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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 are 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 assess the progress made, the overall policy dialogue should be substantiated with the minute/report related to relevant meetings held with respective stakeholders.

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.