



# Project Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 22-Nov-2021 | Report No: PIDA33035



**BASIC INFORMATION**

**A. Basic Project Data**

Country Jordan	Project ID P177959	Project Name Jordan Support to Private Sector Employment and Skills	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 23-Nov-2021	Estimated Board Date 17-Dec-2021	Practice Area (Lead) Education
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Planning and International Cooperation	Implementing Agency Ministry of Labor	

Proposed Development Objective(s)

To increase private sector employment post COVID-19 with emphasis on youth and women.

Components

- Component 1: Support to the National Employment Program
- Component 2: Project Management and Monitoring and Evaluation

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	112.00
<b>Total Financing</b>	112.00
<b>of which IBRD/IDA</b>	112.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	112.00
Environmental and Social Risk Classification	
Moderate	
Decision	

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Jordan's economy appears to be slowly recovering from the COVID-19 crisis.** In the four years prior to the COVID-19 crisis, the Jordanian economy was growing at a low trajectory of around 2.0 percent – hampered by the impact of the Syrian crisis as well as domestic inefficiencies and high costs. The COVID-19 pandemic took a toll on the country's small and open economy with strong linkages with the rest of the world: Jordan's real gross domestic product (GDP) contracted by 1.6 percent in 2020.
- After the pandemic-induced jump in the second quarter of 2020 (Q2-2020), the unemployment rate continued to increase and in Q4-2020 it reached 24.7 percent, 5.7 percentage points higher than in Q4-2019.** Despite the economic rebound in the first two quarters of 2021, the unemployment rate remains at 24.8 percent. Women and youth, who already have structurally higher unemployment rates, were hit the hardest by the crisis. Female unemployment, which had been declining from 27.6 percent in Q4-2017 to 24.1 percent in Q4-2019, rose to 32.8 percent in Q4-2020. This was a much larger increase than for men, where it increased from 17.7 percent in Q4-2019 to 22.6 percent in Q4-2020. And the female labor force participation rate, 14 percent, is one of the lowest in the world. Youth unemployment jumped significantly from 40.6 percent in 2019 to an unprecedented 50 percent in Q4-2020.
- The persistently high levels of unemployment and informality are mainly driven by the limited capacity of the private sector to create more and better jobs.** The private sector generates far fewer jobs than the number of new entrants into the labor force, and the public sector has not made up for the gap. In addition, most jobs created tend to be low productivity.
- Unemployment is also explained by the mismatch between the skills that workers bring to the labor market and the skills that the private sector demands.** The Jordanian economy just does not generate enough jobs for college-educated workers, but even college diplomas do not always come with the right skills for the job. The education system does not equip youth with relevant skill for the labor market—it is instead driven by (a) the influx of secondary students streamed into specializations primarily based on the secondary school exam (*tawjihi*) results; and (b) choices that favor pathways resulting in public sector employment, particularly amongst females. Skills training opportunities for those already in the labor market are very limited.



## Sectoral and Institutional Context

5. **Most of the private sector is just starting to come out of the crisis, but it is still not creating jobs.** The rebound in GDP growth in Q2-2021 is broad-based but mainly led by the services sector (transport & communications, finance & insurance) followed by the industrial sector (manufacturing). Although the rebound is lower than expected, the World Bank still projects a GDP growth of 2.2 percent for 2021, which would take the economy back to its pre-COVID-19 level. Despite the increased economic activity and sales, the potential increase in labor demand is not translating into more hiring, particularly permanent hires. One reason is that the increase in sales does not make up for the severe loss of resources and liquidity firms experienced during COVID-19, which led to the destruction of jobs in the first place.<sup>1</sup> In other words, firms do not have enough revenue to hire, and access to finance is still limited. And uncertainty about the continuity of the rebound also makes firms reluctant to hire. Resource constraints and uncertainties are making firms even more selective about who they hire than before COVID-19: the skill mismatch is becoming more binding, and firms are putting even more premium on experience. In the meantime, most workers who lost their jobs during COVID-19 are still unable to find employment, have little or no protection nor opportunities for upskilling, and are beginning to ‘scar’ (in the sense that the protracted unemployment period reduces their skills and their readiness for employment). Young new entrants are particularly vulnerable because of the lack of work experience.

6. **In response to this challenge, the GOJ is designing a new National Employment Program (NEP), which will be supported by the proposed Project.** The goal is to help the private sector create sustainable jobs post COVID-19, at a time when many firms are recovering but reluctant to hire and unemployment is at its peak, particularly among youth (defined under NEP as ages 18-40 years old) and women. In particular, the NEP aims to (a) help firms realize the potential demand for labor by providing temporary financing to help them hire and upskill workers, especially youth and women; and (b) connect jobseekers to these job opportunities. A distinctive feature of NEP and the proposed Project relative to previous initiatives is that support is demand-driven and skills training is competency-based and privately-provided (unless no private provider is available, e.g. in remote areas).

### C. Proposed Development Objective(s)

#### Development Objective(s) (From PAD)

7. The Project Development Objective (PDO) is to increase private sector employment post COVID-19 with emphasis on youth and women.

#### Key Results

8. The PDO will be measured by the following indicator:

- Share of jobseekers supported by the Project who continue to be employed 6 months after the support period ends, by gender and National Aid Fund beneficiary status.
  - The support period includes 6 months of training and monetary support plus an additional 6 months during which awarded companies commit to employing supported jobseekers.

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<sup>1</sup> For every 1 percent decline in sales, firms reduced their permanent workforce by approximately 0.4 percent (Hatayama et al. 2021)



- Target: 75%

#### D. Project Description

9. **The proposed Project will be demand-driven and include a combination of temporary wage subsidies and support to skills training.** Target jobseekers will select the supported job opportunities they would like to be considered for, and these opportunities will be determined by the companies that are awarded financial support under the project.

10. **The target population of jobseekers will include jobseekers between the ages of 18 and 40 who are assessed to be most in need of employment support.** The target population will include some priority groups, including women and selected beneficiaries close to the poverty line. Firms from all sectors will be eligible for support, although firms in sectors with the highest growth potential as well as firms located in disadvantaged areas will be particularly encouraged to apply through targeted communication.

11. **Interested jobseekers and firms will need to register in the national employment platform (Sajjil) to be considered for support.** Sajjil is a digital platform that provides job-matching services to registered jobseekers based on job opportunities posted by private companies. Sajjil is being enhanced to support the implementation of NEP. It will be used to process the selection of supported job opportunities as well as the matching of these opportunities to jobseekers.

#### B. Project Components

##### 12. **Component 1: Support to the National Employment Program**

13. **Sub-component 1.1: On-the-job training.** This subcomponent will finance on-the-job training (OTJT), wage subsidies, social security contributions, and transportation allowances for 6 months for workers hired by awarded companies under the Project. Workers must be registered in the Social Security Corporation (SSC) by the companies and the total wage paid by firms must be at least equal to the minimum wage. Although financial support is only provided for 6 months, companies must issue contracts to workers for at least 12 months, i.e., firms must commit ex-ante to keeping workers for at least 6 months after the support period ends.

14. **Sub-component 1.2: Classroom training.** This component will finance up to 3 months of classroom training (with a minimum of 1 month) and stipends for trainees, followed by 3 months of OTJT and 3 months of wage subsidies, for a total of 6 months support. Awarded firms must also issue contracts with workers from the time they join as trainees for 12 months.

15. **Component 2: Project Management, Monitoring, and Evaluation.** This component will support MOL with the management, monitoring and evaluation (M&E) of project activities. It will finance a fully staffed and equipped Project Management Unit (PMU) under the Ministry of Labor. The PMU will be responsible for fiduciary oversight of the project, the daily management of project activities, monitoring and evaluation of project interventions against results indicators, as well as internal coordination within the GOJ. This component will finance the costs of: (a) staffing; (b) other project operating costs; (c) data collection and analysis for the purpose of periodic reporting on the project's implementation progress and well as the evaluation of the project; (d) audit costs, including independent verification of payments to awarded companies as well as monitoring and compliance with the Environmental and Social Framework (ESF) instruments; (e) communication and outreach; (f) required upgrades to and maintenance of Sajjil; and (g) Grievance and



Redress Mechanisms.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The project will provide the workers with wages subsidies and training packages, in addition to providing subsidies for the companies working in different sectors including industrial (i.e. chemical, plastic, food processing), services, construction and agricultural sectors, to continue paying wages to the workers and to conduct the training packages identified under component 1. The funds will not support the operational budget of the companies, except paying the wages and paying subsidies to social security contributions and transportation stipend. The project will not support the procurement of any material or equipment, or civil works, therefore, none of the interventions under this project will result in any adverse environmental impacts. The occupational health and safety risk of the different sectors is identified under ESS2, where Occupational Health and Safety (OHS) measures for the different sectors will be addressed in the Labor Management Procedures that will be prepared within 30 days of the Effectiveness Date. The health risk related to the exposure to COVID-19 will be addressed under ESS4. The project social risks are limited in nature and scale and can be summarized as follows: (i) the unequal access to project benefits of unemployed people who live in remote/disadvantaged areas; (ii) the failure of participating private firms and training centers in complying with national labor-related regulations and ESS2; (iii) the sexual and physical harassment toward women and youth in Jordan; and (iv) the limited experience of implementing agencies in applying and implementing ESF and its instruments.

**CONTACT POINT**

**World Bank**

Dina N. Abu-Ghaida  
Lead Economist

Ali H. Abukumail  
Senior Private Sector Specialist

Cristobal Ridao-Cano  
Lead Economist

**Borrower/Client/Recipient**



Ministry of Planning and International Cooperation

Maher Abdulrahim

Head of World Bank Division

maher.abdulrahim@mop.gov.jo

**Implementing Agencies**

Ministry of Labor

Mai Elayan

Head of National Employment Program Technical Committee

mai.alian@mol.gov.jo

**FOR MORE INFORMATION CONTACT**

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 473-1000

Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Dina N. Abu-Ghaida Ali H. Abukumail Cristobal Ridao-Cano
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**Approved By**

Practice Manager/Manager:		
Country Director:	Holly Welborn Benner	23-Nov-2021