency through the better application of audit and internal control techniques.

Support to public finance reforms and public administration reforms aim for greater efficiency in public spending, improved government performance and improve services to citizens. At a time when strong internal and external pressures exist requiring pressing actions and taking Government attention, it is important to support Government reforms for an improved public service to continue and to be ambitious,

which is the purpose of the present programme. While the public finance and public administration strategies for the coming years are relevant and respond to challenges in the sectors, implementation is closely related to the provision of sufficient technical assistance/advice to support key stakeholders to fulfil their respective roles. Moreover, specific budget support targets ensure that key milestones are reached and encouraged and focus on key issues. In key areas such as the modernisation of the control of public finances clearly introducing three levels of controls (internal control, internal audit and external audit), the cost of non-intervention would be very high as these are difficult reforms requiring working culture changes and organisational changes and were only initiated by the Government since 2010 due to donor pressure and support. The risk on non-intervention could be very high given that internal controls, internal audit and external audit are the necessary three levels of control to scrutinise and attest to the appropriate use of public funds, yet currently controls differs as some ministries have one level of control, some have two and some have three.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 36 months for both budget and complementary support, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

- a) The general conditions for disbursement of all tranches are as follows: 1) satisfactory progress in the implementation of the "Comprehensive Reform of Jordan's Public Finance Management" 2014-2017 and of the "Government Performance Development Programme" 2013-2016 and continued credibility and relevance thereof, 2) implementation of a credible and relevant stability-oriented macroeconomic policy, 3) satisfactory progress in the implementation of the programme to improve public financial management and 4) satisfactory performance is upheld with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.
- b) Specific reforms benchmarks are foreseen to implement the activities stated in point 3.4 above and to achieve the results stated in point 3.2 above.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions).

Country fiscal year	Year 1				Year 2				Year 3				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Variable			10				15				15		40

tranches													
Total			10				15				15		40

4.4. Details on complementary support

A total of EUR 7.5 million is foreseen for complementary support, divided into two main categories: EUR 6.5 million for capacity building and EUR 1 million for monitoring and visibility.

Procurement for all complementary support will be done through direct management.

Procurement (direct management implemented by the Commission as the Contracting Authority)			
Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to support public finance and public administration reforms	services	2	1 st trimester of implementation
Evaluation and audit	services	5	2 nd trimester of each year (launch of monitoring missions)
Communication and visibility	services	2	1 st trimester of second year

4.5. Scope of geographical eligibility for procurement

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR millions	Third party contribution (indicative, where known)
3.3. – Budget Support Sector Reform Contract	40	N.A.
4.4 – Technical Assistance Procurement	6.5	N.A.

(direct management)		
4.8. – Evaluation and audit	0.8	N.A.
4.9. – Communication and visibility	0.2	N.A.
Contingencies	0	N.A.
Totals	47.5	0

4.7. Performance monitoring

The performance evaluation preceding the disbursement of budget support tranches will be undertaken by the EU Delegation through the mobilisation of external monitoring missions for detailed performance monitoring of the general and specific conditions prior to each tranche disbursement. Monitoring missions reviewing the achievements of the technical assistance component shall also be launched mid-term i.e. upon completion of the first year of the technical assistance and possibly once more a year later. During each of the monitoring missions, joint EU-Government stakeholder meetings shall be held bringing together the main institutions responsible for the reforms in order to discuss progress of programme implementation. This performance monitoring will be funded from line 4.8 of the indicative budget in point 4.6 above.

4.8. Evaluation and audit

As regards budget support, the EU Delegation reserves the right to perform an evaluation at the end of the implementation. In the case of complementary support, the EU Delegation reserves the right to conduct an audit on an ad hoc basis.

4.9. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented by a contractor mobilised by the EU Delegation, and in cooperation with the partner country.

The programme will follow the orientations of the Communication and Visibility Manual for the EU External Actions. Professional services will be procured to ensure communication and visibility of the programme in coordination with the key stakeholders of the Government of Jordan social partners and civil society.